DERBY CITY COUNCIL

AUDIT AND ACCOUNTS COMMITTEE
25 JUNE 2009

ITEM 6

Report of the Corporate Director of Resources

Statement of Accounts 2008/09

RECOMMENDATION

1.1 To consider the Statement of Accounts including the key issues summarised in Appendix 2.

1.2 To approve the Statement of Accounts for 2008/09 subject to external audit.

REASON FOR RECOMMENDATIONS

2.1 The Statement of Accounts for 2008/09 summarises the council's financial performance for the year ended 31 March 2009. It is a requirement of the Accounts and Audit Regulations 2003 that the Statement of Accounts must be approved by a full council or a committee nominated by full Council by 30 June 2009. The full statement is attached at Appendix 3.

MATTERS FOR CONSIDERATION

3.1 Each Statement at Appendix 3 starts with a brief description for explanatory purposes. The Statement of Accounts contains nine key elements as follows:

- Income and Expenditure account – I & E
- Statement of movement on the General Fund Balance – SoMGF
- Statement of Total Recognised Gains and Losses – STRGL
- Balance Sheet – BS
- Cashflow Statement – CFS
- Housing Revenue Account – HRA
- Collection Fund – CF
- Statement of Responsibilities – SoR
- Annual Governance Statement – AGS.

3.2 The preparation and publication of an annual governance statement in accordance with the CIPFA/SOLACE Framework is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England)

3.3 This is the fourth year in which closure of the annual accounts has been to the earlier deadline of 30 June.

3.4 Attached at Appendix 2 is a brief explanation of the key issues and messages from some of the main statements.

3.5 We are also required to prepare and publish Group Accounts for any subsidiary, associate or joint venture where non production of group accounts could result in the Statement of Accounts failing to present fairly the Authority's activity and financial position.

3.6 The Accounts attached at Appendix 3 and Group Accounts are subject to external audit during July 2009. Should there be any material changes required as a consequence of the audit, this will be reported to the next Audit and Accounts Committee, and revised Accounts tabled.

3.7 The accounts will be published by 30 September 2009 and a summarised set of accounts will also be prepared. This will be on the basis of the final audited Statement of Accounts confirmed at the next Audit and Accounts Committee.

3.8 The Council's auditors, Grant Thornton have to comply with International Standards of Audit, ISA 260, which requires then to report to the body charged with approving the accounts any issues relating to their audit in an External Audit – Audit Memorandum. This will combine any final accounts issues to report. The audit memorandum will be reported to the next Audit and Accounts Committee for consideration by members.

3.9 The Income and Expenditure Account includes the total net variance on the Revenue Outturn against the revenue budget for 2008/09, as an appropriation to revenue reserves. Specific details of the variances and proposed treatment will be reported to 28 July 2009 Cabinet for approval. The published Statement of Accounts will include an expanded Explanatory Foreward to provide additional service revenue outturn and reserves information as reported to July Cabinet.

For more information contact:	Carolyn Wright Tel 01332 256288 e-mail Carolyn.wright@derby.gov.uk
Background papers:	None
List of appendices:	Appendix 1 - Implications Appendix 2 - Key Issues and Messages within the Statement of Accounts Appendix 3 - Statement of Accounts 2008/09

Appendix 1

IMPLICATIONS

Financial

1. As detailed in the report.

Legal

2.1 The Accounts and Audit Regulations 2003 require authorities to obtain approval by a council committee to the Statement of Accounts and Group Accounts by 30 June.

2.2 The Accounts are prepared in accordance with CIPFA's Statement of Recommended Practice – SORP – 2008.

2.3 Under the Council's constitution, approval of the above is delegated to the Audit and Accounts Committee, to ensure the deadline can be met.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate priorities

5. The accounts provide a financial record of the Council's activities and are therefore relevant to all the Council's priorities.

APPENDIX 2

Key issues and Messages within the Statement of Accounts

A. Income and Expenditure Account and Statement of Movement on the General Fund Balance

1. The gross expenditure of the Council in 2008/09 on a broadly comparable basis with the private sector was £632.0million. *See I&E statement*

2. Income was £449.4m, giving a net cost of service of £182.6m. *See I&E statement*

3. Net operating expenditure is £203.1m. This gives rise to an Income and Expenditure account deficit of £13.5m after £189.5m income from Council Tax and Government funding. *See I&E statement*

4. Adjustments are then made for amounts required by statutory or non statutory proper accounting practices to be debited or credited to arrive at the change in the General Fund and Schools balances. The General Fund balance has increased by a planned transfer of £305k to maintain balances at 2% of the Budget Requirement. Schools balances have decreased by £1.384m. *See SoMGF*

B. Balance Sheet

1. The Council owns fixed assets valued at £1,205.6million.

2. The main points to note from the Balance Sheet are:

    - Total Net Worth of the Council is £644.7m, an increase of £28.5m over 2007/08.

    - The Council has revenue earmarked reserves of £49.1m which includes £3.2m Housing Revenue Account earmarked reserves.

    - The Council has accumulated £13.5m in capital receipts, and £4.2m in capital reserves to meet capital commitments in the 2009/10 to 2011/12 approved capital programme.

Briefing Note for Members – Audit & Accounts Committee 25th June 2009

The statements that are being presented today summarise the Council's accounts for the financial year ended 31 March 2009. The statements for 2008/09 are in accordance with the 2008 Statement of Recommended Practice (SORP) and Best Value Accounting Code of Practice (BVACOP). These are split into primary and secondary statements and are as follows:

Primary Statements

- **The Income and Expenditure Account**

  A summary of the resources generated and consumed by the Authority in the year.

- **Statement of Movement on the General Fund Balance**

  A reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.

- **Statement of Total Recognised Gains and Losses**

  A demonstration of how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.

- **The Balance Sheet**

  Sets out the financial position of the Council on 31 March 2009

Secondary Statements

- **Cashflow Statement**

  Summarises all inflows and outflows of cash arising from transactions with third parties

- **Housing Revenue Account (HRA)**

  A separate statement showing income and expenditure on council housing

- **Collection Fund**

  Shows the transactions of the Council as a billing authority in relation to non-domestic rates and council tax, and the way in which these have been distributed

- **Statement of Responsibilities**

  Details specific responsibilities for the Statement of Accounts

- **Annual Governance Statement**

  Sets out the framework within which financial control is managed and reviewed

The Explanatory Foreword

The Explanatory Foreword, which provides a brief explanation of the Council's main financial activities during the year, precedes the statements. It also draws attention to the main issues that will affect the Council's present and future financial position.

Financial Statements and Policies

To comply with proper accounting practices, the 2008/09 figures have been prepared in line with the 2008 SORP. There are no significant changes required by the 2008 SORP.

The Council incurs revenue and capital expenditure during the year. The Local Government and Housing Act 1989 (the 1989 Act), requires all expenditure to be charged to a revenue account of the Authority unless it can be classified as capital

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.

Statement of Accounting Policies.

The principles used in compiling the accounts are set out in the Statement of Accounting Policies.

One change in accounting policy has been implemented for 2008/09, altering the valuation method used for quoted securities assets in the Local Government Pensions Scheme from mid-market value to current bid price. This change is required under the 2008 SORP and has resulted in an increase of the pension deficit by £0.780m. Current and prior year surplus have been unaffected by this change.

DERBY CITY COUNCIL

STATEMENT OF ACCOUNTS

DRAFT

2008 – 2009

Contents

Explanatory Foreword

1. Introduction

These accounts have been produced in order to illustrate the financial performance of Derby City Council for the year ended 31st March 2009.The Council continues to provide 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 corporate management team and the Chief Financial Officer in order to ensure that the Council continues to play a fundamental role in the City of Derby.

These statements of accounts have been prepared in accordance with the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Local Authority Accounting: Statement of Recommended Practice (SORP 2008). In order to produce a Statement of Accounts which 'present fairly' the financial position and transactions of Derby City Council, suitable principles and practices have been adopted.

Where necessary, estimates and prudent judgements have been made which comply with the SORP. In order to provide the stakeholders with the confidence that public money has been properly accounted for, effective internal controls to detect and prevent any irregularities have been enforced.

This foreword gives a brief summary of the overall financial position of the Council as at 31 March 2009. It also explains Derby City Councils financial activity and the purpose of the financial statements.

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 2008/09 (1 April 2008 to 31 March 2009). The core financial statements comprise of:-

Statement of Accounting Policies (page 10)

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 23)

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 taxpayers, national non-domestic rates and general Government grants. This statement is produced in line with accounting practices covered by UK Generally Accepted Accounting Practices (UK GAAP).

Statement of Movement on the General Fund Balance (page 24)

This statement shows the income and expenditure which, defined by legislation, cannot be included in the income and expenditure account in order to remain UK GAAP compliant; but is required for calculating the Council tax requirement. The Council's general fund balances at the year end are also shown here.

Statement of Total Recognised Gains and Losses (STRGL) (page 26)

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 27)

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 to date. The statement shows the Council's financial position as at the 31 March 2009. Any internal transactions between Council services are omitted from this statement.

Cashflow Statement (page 29)

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 30)

These notes aim to assist in the 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 Cashflow Statement.

Supplementary Financial Statements

The Housing Revenue Account (page 77)

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 84)

It is a statutory requirement for all billing authorities, 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 Councils own general fund and precepting 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.

In 2008/09, net spending on the Council's General Fund services was £175.530m creating a £1.164m transfer to revenue reserves. This represents 0.66% of the Council's 2008/09 budget requirement. Savings have mainly been earmarked for use in future years to support the Council's transformation agenda and other strategic corporate and service priorities and future budget pressures, including commitments made but not accounted for in 2008/09.

The results for the Housing Revenue Account show a carried forward surplus of £0.739m for 2008/09.

The Statement of Recommended Practice (SORP 2008) defines how the Council's expenditure on services should be split for the Statement of Accounts. Expenditure is however controlled at department level.

Council Tax

In 2008/09 the Council had to decide its spending plans having regard to the Government's reserve capping powers. The Band D council tax for 2008/09 for Derby City Council services was £1,065.13. This was derived by dividing the amount needed by the Council from taxpayers (£74.404m) by the tax base of 69,854.20.

Revenue Reserves

Unallocated general reserves stand at £6.486m at the end of 2008/09. The balance is consistent with the Council's financial policy of holding general reserves at approximately 2% of the net revenue budget. Other revenue reserves available to the general fund stand at £45.859m and are earmarked for either departmental or corporate use.

Corporate earmarked reserves include a Transformation Reserve and a Corporate Investment Fund for Corporate priorities and initiatives together with budget risk reserves. In addition earmarked reserves are being held to fund specific projects included within the Council's budget and priorities. The budget for 2009/10 includes the use of £0.244m service reserves.

4. Borrowing Facilities

The total amount of long term borrowing held by the Council at 31 March 2009 was £335m compared to £369m in 2007/08. All borrowings are held with the Public Works Loan Board. See note 26 on page 52 for further details.

5. Capital Expenditure and Income

In 2008/09, the Council spent £79.5m 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
- Creation of visual arts and media centre (QUAD)
- Rosehill market social, economic and infrastructure improvements

Unapplied capital resources, excluding capital receipts, stand at £37.987m at 31 March 2009. These consist of £21.861m unapplied capital grants, £11.960m developed and other capital contributions and £4.169m earmarked capital reserves. The Unapplied Capital Receipts account stands at £13.519m at 31 March 2009. 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 Schemes

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 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
  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 a decrease in the Council's Net Pension Liability of £32.352m. This meant the Council's Net Pension Liability as at 31 March 2009 was £200.695m. A more detailed analysis of the movement in Net Pension Liability can be found in Note 31. 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. These 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. Note 31 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 had a significant impact on some services provided by the Authority in 2008/09 including: increased numbers of housing benefit applications; increased numbers of money and benefit advice requests from residents; plus a fall in income from planning and building control applications, 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. The sharp fall in bank interest rates did not have a significant impact on treasury management income due to many of our investments being for fixed term periods when investment rates were relatively high. This position will be closely monitored during 2009/10.

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 more volatile and detrimental impact on asset values which has led to the Council recognising significant impairments on some of its fixed assets, in particular within the Housing section. Further details of the asset impairments applied are included in Note 17(f) below. There has also been a reduction in the level of receipts from sales of Council houses.

In recognition of the ongoing economic recession, the Council intends to produce an action plan in areas where it could be more proactive in its service offer to both citizens and businesses during 2009/10 to ensure the impact of any further deteriorations are minimised.

Statements of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year end of 31 March 2009.
It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A statement of Recommended Practice 2008 (the SORP), including applicable Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS).
The accounting conventions 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 SORP and FRS18. For example:

- Fees, charges and rents 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 stock 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.
- 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.
- 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.

3. Provisions

The treatment outlined is in line with FRS12 (Provisions, contingent liabilities and contingent assets) and the 2008 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 authority 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 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. At present the authority has the following bad debt provisions:

- Sundry Debtors
- Collection Fund
- Housing Benefits Overpayments

The bad debt provisions are calculated firstly by providing fully for any specific debts that are considered to be doubtful as well as an estimation of what percentage of debt will be repaid on a year on year basis of the remaining balance.

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 possible.

Contingent liabilities are not recognised in the Statement of Accounts but are disclosed within the notes if there is a possible 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 in to the Statement of Movement on the General Fund Balance so that there is no net charge against the Council tax for the expenditure. The authority holds the following reserves:-

Revenue reserves

- General Fund Balances
- Housing Revenue Account Balance
- Collection Fund Balance
- PFI Reserves
- Revenue Earmarked Reserves
- Schools Balances

Capital reserves.

- Revaluation Reserve
- Capital Adjustment Account
- Useable Capital Receipts Reserve
- Deferred Capital Receipts
- Capital Earmarked Reserve

Other reserves

- Pensions Reserve
- Financial Instrument Adjustment Account

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 these benefits cannot be identified to the Council and so the scheme is therefore accounted for as if it were a defined contribution scheme in accordance with the SORP. No liability for future payments of benefit is recognised in the Balance Sheet and the Education Service revenue account is charged with the employer's contribution payable to teachers' pensions in the year.

- **The Local Government Pension Scheme**, administered by Derby City Council and is accounted for as a 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. Liabilities are discounted to their value at current price.

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 statement reflects 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. 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. In the Statement of Movement on the General Fund Balance this means that here are appropriations to and from the Pensions Reserves to remove the notional debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

Change of Accounting Policy

Under the 2008 SORP the Council has adopted the amendment to FRS 17 Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of the scheme assets at 1 April 2007 has been restated from £414.615m to £413.786m, resulting in an increase of the pension deficit of £0.780m. Current and prior year surplus have been unaffected by this change.

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 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 asset, in the relevant service revenue account, in line with the depreciation policy applied to them. Grant 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 Useful Economic Life of each intangible asset is assumed to be no more than 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 the tangible 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 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 on materiality ground.
- 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 re-valued 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 value 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 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 Receipt

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. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts 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. 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. Amounts are 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 (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 land and buildings – straight line allocation over the life of the property as estimated by the Valuer.
- 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.

Grants and Contributions

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 to revenue to offset depreciation charges made for the relevant asset in the relevant service revenue account, in line with the depreciation policy applied to them.

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 is 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 but which does not result in the creation of tangible assets. This type of expenditure was previously named 'deferred charges'. 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.

13. Leases.

Finance Leases.

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

- A charge for the acquisition of the interest in the property (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 the rent becomes payable).
- A finance charge (debit to Net Operating Expenditure in the Income and expenditure account as the rent 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 over the term of the lease so that, in general, rentals are charged when they become payable. 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.

Credit Arrangement

Credit arrangements comprise diverse forms of leases and contractual arrangements through which authorities obtain credit other than by the borrowing of money. In 2001/02 the Council entered into a credit arrangement by taking on a long term lease of a building. Financing for the net present value of future lease payments has been included within the Capital Adjustment Account.

14. Long Term Private Finance Initiative (PFI) Contracts.

Derby City Council has three operational PFI projects and a further one in procurement as follows:

Operational

- Grouped Schools
- Housing Inner City Regeneration
- Street Lighting

In procurement

- Housing – New Build and Refurbishment (commencement due in 2010/11)

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 charged to revenue to reflect the value of services received in each financial year in line with FRS5 (Reporting the substance of transactions).

PFI transactions in relation to operational schemes, together with the relevant notes to the accounts are treated in accordance with SORP 2008.

Where appropriate, account has been taken within the revenue account and balance sheet of the implications of any residual balance and prepayments (Deferred Consideration) in relation to schemes.

Deferred Consideration

Deferred considerations reflect PFI contract prepayments made where the payment has given rise to a future benefit for the Council. The balance is amortised to revenue over the period of the future benefit, which is the life of the PFI contract. These are included under long term debtors on the Balance Sheet.

Residual Value Build up for PFI schools and street lighting

Residual value build up reflects a cumulative annual build up of the cost of the assets over the life of the contract, where the total value of the schools and street lighting units will transfer back on to the council's Balance Sheet at the end of the contract term.

In all cases, ownership of the assets generated is deemed to have been transferred to the private sector provider, returning to the Council only at the end of the operational period, with the exception of housing scheme where the assets remain with the provider.

In cases where the revenue grant stream received from the Government generates cash surpluses in the early years of a project, the surpluses are retained in earmarked reserves in order to offset grant deficits anticipated in future years. Details of future obligations are shown as a note to the Income and Expenditure Account.

15. Investments.

Investments are shown in the Balance Sheet at cost less provision, where appropriate, for loss in value. Long-term investments have been identified separately on the face of the Balance Sheet. Any dividend income from investments is recognised when the Council has a right to receive the dividend.

16. 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.

17. 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, 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).

18. 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.

19. 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.

20. Housing Revenue Account – Resource Accounting.

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

21. Overheads and Support Services.

The cost of overheads and support services are charged to those that benefit form the supply of service in accordance with costing principles of the CIPFA Best Value Code of Practice

(BVACOP).The total absorption principle is used – the full cost of overheads and support services are shared between users in proportion to the benefit 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 Councils 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.

22. VAT.

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

23. Events after the Balance sheet date.

These are events that have happened after the balance sheet date of 31 March 2009. 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 was known about 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 an un-adjusting event. For these only a note 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

2007/08 Net Expenditure £000		2008/09 Gross Expenditure £000	2008/09 Gross Income £000	2008/09 Net Expenditure £000	Note
6,061	Central Services to the Public	27,291	27,977	**(686)**	
42,387	Cultural, Environmental and Planning Services	74,179	22,492	**51,687**	
45,451	Children and Education Services	298,922	248,496	**50,426**	
14,691	Highways, Roads and Transport Services	33,672	16,566	**17,106**	
(6,689)	Housing	107,335	107,106	**229**	
52,503	Adult Social Services	81,774	24,961	**56,813**	
5,709	Corporate and Democratic Core	7,240	1,811	**5,429**	
691	Non Distributed Costs	1,560	0	**1,560**	
160,804	**Net Cost of Services**	**631,973**	**449,409**	**182,564**	1
0	(Gain)/loss on disposal of fixed assets			**(84)**	
(390)	(Surplus) or deficit of Trading Undertakings not included in Net Cost of Services			**(37)**	5
18,015	Interest Payable and Similar Charges			**17,992**	
4,098	Contribution to Housing Capital Receipts Pool			**635**	
(7,317)	Interest and Investment Income			**(9,947)**	
4,062	Pensions Interest Cost and Expected Return on Pensions Assets			**11,921**	32
63	Amortised Premiums and Discounts			**19**	
179,335	**Net Operating Expenditure**			**203,063**	
(70,562)	Demand on the Collection Fund			**(74,404)**	
(83)	Share of Previous Year Collection Fund Surplus			**0**	
(13,271)	General Government Grants			**(25,333)**	13
(79,081)	Non-Domestic Rates Redistribution			**(89,791)**	
16,338	**Deficit for the Year**			**13,535**	

THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Whilst 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 month. 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 then 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 then 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.

2007/08 £000		**2008/09 £000**
16,338	Deficit for the year on the Income and Expenditure Account	13,535
(18,033)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(12,456)
(1,695)	**(Increase)/decrease in General Fund Balance for the Year**	**1,079**
(11,463)	General Fund Balance brought forward	(13,158)
(13,158)	**General Fund Balance carried forward**	**(12,079)**
(6,977)	Amount of General Fund Balance held by governors under schemes to finance schools	(5,593)
(6,181)	Amount of General Fund Balance generally available for new expenditure	(6,486)
(13,158)		**(12,079)**

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

2007/08 Restated £000		2008/09 £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	
(10,500)	Depreciation of Fixed Assets	(19,194)
(12,433)	Impairment of Fixed Assets	(11,456)
1,608	Government Grants Deferred amortisation	2,252
(2,011)	Revenue Expenditure Funded from Capital under Statute (REFCS)	(2,068)
0	Net Gain / Loss on Sale of Fixed Assets	84
(805)	Differences between statutory debits/credits and amounts recognised as Income and Expenditure in relation to financial instruments.	698
(25,236)	Net charges made for retirement benefits in accordance with FRS17	(31,616)
(49,377)		**(61,300)**
	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	
5,671	Statutory Provision for the Repayment of Debt (Minimum Revenue Provision)	6,017
1,791	Share of liability Derbyshire County Council transferred debt	1,819
21	Credit arrangement notional interest	4
1,829	Capital expenditure charged in-year to the General Fund Balance	2,782
(4,098)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(635)
(347)	Deferred consideration PFI	(347)
20,907	Employer's contribution payable to the Pension Fund and retirement benefits payable direct to pensioners	22,051
25,774		**31,691**
	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	
1,616	Housing Revenue Account balance	738
1,166	Voluntary revenue provision for capital financing	1,685
2,788	Net transfer to / (from) earmarked reserves	14,730
5,570		**17,153**
(18,033)	**Net additional amount required to be credited to the General Fund balance for the year**	**(12,456)**

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.

2007/08 £000		2008/09 £000
16,338	Deficit for the year on the Income and Expenditure Account	**13,535**
(67,071)	Surplus arising on revaluation of fixed assets	**782**
49,439	Actuarial (gains) / losses on pension fund assets and liabilities	**(41,917)**
93	Any Other Gains and Losses	**(873)**
(1,201)	**Recognised gains for the year**	**(28,473)**
(27,872)	Prior year adjustments	**780**
(29,073)	**Total (Gains)/Losses since last Statement of Accounts**	**(27,693)**

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

2007/08 £000	Other Gains and Losses	2008/09 £000
170	Collection Fund	**77**
(77)	Business Improvement District (BID)	**0**
0	PFI - Residual Value	**(176)**
0	Other (Gains) / Losses	**(774)**
93		**(873)**

THE BALANCE SHEET

2007/08 Restated £000		2008/09 £000	Note
	Fixed Assets		
188	Intangible assets	116	19
620,498	Council Dwellings	603,888	18
425,532	Other land and buildings	457,455	18
11,156	Vehicles, plant, furniture and equipment	10,475	18
81,277	Infrastructure assets	92,650	18
13,866	Community assets	14,370	18
809	Investment properties	2,245	18
36,739	Assets under construction	6,368	18
17,351	Surplus assets held for disposal	17,994	18
1,207,416	Total Fixed Assets	**1,205,561**	
5,238	Long term investments	22,139	21
14,912	Long term debtors	16,130	22
1,227,566	Total long term assets	**1,243,830**	
	Current Assets		
2,245	Stocks and works in progress	1,144	23
35,460	Debtors	38,922	24
155,304	Investments	109,943	
2,820	Cash and bank	2,674	
195,829	**Total current assets**	**152,683**	
1,423,395	**Total Assets**	**1,396,513**	
	Current Liabilities		
(43,023)	Creditors	(55,177)	25
(8,077)	Bank overdraft	(8,969)	
(51,100)	**Total current liabilities**	**(64,146)**	
1,372,295	**Total assets less current liabilities**	**1,332,367**	
	Long Term Liabilities		
(368,659)	Long term borrowing	(335,488)	27
(1,911)	Provisions	(2,035)	29
(62,678)	Government grants deferred	(74,327)	35
(46,463)	Government grants unapplied	(33,821)	
(43,302)	Deferred liabilities	(41,293)	
(233,047)	Net Long Term Liability related to defined benefit pension scheme	(200,695)	
(756,060)	**Total long term liabilities**	**(687,659)**	
616,235	**Total assets less liabilities**	**644,708**	

Continued….

2007/08 £000		2008/09 £000	Note
	Represented by:		
(75,379)	Revaluation Reserve	(73,278)	34
(689,070)	Capital Adjustment Account	(673,727)	37
(14,018)	Useable Capital Receipts Reserve	(13,519)	36
(130)	Deferred Capital Receipts	(111)	
(2,279)	Capital Earmarked Reserves	(4,169)	
233,047	Pensions Reserve	200,695	32
(6,181)	General Fund Balance	(6,486)	
(15,830)	Housing Revenue Account Balance	(16,568)	
(164)	Collection Fund Balance	(938)	
(330)	Major Repairs Reserve	(716)	
(38,594)	Revenue Earmarked reserves	(49,097)	
(422)	Financial Instrument Adjustment Account	(1,201)	
92	Available For Sale Financial Instruments Reserve	0	
(6,977)	Schools Balances	(5,593)	
(616,235)	**Total Net Worth**	**(644,708)**	

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

THE CASHFLOW 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.

2007/08 £000		£000	2008/09 £000	Note
	REVENUE ACTIVITIES			
1,359	Net Revenue Activities Cashflow		1,126	43
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
	Cash outflows –			
19,227	Interest paid	16,555		
0	Interest element of finance leases	0		
19,227		16,555		
	Cash inflows -			
(7,331)	Interest received	(9,733)		
11,896			6,822	
	CAPITAL ACTIVITIES			
	Cash outflows –			
36,543	Purchase of fixed assets	28,052		
7,119	Revenue expenditure funded from Capital under Statute	11,794		
(7,532)	Other net capital cash	12,496		
	Cash inflows -			
(15,936)	Sales of fixed assets	(3,743)		
(53,064)	Capital grants received	(45,395)		45
(32,870)	**Net Capital Activities Cashflow**		3,204	
(19,615)	Net Cash Outflow / (Inflow) before Financing		11,152	
	MANAGEMENT OF LIQUID RESOURCES			
43,004	Net increase / (decrease) in short term deposits		(45,361)	
	FINANCING			
	Cash outflows –			
136,955	Repayments of amounts borrowed	44,171		
	Cash inflows -			
(160,808)	New loans raised	(11,000)		
(23,853)			33,171	
(464)	**Net Cash (Inflow) / Outflow = Net Increase / (Decrease) in Cash**		(1,038)	44

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 2008/09.

2. Section 137 Expenditure

Section 137(1) of the Local Government Act 1972 (as amended) enables authorities to incur expenditure not specifically authorised (nor prohibited) under any other power for the benefit of people in their area. The Local Government Act 2000 granting new powers to authorities in England and Wales to promote social, economic and environmental well-being in their area has largely replaced the use of S137(1). Section 137(3), which covers donations to charities and other non-profit organisation operating in the United Kingdom, is still be applicable to the City Council. In 2008/09 there has been no expenditure under that power and there was also no such expenditure in 2007/08.

3. Local Authorities Act 1970 (Goods and Services)

The Council is empowered by this Act to provide goods and services to other public bodies. During 2008/09 there were no material contracts in place.

4. Publicity.

Section 5 of the Local Government Act 1986 requires local authorities to identify expenditure on certain types of publicity. Publicity expenditure included in the Income and Expenditure Account is as follows.

2007/08 £000		2008/09 £000
758	Recruitment advertising	624
607	Other publicity	538
1,365	**Total**	1,162

5. Trading Services.

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

2007/08				2008/09		
Income £000	Expenditure £000	(Surplus)/ Deficit £000		Income £000	Expenditure £000	(Surplus)/ Deficit £000
			Continuing CCT arrangements			
(18,089)	**17,989**	**(100)**	Building	**(16,067)**	**15,922**	**(145)**
(3,256)	**3,142**	**(114)**	Building Cleaning/Caretaking	**(2,944)**	**2,972**	**28**
(5,071)	**5,113**	**42**	Catering	**(5,308)**	**5,723**	**415**
(177)	**177**	**0**	School Crossing Patrols	**(144)**	**151**	**7**
(6,655)	**6,294**	**(361)**	Waste Management	**(6,039)**	**5,925**	**(114)**
(168)	**175**	**7**	Street Lighting	**0**	**0**	**0**
(3,766)	**3,726**	**(40)**	Grounds Maintenance	**(3,719)**	**3,651**	**(68)**
(3,865)	**3,865**	**0**	Other Cleaning (Gullies)	**(3,696)**	**3,743**	**47**
(4,608)	**4,771**	**163**	Sports and Leisure Management	**(4,906)**	**4,930**	**24**
(45,655)	**45,252**	**(403)**	**Net trading (surplus) / deficit**	**(42,823)**	**43,017**	**194**
0	**13**	**13**	**ADD FRS17 adjustment**	**(231)**	**0**	**(231)**
(45,655)	**45,265**	**(390)**	**Net (surplus) / deficit in Income & Expenditure Account**	**(43,054)**	**43,017**	**(37)**

Waste management costs have increased due to higher costs of collection, and increasing food costs have led to an increased Catering deficit in 2008/09. Street Lighting costs were transferred to the Council's PFI contractor in January 2008; see Note 9 for further details.

6. Building Control Account.

The Building (Local Authority Charges) Regulations 1988 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The following statement shows the total cost of building control operations split between the chargeable and non-chargeable activities. The chargeable trading deficit of £76,441 in 2008/09 has been part met by £48,343 from the ring fenced Building Control Trading Reserve, reducing the reserve to nil.

The remaining expenditure and income is included within Cultural, Environmental and Planning Services in the Income and Expenditure Account

Total Building Control 2007/08 £000		Chargeable 2008/09 £000	Non-chargeable 2008/09 £000	Total Building Control 2008/09 £000
	Expenditure			
708	Employee expenses	474	210	**685**
0	Premises costs	0	0	**0**
24	Transport	24	10	**34**
53	Supplies and Services	34	13	**46**
206	Central support service charges	157	37	**194**
991	**Total Expenditure**	**689**	**270**	**959**
	Income			
(654)	Building Regulations charges	(601)	0	**(601)**
(6)	Other Income	(12)	(2)	**(14)**
(660)	**Total Income**	**(613)**	**(2)**	**(615)**
331	**(Surplus) / Deficit for the year**	**76**	**268**	**344**

Actions are currently being taken to recover the deficit incurred in 2008/09 and the Council is currently investigating the possibility of more formal partnership working with neighbouring District Authorities.

7. Auditors Fees.

The auditors Grant Thornton were appointed 1st April 2007 with regard to external audit services under the Audit Commission Act 1998. Fees payable for Audit Code work in the financial year 2008/09 were £315,000, this includes a £15,000 additional fee relating to 2007/08 (£262,800 in 2007/08).

The fees payable to the Audit Commission in respect of statutory inspections in the financial year 2008/09 totalled £22,392 (£125,875 in 2007/08 including £103,750 for Comprehensive Performance Assessment not payable in 2008/09) in accordance with the Local Government Act 1999.

The fees payable for certification of claims returns totalled £114,343 payable to Grant Thornton and £79,292 payable to PricewaterhouseCoopers LLP (£141,508 in 2007/08) under the Audit Commission Act 1998.

8. Pooled Budget

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

The IDCS pooled budget provides 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.

The pooled budget will host the grant Aiming High For Disabled Children which becomes fully operational during 2009/10. Some of the ground work relating to this has been provided through IDCS during 2008/09 using a small implementation grant of £40,000, and IDCS resources.

An area that the IDCS Management Board feel should be integrated, is equipment budget for disabled children. The pooling of this resource is subject to both parties submitting a balanced budget for the expenditure and there is likely to be progression throughout 2009/10 to implement this change.

Income and expenditure for the 2008/09 financial year are as follows:

2007/08 £'000	**Integrated Disabled Children's Service**	**2008/09** £'000
	Income	
909	Social Services	1,016
949	Central Derby PCT	971
205	Other income	202
2,063	**Gross income**	**2,189**
	Expenditure	
995	Residential services	1,061
371	Community Service Team (Outreach service)	373
102	Disability & Fieldwork social work services	189
623	Management and Administration	611
2,090		**2,234**
(27)	**Surplus/(deficit) for the period**	**(45)**
131	Surplus/(deficit) brought forward	104
104	**Surplus/(deficit) carried forward**	**59**

9. 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 £0.419m are anticipated in 2009/10. Future cash payments between 2010/11 and the end of the contract are expected to be approximately £11.505m.

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 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. However, the maximum payments expected during 2009/10 and 2010/11, will amount to £5.48m and £5.40m respectively. Future total cash payments from 2010/11 onwards for each five-year period to the end of the contract are expected to be as follows:

Period	Amount for five years £	Average annual Payment £
2011/12 – 2015/16	£25.9m	£5.2m
2016/17 – 2020/21	£24.7m	£4.9m
2021/22 – 2025/26	£24.2m	£4.9m
2026/27 – 2030/31	£24.3m	£4.8m
2031/32 (part year)	£3.7m	£3.7m

Amounts above include a variation made to the contract in November 2007 to Design, Build, Finance and Operate two additional nurture 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.

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. However, the maximum payments expected during 2009/10 and 2010/11, will amount to £3.3m and £3.7m respectively. Future total cash payments from 2011/12 onwards for each five-year period to the end of the contract are expected to be as follows:

Period	Amount for five years £	Average annual payment £
2011/12 – 2015/16	£21.5m	£4.3m
2016/17 – 2020/21	£23.3m	£4.7m
2021/22 – 2025/26	£24.9m	£5.0m
2026/27 – 2030/31	£26.7m	£5.3m
2031/32 – 2032/33	£6.9m	£5.2m

Affordable Housing

A 30-year PFI contract is currently in procurement, to provide a minimum of 175 affordable houses in the City. Two bidders have been selected to proceed to Preferred Bidder stage and are currently in the Competitive Dialogue stage of the process. Financial close is anticipated to be in 2010/11.

Residual Value Build up for PFI schools and street lighting

Residual value build up reflects a cumulative annual build up of the cost of the assets over the life of the contract, where the total value of the schools and street lighting units will transfer back on to the council's Balance Sheet at the end of the contract term. The Residual Value is included under long-term debtors on the Balance Sheet and will be transferred into Fixed Assets at the end of the contract period.

10. Officers' Remuneration

The breakdown of employees whose total remuneration, excluding pension contributions, was £50,000 or more is shown below in bands of £10,000. Remuneration includes all taxable benefits.

Number of employees 2007/08	Total Remuneration	**Number of employees 2008/09**
119	£50,000 - £59,999	**129**
21	£60,000 - £69,999	**28**
23	£70,000 - £79,999	**19**
3	£80,000 - £89,999	**8**
3	£90,000 - £99,999	**2**
3	£100,000 - £109,999	**1**
3	£110,000 - £119,999	**4**
0	£120,000 - £129,999	**2**
0	£130,000 - £139,999	**0**
1	£140,000 - £149,999	**0**
0	£150,000 - £159,999	**1**
176	**Total number of officers with remuneration over £50,000**	**194**

11. Members' Allowances.

In 2008/09 the Council paid a total of £781,537 (£772,134 in 2007/08) to its members in the form of allowances. These comprised of basic and special responsibility allowances.

12. 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 £0.995m (£1.104m in 2007/08) income 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

The Council also provides significant funding to Connexions Derbyshire Limited and is in the process of finalising an agreement of joint ownership with Derbyshire County Council, the impact of which will be shown in 2009/10 with Connexions becoming an Associate Company of the Council.

The Council has 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 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 2008/09 services to the value of £351k were commissioned from companies in which one 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 £717k to voluntary organisations in which two members had an interest. These grants were made with proper consideration of declarations of interest.

During 2008/09 the Chief Executive of the City Council held the position of Director of Derby Cityscape Limited which received a contribution of £250k from the Council. The Chief Executive did not take part in any administration of the company and received no payment from them. The Council does not have a controlling interest in the company.

During 2008/09 a Council member held the position of Governor with Derby University which received services totalling £366k. The member was part of the Planning and Applications division but did not sit on the Planning Control Committee.

Partnership and Accountable Body Arrangements

Transactions totalling £5.8m (£5.8m in 2007/08) relating to the Derwent New Deal for Communities programme are included in the Income and Expenditure Account. This is because the Authority 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 and aims to improve the quality of life of all residents of Derwent.

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.

In addition, Social Services and Children and Young People include £9,830m income from other Local Authorities, Health Authorities and other partners for the provision of services.
This income is not received as part of a pooled budget agreement.

13. Government Grants.

The split of grants are shown in the following table.

	2008/09 £0
Area Based Grant	(12,833)
Revenue Support Grant	(12,500)
	(25,333)

14. Area Based Grant.

The Council acts as the accountable body for the Area Based Grant. This means that the Council is responsible for the financial and performance management of the Area Based Grant (ABG) that is received from the Department for Communities and Local Government (DCLG).

Decisions on awarding the ABG and the selection of indicators which the delivery of the grant is measured against are driven through Derby City Partnerships (DCP) who are the Local Strategic Partnership and are overseen by the DCP's Strategy Co-ordination Group (SCG). The Partnership represents a range of organisations with an interest and commitment to the economic and social regeneration of Derby.

15. 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.

16. 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 the 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 the 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 2009 £000s	Historical experience of default %	Adjustment for market conditions at 31 March 2009 %	Estimated maximum exposure to default £000s
	(a)	(b)	(c)	(a * c)
AAA rated counterparties	34,805	0.00%	0.00%	0
AA rated counterparties	24,000	0.06%	0.06%	14
A rated counterparties	59,500	0.65%	0.65%	387
BBB rated counterparties	2,000	3.11%	3.11%	62
Other counterparties	7,000	42.67%	42.67%	2,987
Trade debtors	23,625	4.00%	4.00%	945
	150,930			4,395

The Council also uses non-credit rated institutions (for instance smaller building societies). In these circumstances these investments have been classified as "Other counterparties" and the historical experience of default has been taken to be the same as other building societies (although it differs in the table above due to the shorter average length of investment held with "Other counterparties").

The Council has £6m invested with Northern Rock plc, which was invested in July 2008 and matures in July 2009. At 31 March 2009 Northern Rock had a long-term rating grade of A-, and it has been included in the category 'A' above. The Bank is currently nationalised with a three-month notice period for de-nationalisation and guarantees are currently in force for long standing deposits.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its trade debtors, such that £10.956m of the £23.625m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	6,918
Three to six months	140
Six months to one year	1,015
More than one year	2,883
	10,956

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 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 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:

	£000
Less than one year	11,102
Between one and two years	7,091
Between two and ten years	41
Between ten and fifteen years	9,004
More than fifteen years	316,100
Total	**343,338**

The maturity analysis of financial assets is as follows:

	£000
Less than one year	106,550
Between one and two years	18,000
Between two and ten years	3,000
More than three years	0
Total	**127,550**

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 financial instrument 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; and
- 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 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 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 will 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 HRA 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	(253)
Impact on Income and Expenditure Account	(253)
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 STRGL in relation to financial instruments are made up as follows:

2007/08		**Financial Liabilities**	**Financial Assets**		**2008/09**
Restated Total £000s		**Measured at amortised cost £000s**	**Loans and receivables £000s**	**Available-for-sale assets £000s**	**Total £000s**
(10,020)	Interest expense	(10,112)	0	0	**(10,112)**
(10,020)	**Interest payable and similar charges**	**(10,112)**	**0**	**0**	**(10,112)**
7,328	Interest income	0	8,747	0	8,747
7,328	**Interest and investment income**	**0**	**8,747**	**0**	**8,747**
0	**Surplus arising on revaluation of financial assets**	**0**	**0**	**0**	**0**
(2,692)	**Net gain/(loss) for the year**	**(10,112)**	**8,747**	**0**	**(1,365)**

For information, the interest gain on the “Available for Sale” assets would arise from differences between the coupon interest rates of the Council’s forward deals and the interest rates available from the financial markets on 31 March 2009. However, the Council had no forward deals or any tradable financial instrument on 31 March 2009.

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 2008 £000	31 March 2009 £000	31 March 2008 £000	31 March 2009 £000
Financial liabilities (principal amount) *This is the actual value of the loan, not arising from any adjustments*	365,292	332,236	3,114	11,102
Financial liabilities at amortised cost	368,659	335,465	3,204	11,201
Financial liabilities at fair value through the I&E	0	0	0	0
Total borrowings	**368,659**	**335,465**	**3,204**	**11,201**
Loans and receivables (principal amount) *This is the actual value of the loan, not arising from any adjustments*	5,000	21,000	151,500	106,550
Loans and receivables at amortised cost	5,238	22,138	154,667	108,890
Available-for-sale financial assets	0	0	92	0
Financial Assets at fair value through the I&E	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Total investments	**5,238**	**22,138**	**154,759**	**108,890**

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 2008	
	Carrying amount £000	Fair value £000	Carrying amount (restated) £000	Fair value (restated) £000
PWLB debt	346,666	374,080	368,406	399,278
Trade creditors	26,218	26,218	26,163	26,163
Total financial liabilities	**372,884**	**400,298**	**394,569**	**425,441**

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 2008	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Money market investments < 1 yr	108,890	109,773	151,500	154,667
Money market investments > 1 yr	22,138	22,986	5,000	5,306
Trade debtors	23,625	23,625	20,001	20,001
Total Loans and receivables	**154,653**	**156,384**	**176,500**	**179,974**

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 indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

17. Commitments under Operating Leases

Operating lease rentals paid in the year amounted to £1.428m. As at 31 March 2009, the Council had a commitment to meet the following payments under existing operating leases:

Financial Year	Lands and Buildings £000	Plant and Equipment £000	Total £000
Leases due to end within 1 Year	5	5	10
Leases due to end with in 2 – 5 years	761	121	882
Leases over 5 Years	504	0	504
Total	1,270	126	1,396

18. Tangible Fixed Assets

a) Movement in fixed assets 2008/09

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

	Council Dwellings	Other Land and 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 2008	702,809	468,020	25,360	97,178	14,051	855	17,351	36,739	1,362,363
Re-classifications	0	23,016	0	5,133	181	0	5,453	(33,783)	0
Revaluations	0	44,439	0	0	0	0	1,205	0	45,644
Additions	5,792	7,834	2,289	8,881	353	1,436	0	3,412	29,997
Donations	0	0	0	0	0	0	0	0	0
Disposals	(688)	0	0	0	0	0	(2,801)	0	(3,489)
As at 31 March 2009	707,913	543,309	27,649	111,192	14,585	2,291	21,208	6,368	1,434,515
Depreciation and impairments									
At 1 April 2008	(82,312)	(42,488)	(14,203)	(15,900)	(185)	(46)	0	0	(155,134)
Depreciation charge for 2008/09	(12,399)	(8,804)	(2,971)	(2,642)	0	0	0	0	(26,816)
Depreciation on disposals	(11)	0	0	0	0	0	0	0	(11)
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	(9,303)	(34,562)	0	0	(30)	0	(3,214)	0	(47,109)
As at 31 March 2009	**(104,025)**	**(85,854)**	**(17,174)**	**(18,542)**	**(215)**	**(46)**	**(3,214)**	**0**	**(229,070)**
Balance Sheet amount as at 31 March 2009	603,888	457,455	10,475	92,650	14,370	2,245	17,994	6,368	1,205,445
Balance Sheet amount at 1 April 2008	**620,498**	**425,532**	**11,156**	**81,277**	**13,866**	**809**	**17,351**	**36,739**	**1,207,229**
Nature of asset holding									
Owned	603,888	457,455	10,475	92,650	14,370	2,245	17,994	6,368	1,205,445
Finance Lease	0	0	0	0	0	0	0	0	0
PFI	0	0	0	0	0	0	0	0	0
Total	**603,888**	**457,455**	**10,475**	**92,650**	**14,370**	**2,245**	**17,994**	**6,368**	**1.205,445**

b) Commitments under capital contracts

The Council has ongoing commitments on capital schemes totalling £16.914m. These are summarised by Directorate below.

	2009/10 £000
Children and Young Peoples Services	259
Housing – Private Sector	2,619
Regeneration and Community Services	13,622
Corporate and Adult Social Services	33
Environmental Services	178
Total	16,711

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

- The Housing capital programme includes schemes totalling £8.6m focussing on routine, ongoing 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. In addition the private sector element of the programme includes schemes totalling £3.323m 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 the final payment of £0.8m for the completion of the Night Shelter and Alcohol Assessment Centre on Green Lane and a contribution of £1.6m to an Extra-Care facility at Tomlinson Court developed by Housing 21

- The Environmental Services capital programme includes schemes for the following: £0.920m for the creation of a new gym and library at Springwood Leisure Centre; £0.424m for a new community building at Osmaston Park; £0.610m for a new building at Sunnyhill Community Centre; and £0.453m for grounds maintenance replacement vehicles and plant and equipment

- Three new schools have opened – Sinfin Community School, rebuilt after a fire (£11.8m in 08/09); Village Primary in Normanton (£4.0m); and a new Ivy House special school (£5.3m), co-located on the Derby Moor Community Sports College site. The Learning and Skills Council funded a Post-16 centre at Lees Brook Community Sports College (£2.5m).
- £8.1m was spent on condition and modernisation projects in a range of schools

- Local Transport Plan **-** £4.1m was spent on Highways and Transport improvements.

- Connecting Derby - £3.7m was spent on the main construction work between Abbey Street and Osmaston Road

- Museum Military Gallery – Completion of the refurbishment of the military gallery at Derby Museum and Art Gallery.

- QUAD - Final completion of Derby's visual art and media centre (QUAD) which opened to the public in 2008.

- LiRA (Libraries in Renewal Areas) is for the improvement of the city's network of neighbourhood libraries by providing static libraries for the first time in Allenton, Mackworth and Chellaston. Allenton Library is now complete and opened in May.

d) Tangible fixed asset valuation

The freehold and leasehold assets that comprise the Authority's fixed asset portfolio have been valued as at 1 April 2008 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.

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.

Further detailed information regarding the various valuations is set out in a valuation certificate.

e) Depreciation

Depreciation has been provided for on assets with a finite useful life in accordance with Financial Reporting Standard 15 and SORP 2008. 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 2009.

Asset Category	Depreciation provision at 1 April 2008	Depreciation for 2008/09	Depreciation provision at 31 March 2009
Council Dwellings	**(82,312)**	(12,410)	**(94,722)**
Other Land and	**(42,488)**	(8,804)	**(51,291)**
Vehicles, plant and equipment	**(14,203)**	(2,971)	**(17,174)**
Infrastructure	**(15,900)**	(2,642)	**(18,543)**
Community Assets	**(185)**	0	**(185)**
Investment properties	**(46)**	0	**(46)**
Total	**(155,134)**	**(26,827)**	**(181,961)**

f) Impairment

Although the borrowing for capital works has increased, works included within this spending, as detailed below, do not increase asset value but merely bring the property and infrastructure up to a reasonable standard. This expenditure has occurred as a result of clear consumption of economic benefits of Council assets and is known as impairment works.

As well as impairment losses incurred from in year capital expenditure, impairment also occurs through the annual revaluation process. Impairment losses due to revaluation total £47.1m and have been accounted for as part of the rolling programme of revaluations. Due to a downturn in the economic market property prices have dropped and as a result a separate impairment exercise has been undertaken as at 31 March 2009 by the Council's Chief Estate Officer.

As with all capital expenditure, impairment works carried out in year will be partly funded through Government grants, contributions and Section 106 contributions. Therefore the corresponding grant funding for impairment losses have been written down to revenue (£30.2).

The impairment balance is as follows:-

	Total £000
Revaluation Losses	**47,108**
Capital expenditure in year (Consumption of economic benefits)	**39,028**
Financed by Government Grants & Contributions	**(30,199)**
Total	**55,937**
Offset to revaluation reserve	**(44,485)**
Total Net Impairment Losses charged to Income and Expenditure Account	**11,452**

19. Intangible Fixed Assets

In accordance with the SORP 2008 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 Authority. The expenditure in this instance relates to the purchase of software licences

	Total £000
Balance at 31 March 2008	**188**
Additions	**24**
Amounts Amortised in year to Service Revenue Accounts	**(96)**
Balance at 31 March 2009	**116**

20. Financing of Capital Expenditure

Financing	**£000**	**Expenditure**	**£000**
Borrowing	10,610	Tangible Fixed Assets	69,677
Capital Receipts	3,515	Intangible Fixed Assets	24
Government / other grants	47,987	Revenue Expenditure Funded from Capital under Statute	11,794
Major Repairs Allowance	7,343	Movement in working capital	(1,968)
Revenue and Revenue Reserves	3,393		
Other external contributions	5,871		
Capital reserves	809		
Total	79,528		79,527

Revenue expenditure funded from capital under Statute has been fully amortised to revenue, along with any grant funding, in 2008/09. However, under the capital control framework this expenditure is still classed as capital expenditure and capital financing applies as shown above.

21. Long Term Investment

Long term investments of £16m, with Barclays Bank PLC and Lloyds TSB PLC, were entered into during June and July 2008 which mature (including last year's long term investment with Chelsea Building Society) with interest between 2 June 2010 and 1 July 2011.

31 March 2008 £000	Long Term Investments	31 March 2009 £000
5,000	Chelsea Building Society	5,000
0	Barclays Bank PLC and Lloyds PLC	16,000
238	Accrued Interest on Long Term Investments	1,138
5,238	**TOTAL**	**22,138**

22. Long Term Debtors

The deferred consideration reflects PFI contract prepayments made where the payment gave rise to a future benefit for the Council. In 2007/08 there was a further prepayment and the amortisation to revenue over the period of the future benefit began.

31 March 2008 £000		Additions £000	Reductions £000	31 March 2009 £000
8,254	Deferred consideration – Schools PFI	0	(348)	**7,906**
2,426	Residual value – Schools PFI	1,444	0	**3,870**
0	Deferred consideration – St Lighting PFI	316	0	**316**
96	Mortgages for sales of council housing	0	(16)	**80**
4,046	Derbyshire County Council 1974 transferred funds	0	(162)	**3,884**
46	Car Loans to Employees	68	(78)	**36**
44	Other loans	0	(6)	**38**
14,912	**TOTAL**	**1,828**	**(610)**	**16,130**

Residual Value Build up for PFI schools

Residual value build up reflects a cumulative annual build up of the cost of the assets over the life of the contract, where the total value of the schools will transfer back on to the Council's Balance Sheet at the end of the contract term. The

Residual Value is included under long term debtors on the Balance Sheet and will be transferred into Fixed Assets at the end of the contract period.

23. Stocks and Work in Progress

31 March 2008 £000		31 March 2009 £000
	Stocks	
132	Trading Services	290
1,706	DICES	373
126	Other departments	124
	Work in progress	
281	Trading Services	357
2,245	**Total**	1,144

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.

24. Debtors

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

31 March 2008 £000		31 March 2009 £000
	Amounts falling due within one year	
13,642	Government Departments	12,158
1,643	Other local authorities	2,738
10,266	Council taxpayers	9,395
2,415	Business ratepayers	3,457
658	Housing rents	878
20,001	Sundry debtors	23,949
48,625		52,575
(13,165)	Provision for bad and doubtful debts	(13,653)
35,460	**Total**	38,922

25. Creditors

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

31 March 2008 £000		31 March 2009 £000
3,126	PWLB Borrowing with less than one year to maturity	11,102
9,615	Government Departments	10,592
3,159	Other local authorities	6,746
119	Council taxpayers	318
841	Business ratepayers	195
0	PWLB loan restructuring discounts	0
26,163	Sundry creditors	26,224
43,023	**Total**	55,177

26. 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 £0.111m at 31 March 2009 (£0.130m at 31 March 2008) and are matched by sums included in long-term debtors.

NOTES TO THE CORE FINANCIAL STATEMENTS

27. 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 2008 £000		Range of interest rates payable %	Total Outstanding 31 March 2009 £000
	Source of loan		
365,292	Public Works Loan Board	3.137 to 6.165	**332,236**
3,367	Premiums and Discounts rescheduling and interest	n/a	**3,253**
0	Money Market	0	**0**
368,659	**Total Borrowing**		**335,488**
	Analysis of loans by maturity		
3,367	Premiums and Discounts rescheduling and interest	n/a	**3,253**
3,102	Maturing within 1 - 2 years - PWLB	3.137	**7,091**
4,119	Maturing within 2 - 5 years	4.027	**34**
11	Maturing within 5 – 10 years	4.242	**5**
358,060	Maturing after 10 years	4.581	**325,105**
368,659	**Total Borrowing**		**335,488**
399,278	PWLB fair value (incl all debt not that just over 1 year to maturity)		**374,080**
399,278	**Total Fair Value**		**374,080**

28. Deferred Liabilities/Credits

31 March 2008 £000		31 March 2009 £000
	Deferred Liabilities	
41,598	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.	**39,933**
1,330	Loans transferred from neighbouring authorities in 1968	**1,231**
374	Other	**130**
43,302	**TOTAL**	**41,294**

NOTES TO THE CORE FINANCIAL STATEMENTS

29. Provisions

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

2007/08 £000		2008/09 £000
	Provision for uninsured risks	
729	Balance at 1 April	**597**
777	Provision made in year	**481**
(909)	Provision used and written back in year	**(496)**
597	**Balance at 31 March**	**582**
	Provision for future pension payments	
777	Balance at 1 April	**788**
42	Provision made in year	**0**
(31)	Provision used in year	**(8)**
788	**Balance at 31 March**	**780**
	Other provisions	
10	Balance at 1 April	**526**
537	Provision made in year	**136**
(21)	Provision used and written back in year	**11**
526	**Balance at 31 March**	**673**
1,911	**TOTAL PROVISIONS AT 31 MARCH**	**2035**

Provisions for Uninsured Risks

	2008/09 £000
To cover any third party excess on public liability claims	582
Total Provisions for Uninsured Risks	**582**

Provisions for Future Pension Payments

	2008/09 £000
Provision to enable continued funding of liabilities for former DCT (passenger transport) employees' pension	762
Added years pension costs from commercial services associated with the removal of the attendants function within city centre public conveniences	18
Total Provisions for Future Pension Payments	**780**

Other Provisions

	2008/09 £000
Housing Benefits Provision	135
Single Status Provision	538
Total Other Provisions	**673**

30. Contingent Assets and Liabilities

The Council does not have any contingent assets for 2008/09 (nil 2007/08).

The Council is in the process of introducing Single Status for all employees subject to NJC terms and conditions, although the cost cannot be reliably quantified at this stage. The main aim of this is to create fair and non-discriminatory grading structures in the Council.

31. Deployment of Dedicated Schools Grants

The Council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. Details of the deployment of DSG receivable for 2008/09 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Original grant allocation to Schools Budget for the current year in the Authority's budget	13,770	129,330	143,100
Adjustment to finalised grant allocation	(145)	-	(145)
DSG Receivable for the Year	13,625	129,330	142,955
Actual expenditure for the year	13,965	130,713	144,678
(Over)/underspend for the year	(340)	(1,383)	(1,723)
Use of Council resources	-	-	-
Use of schools balances brought forward	-	1,383	1,383
(Over)/underspend carried forward to 2009/10	(340)	0	(340)

32. Pension Disclosures

NOTES TO THE CORE FINANCIAL STATEMENTS

a) Local Government Pension Scheme (LGPS)

The Council participates in the Derbyshire County Council defined benefit (open) 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.

The following table is a summary of the transactions within the Income and Expenditure Account under FRS 17 during 2008/09. 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.

Local Government Pension Scheme 2007/08 Restated £000		**Local Government Pension Scheme 2008/09 £000**
	Net Cost of Services	
16,086	• Current Service Cost	19,559
4,851	• Past Service Cost/(Gain)	41
75	• Curtailment Loss	95
	Net Operating Expenditure	
31,206	• Interest cost	37,762
(28,139)	• Expected return on assets in the scheme	(27,174)
	Amounts to be met from Government Grants and Local Taxation	
24,079	• Movement on pensions reserve	30,283
	Actual amount charged against council tax for pensions in the year:	
19,450	• Employers' contributions payable to scheme including added years	20,582

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £38,842,000 were included in the Statement of Total Recognised Gains and Losses.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 year to March 2010 is £20,462000. The corresponding projected finance cost is £15,896000.

As at the 31 March 2009, the Council had the following overall assets and liabilities for pensions, which are not shown on the balance sheet:

Balance 31 March 2008 £000	Local Government Pension Scheme	Balance 31 March 2009 £000
402,108	Estimated Assets in Scheme	**350,566**
(612,575)	Estimated Liabilities in Scheme Present Value of Liabilities	**(531,892)**
(210,467)	**Net Asset (Liability)**	**(181,326)**

The movement in the present value of the pension liability of the Council for the year to 31 March 2009 is as follows:

2007/08 Restated £000	Movement in Present Value of Scheme Liabilities	2008/09 £000
(572,852)	Present Value of Pensions Liability as at 1 April	**(612,575)**
	Movement In the Year	
(16,086)	Current Service Cost	**(19,559)**
(31,206)	Interest Costs	**(37,762)**
(6,264)	Member Contributions	**(6,899)**
6,473	Actuarial gain (loss)	**138,140**
12,286	Benefits Paid	**13,511**
(4,926)	Past Service Costs Curtailment Gain/Loss	**(136)**
(612,575)	**Present Value of Pensions Liability as at 31 March**	**(525,280)**

The movement in the fair value of the pension assets of the Council for the year to 31 March 2009 is as follows:

2007/08 Restated £000	Movement in Fair Value of Scheme Assets	2008/09 £000
413,786	Fair value of scheme assets as at 1 April	**402,108**
	Movement In the Year	
(53,245)	Actuarial gain (loss)	**(99,298)**
28,139	Expected Return on Assets	**27,174**
19,450	Employer Contributions	**20,582**
6,264	Member Contributions	**6,899**
(12,286)	Benefits Paid	**(13,511)**
402,108	**Fair Value of Scheme Assets as at 31 March**	**343,954**

The actuarial gain can be analysed into the following categories, measured as absolute amounts and as a percentage of assets as 31 March 2009:

Analysis of Actuarial Gain (loss)	£000	% of Assets/liabilities
Actuarial Gains/Losses on Assets	(99,298)	28.9% of Assets
Actuarial Gains/Losses on Liabilities	138,140	26.3% of Liabilities
Total Actuarial Gain (loss)	**38,842**	7.4% of Liabilities

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

	31 March 2008	31 March 2009
Rates of Inflation	3.6%	**3.3%**
Rate of Increase in Salaries	5.1%	**4.8%**
Rate of Increase in Pensions	3.6%	**3.3%**
Discount Rate	6.1%	**7.1%**
Mortality Assumptions:		
Life Expectancy at 65 for current pensioners:		
Men	21.1	**21.2**
Women	24.0	**24.0**
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 £1.907m valued at fair value as at 31 December 2008 (£2.226m at 31 December 2007). 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 2008	**31 March 2009**
Equities	7.5%	69.4%	**63.5%**
Government Bonds	4.0%	16.7%	**20.9%**
Other bonds	6.0%	1.6%	**3.5%**
Property	6.5%	4.9%	**7.1%**
Cash	0.5%	6.3%	**4.7%**
Other	7.5%	1.1%	**0.3%**
Total		100.0%	**100.0%**

b) 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 2008/09 the Council paid £10.902m to the Teachers Pensions Agency in respect of teachers' pension costs (£10.595m in 2007/08). The contribution rate for 2008/09 was 14.1% (14.1% 2007/08).

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 a 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 2007/08 £000		Teachers' Pension Scheme 2008/09 £000
	Net Cost of Services	
230	• Past Service / Curtailment Cost	0
	Net Operating Expenditure	
1,051	• Interest cost	1,333
	Amounts to be met from Government Grants and Local Taxation	
1,281	• Movement on pensions reserve	1,333
	Actual amount charged against council tax for pensions in the year:	
1,457	• Employers' contributions payable in respect of added years	1,469

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. As at the 31 March 2009, the Council had an overall liability of £19.369m in respect of teachers' pensions (£22.580m at 31 March 2008).

Actuarial gains of £3,075,000 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 2009 is as follows:

Movement in Net Teachers' Pension Liability	**2008/09 £000**
Net Teachers' Pension Liability as at 1 April 2008	(22,580)
Movement In the Year	
Contributions Paid	1,469
Past Service Costs	0
Interest Costs	(1,333)
Actuarial gain (loss)	3,075
Net Teachers' Pension Liability as at 31 March 2009	(19,369)

The actuarial loss can be analysed into the following categories, measured as absolute amounts and as a percentage of liabilities as at 31 March 2009:

Analysis of Actuarial Loss	**£000**	**% of liabilities**
Difference between actuarial assumptions about liabilities and actuarial experience	3,075	15.9%

The main financial assumptions used by the actuary are:

	31 March 2008	**31 March 2009**
Rates of Inflation	3.6%	**3.3%**
Rate of Increase in Pensions	3.6%	**3.3%**
Discount Rate	6.1%	**7.1%**
Mortality Assumptions:		
Life Expectancy at 65:		
Men	21.1	**21.2**
Women	24	**24**

C) Scheme History

	2004/05*	2005/06*	2006/07 restated	2007/08 restated	2008/09
Present Value of Liabilities (LGPS and Teachers' Pensions Added Years)	495172	581,666	593,046	635,155	544,649
Fair Value of Assets	293,175	379,456	413,786	402,108	343,954
Surplus / (Deficit)	**201,997**	**202,210**	**179,260**	**233,047**	**200,695**

- The Council has elected not to restate the fair value of scheme assets for 2005/06 and 2004/05 as permitted by FRS17 (as revised).

	2004/05 %	2005/06 %	2006/07 restated %	2007/08 restated %	2008/09 %
Differences between the expected and actual return on assets	4.0	14.1	0.3	13.2	28.9
Experience gains and losses on liabilities	1.0	2.1	0.0	4.2	0.0

33 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.

	Balance at 31 March 2008 £000	Gains or Losses During the Year £000	Transfers to/from Other Reserves £000	**Balance at 31 March 2009 £000**	**Purpose of Reserve**
Revaluation Reserve	**(75,379)**	945	1,156	**(73,278)**	**See Note 34 below.**
Capital Adjustment Account	**(689,070)**	(15,060)	30,403	**(673,727)**	**See Note 37 below.**
Usable Capital Receipts Reserve	**(14,018)**	(3,735)	4,234	**(13,519)**	**See Note 36 below.**
Deferred Capital Receipts	**(130)**	19	0	**(111)**	
Capital Earmarked Reserves	**(2,279)**	(2,695)	805	**(4,169)**	**These are reserves held for specific capital purposes.**
Pensions Reserve (Restated)	**233,047**	(32,352)	0	**200,695**	**See Note 32 below.**
General Fund Balance	**(6,181)**	0	(305)	**(6,486)**	**See Statement of Movement on General Fund Balance, page 24**
Housing Revenue Account Balance	**(15,830)**	(738)	0	**(16,568)**	**See HRA Statements, page 77**
Collection Fund Balance	**(164)**	(774)	0	**(938)**	**See Collection Fund Statements, page 84**
Revenue Earmarked Reserves	**(38,594)**	(9,267)	(1,236)	**(49,097)**	**These are reserves held for specific revenue purposes.**
Major Repairs Reserves	**(330)**	(386)	0	**(716)**	**See HRA note 3 page 81**
Financial Instruments Adjustment Account	**(422)**	(778)	0	**(1,200)**	**See Note 16**
Available for Sale Reserve	**92**	(92)	0	**0**	**This reserve represents the additional value of the Council's forward deals (i.e. investments committed to but not yet entered into) resulting from changes in the interest rate between the trade date and 31 March 2009.**
Schools Balances	**(6,977)**	1,384	0	**(5,593)**	**These balances are held by schools under Local Management of Schools arrangements, including Foundation Schools.**
	(616,235)	**(63,529)**	**35,057**	**(644,707)**	

34. 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:-

	Total £000
Balance at 31 March 2008	**(75,379)**
Revaluation of Fixed Assets	**(45,643)**
Historic cost depreciation adjustment	**2,156**
Impairment expenditure in year – write down of revaluation gains	**44,485**
Disposals – write down of revaluation gains	**1,103**
Balance at 31 March 2009	**(73,278)**

The revaluations include revaluation increases of £44.4m relating to buildings and land and £1.2m relating to surplus properties.

35. Deferred Government Grants/Contributions

2007/08 £000		2008/09 £000
58,230	**Balance at 1 April**	**62,679**
(29,163)	Restatement of bal b fwd w/off to CAA	
29,067	**Restated Opening Balance**	**62,679**
	Government Grant receipts and contributions applied to finance capital:	
42,864	Expenditure funded from Grants	47,986
6,294	Expenditure funded from Contributions	5,871
	Government Grants and contributions not amortised to revenue:	
0	Grants	
0	Contributions	
(1,608)	Grants/contributions amortised to revenue	(2,245)
76,617	**Government Grant receipts & contributions to be amortised**	**114,291**
(6,111)	Credited direct to revenue for Revenue Expenditure Funded from Capital under Statute	(9,727)
(7,778)	Credited direct to revenue for impairment	(30,199)
(49)	Credited direct to revenue for de-minimis	(38)
62,679	**Balance at 31 March – Total Grants and Contributions unamortised**	**74,327**

36. 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).

2007/08 £000		2008/09 £000
14,301	**Balance at 1 April**	**14,018**
7,184	Capital receipts in year from sales of assets	**3,735**
(3,250)	Receipts applied to finance capital expenditure in year	**(3,515)**
(4,098)	Housing Pooling	**(635)**
(119)	Receipts set aside	**(84)**
14,018	**Balance at 31 March**	**13,519**

37. Capital Adjustment Account

2007/08 £000		2008/09 £000
(84,160)	**Balance at 1 April**	(689,072)
(602,130)	Restatement of opening balance transferred from the FARA in 2007/08	0
(29,163)	Restated Government grants/contributions not amortised in 2007/08	0
15	Other Restatements	2,170
(715,438)	**Balance at 1 April**	(689,072
	Capital financing from:	
(3,250)	Capital receipts	(3,515)
(7,647)	Major repairs allowance	(7,343)
(4,198)	Other revenue and revenue reserves	(3,393)
(960)	Capital reserves	(809)
	Transfers from Movement on General Fund Balance	
(6,937)	Minimum revenue provision	(7,702)
(21)	Outstanding credit arrangement	(4)
(119)	Capital receipts set aside in year	(84)
(1,418)	Residual Value PFI	(1,545)
(1,608)	Government Grants Amortised to revenue	(2,245)
8,122	Revenue Expenditure Funded from Capital under Statute (REFCS)	11,794
(6,111)	REFCS grants amortised to revenue	(9,726)
(1,791)	Transferred Debt	(1,820)
(1,322)	Historic Cost depreciation adjustment	(2,156)
10,758	Depreciation charged to Revenue (non HRA)	14,122
22,368	Impairment	11,452
	Other Movements	
347	Deferred Consideration	347
326	De-minimis expenditure written down	615
13,250	Depreciation HRA charged to Revenue	12,801
6,899	Disposals	3,489
(322)	Disposal gains – write down from Revaluation Reserve	(1,103)
(689,072)	**Balance at 31 March**	(673,727)

The ‘Other Restatement’ balance in 2008/09 corrects the restated balance sheet at reorganisation to a Unitary Council in 1997.

NOTES TO THE CORE FINANCIAL STATEMENTS

38. Financial Instrument Adjustment Account

31 March 2008 £000		31 March 2009 £000
2,375	PWLB Premiums	2,050
(2,793)	PWLB Discounts	(3,247)
(4)	Premium amortisation adjustment	(4)
(422)		**(1,201)**

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 2008 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.

39. Business Improvement District

These accounts represent the transactions of the Authority in respect of the Cathedral Quarter Business Improvement District (BID) and are made under the Business Improvement Districts (England) Regulations 2004 schedule 3. This is a scheme under the Local Government Act 2003 whereby non-domestic ratepayers in the area concerned elect via a ballot to pay a supplementary rate to be used for the purpose of making various improvements in the area. The Council collects this levy from business rate payers on behalf of the BID body and then makes payments of the amounts collected to the BID body. This is administered by the Cathedral Quarter Company Limited (CQCL). The Cathedral Quarter Company Limited is the BID body for the purposes of the BID Statutory Provisions and started trading from 1st December 2007. The BID period will last five years, having commenced on 1st March 2008. The accounts have been prepared on an accruals basis, with an opening first period of 13 months to 1st April 2009.

BID Income and Expenditure Account

	2008/09 £000
Income	
BID Levy Collected	(154)
	(154)
Expenditure	
Bid Levy Paid to CQCL	154
	154
Surplus at End of 13 month Opening Period	**(0)**

40. 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

2007/08 Trust Funds £000	Aggregate Revenue Account	2008/09 Trust Funds £000
1,264	Opening balance 1 April restated	1,613
16	Income during the year	172
1,280	Total Funds available in the year	1,785
(40)	Expenditure during the year	(358)
1,240	**Closing balance 31 March**	**1,427**

Balance 31 March 2008 £000	The funds are represented by:	Balance 31 March 2009 £000
	Investments:	
151	COIF Charity Funds	28
3	Treasury Stock	3
16	National Savings investment funds	107
6	Building Society Deposits	0
1,064	Cash and Temporary Loans	1,289
1,240	**Total Assets**	**1,427**
39	Number of Funds	41

41. Subsidiary / Associate Companies

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 2009 are as follows:

2007/08 £000		2008/09 £000
(6,412)	Net liability at 31 March 2009	**(3,677)**
574	Operating profit / (loss) before taxation	**93**
574	Operating profit /(loss) after taxation	**93**
	Indebtedness with Derby City Council included in net assets above is:	
1,291	Derby Homes Debtors	**1,407**
(1,640)	Derby Homes Creditors Mainly relating to services provided to Derby Homes by the Council	**(1,709)**
(349)	**TOTAL NET INDEBTEDNESS**	**(302)**

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 company which is jointly owned by the Derbyshire City Council and Derbyshire County Council. It was incorporated on 01 April 2008.

Derbyshire City Council's 50% share of profits made for the financial year 2008/09 was £3k.

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

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

42. Post Balance Sheet Events

There were no post balance sheet events requiring disclosure in the financial statements or notes.

43. Reconciliation between the Net (Surplus) / Deficit on the Income and Expenditure Account to the Revenue Activities Net Cashflow

2007/08 £000		2008/09 £000
(262)	Net (surplus) - I&E / General Fund	(305)
(1,433)	Net decrease in Schools' balances	1,384
(1,616)	Net (surplus) / deficit - Housing Revenue Account	(738)
(77)	Net (surplus) – BID Revenue Account	77
170	Net (surplus) / deficit – Collection Fund	(774)
(13,661)	(Decrease)/Increase in debtors	3462
(32)	(Decrease)/Increase in stock and work in progress	(1,101)
3,004	(Increase) / decrease in creditors	(12,154)
(395)	(Increase) / Decrease in provisions	(124)
93	(Increase) / Decrease in available for sale reserves	(1,476)
(422)	(Increase) / Decrease in Financial Instruments Adjustment Account	(779)
(2,230)	(Increase) / Decrease in earmarked reserves	(9,119)
	Adjustment for non-cash transactions:	
30,116	Capital activities	29,595
	Less:	
(11,896)	Servicing of finance items	(6,822)
0	Financing included in creditors	
1,359	**Revenue Activities Net Cashflow**	1,126

44. Reconciliation of Movement in Cash to Movement in Net Debt

Balance 31 March 2008 £000	Movement 2007/08 £000		Balance 31 March 2009 £000	Movement 2008/09 £000
2,820	**(649)**	Cash in hand	**2,674**	**(146)**
(8,077)	**1,113**	Bank overdraft	**(8,969)**	**(892)**
(5,257)	**464**	**Net Cash Increase/(Decrease) = net cash (inflow) / outflow**	**(6,295)**	**(1,038)**
		Adjust for the movement in liquid resources		
155,304	**43,004**	Short-term investments	**109,943**	**(45,361)**
		Borrowing		
(368,659)	**(23,853)**	Public Works Loans Board	**(355,488)**	**33,171**
		Other long-term borrowing		
(218,612)	**19,615**	**(Increase) / Decrease in Net Debt = net cash (inflow) / outflow before financing**	**(251,840)**	**(11,444)**

NOTES TO THE CORE FINANCIAL STATEMENTS

45. Revenue and Capital Grants

The following capital grants are included:

	Received in 2008/9 £000
Regional Housing Plot	**4,490**
Schools capital grants	**12,531**
Disabled Facilities grant	**681**
Urban II capital grant	**424**
Objective 2 capital grant	**517**
New Deal for Communities	**103**
Lottery Capital	**2,786**
New Opportunities Fund	**867**
Transport Supplementary Grant	**918**
ODPM	**2,768**
DEFRA	**183**
Sure Start	**1,792**
Derby & Derbyshire Economic Partnership (DDEP)	**4,896**
GEST	**1,032**
Learning & Skills Council	**1,713**
Home Office	**94**
CLG – Gypsy and Traveller Funding	**1,416**
Growth Point	**2,590**
Department of Health	**325**
LPSA	**512**
Other capital grants	**1,437**
S106	**1,423**
Contributions	**1,897**
	45,395

The following revenue grants from central government are included:

	Received in 2008/9 £000
Arms Length Management Organisation (ALMO) Subsidy	**1,701**
Housing Benefit Subsidy	**31,962**
Council Tax Benefit Grant	**15,018**
Rent Rebate – Housing Benefit	**26,172**
Social Care	**850**
Early Years and Sure Start	**6,069**
Learning and Skills	**10,404**
Standards Fund	**23,623**
Urban II	**315**
Objective 2	**287**
Single Regeneration Budget (SRB) grant	**242**
Dedicated Schools Grant	**142,955**
Revenue Support Grant	**12,500**
New Deal for Communities	**1,798**
Supporting People Programme	**10,556**
Area Based Grant	**15,264**
Other Regeneration and Community Services Revenue Grants	**6,434**
Other Children & Young People Revenue Grants	**2,293**
Other Corporate & Adult Social Services Revenue Grants	**1,681**
Other Housing Grants	**2,634**
Other Environmental Services Revenue Grants	**311**
Other Resources Revenue Grants	**58**
	313,127

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.

2007/08 £000	HRA Income and Expenditure Account	2008/09 £000
	Income	
(37,623)	Dwelling rents (Gross)	(40,413)
(389)	Non dwelling rents (Gross)	(411)
(1,336)	Charges for Services and facilities	(1,312)
(274)	Contributions towards expenditure	(239)
(4,326)	Housing Revenue Account subsidy receivable	(1,828)
(43,948)		(44,203)
	Expenditure	
8,765	Repairs and Maintenance	10,042
13,824	Supervision and Management	14,213
23,443	Depreciation and impairments of fixed assets	14,156
108	Debt Management costs	95
355	Increase in bad debt provision	421
46,495		38,927
2,549	**Sub Total: Net cost of HRA Services as included in the whole authority income and expenditure account**	(5,276)
91	HRA services share of Corporate and Democratic Core	86
2,640	**Net Cost of Services**	(5,190)
(15)	Gain or loss on sale of HRA fixed assets	17
9,726	Interest payable and similar charges	8,617
(398)	Amortisation of premiums and discounts	0
(917)	Interest and Investment income	(743)
0	Pensions interest cost and expected return on pensions assets	0
11,036	**(Surplus) / Deficit for the year on HRA services**	2,701

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2007/08 £000	Statement of Movement on the Housing Revenue Account Balance	2008/09 £000
	Increase or decrease in the Housing Revenue Account Balance comprising:	
11,036	(Surplus) or deficit for the year on the HRA income and expenditure Account	2,701
(12,651)	**Net additional amount required by statute to be debited or (credited) to the HRA balance for the year**	(3,439)
(1,616)	**(Increase) or decrease in the Housing Revenue Account**	**(738)**
(14,214)	**Housing Revenue Account balance brought forward**	**(15,830)**
(15,830)	**Housing Revenue Account balance carried forward**	**(16,568)**

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

2007/08 £000	Note to the Statement of movement on the HRA Balance	2008/09 £000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year	
479	Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for year determined in accordance with statute	152
(10,938)	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(1,356)
15	Gain or loss on sale of HRA fixed assets	(17)
(10,444)		**(1,221)**
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year	
(5,746)	Transfer to/(from) Major Repairs Reserve	(5,072)
13	Transfers to/(from) Housing Repairs Account	(334)
(68)	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	(30)
99	HRA share of Minimum Revenue Provision	99
2,043	Capital expenditure funded by the HRA	1,443
(170)	Appropriations from Reserves	(511)
1,622	Appropriations to Reserves	2,187
(2,207)		**(2,218)**
(12,651)	**Net additional amount required by statute to be debited or (credited) to the HRA balance for the year**	**(3,439)**

NOTES TO HOUSING REVENUE ACCOUNT

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

Dwelling Type	1 April 2008	31 March 2009
Houses	7,960	7,949
Flats	4,454	4,453
Bungalows	1,332	1,332
Total	**13,746**	**13,734**

Operational/Non Operational Assets

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

a. Operational Assets

31 March 2008 £000		31 March 2009 £000
620,497	Dwellings	598,095
10,737	Other Land & Buildings	10,360
2,188	Infrastructure	2,133
345	Community Assets	327
633,767	**Total**	**610,915**

b. Non Operational Assets

31 March 2008 £000		31 March 2009 £000
9,161	Surplus properties	7,501
9,161	**Total**	**7,501**

2. Council Dwellings Vacant Possession Value

The total vacant possession value of dwellings within the HRA at 1 April 2008 was £1,198m (1,277m at 1 April 2007). ODPM guidance requires that the balance sheet valuation of £598.975m at 1 April 2008, (£638.315m at 1 April 2007) 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:

2007/08 £000		2008/09 £000
(473)	Balance at beginning of the year	(330)
(7,504)	MRA allowance	(7,728)
(7,977)		(8,058)
7,647	Debit to MRA in respect of capital expenditure on properties within the HRA	7,343
(330)	**Balance at end of the year**	**(715)**

4. Housing Repairs Account

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

2007/08 £000		2008/09 £000
374	Balance at beginning of the year	411
24	*Add* interest received	0
8,778	*Add* contributions during the year	9,185
9,176		9,596
(8,765)	*Less* actual expenditure incurred	(9,519)
411	**Balance on the Repairs Account on 31 March**	**77**

5. a. Summary of Capital Expenditure and Financing

2007/08 £000		2008/09 £000
	Expenditure	
1,717	Land	1,128
8,533	Dwellings	8,247
0	Other property	0
10,250	**Total Capital Expenditure**	**9,375**
	Sources of Funding	
1,000	Borrowing	0
1,603	Revenue Contributions	877
0	Capital Reserves	855
0	Service Reserves	300
7,647	The Major Repairs Reserve	7343
10,250	**Total**	**9,375**

NOTES TO HOUSING REVENUE ACCOUNT

b. Summary of Capital Receipts

2007/08 £000		2008/09 £000
6,002	Dwellings	681
0	Land	365
0	Other property	159
6,002	**Total Receipts**	**1,205**

6. Depreciation

The total charge for depreciation of the assets within the HRA was £12.801m. This is made up of:

2007/08 £000		2008/09 £000
	Operational	
12,766	Council Dwellings	12,410
352	Other operational land and buildings	336
76	Vehicles, plant and equipment	0
56	Infrastructure	55
13,250	**Total depreciation Operational Assets**	**12,801**
	Non operational	
0	Investment property	0
13,250	**Total depreciation HRA**	**12,801**
(7,504)	Net of MRA Allowance	(7,728)
5,746	**Net Charge to HRA**	**5,073**

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 year totalled £4.210m in 2008/09.

NOTES TO HOUSING REVENUE ACCOUNT

The impairment balance is as follows:

	2008/09 £000
Revaluation Losses	10,705
Capital expenditure in year	4,210
Total	**14,915**
Offset against Revaluation Gains	(12,735)
Financed by Government Grants and Contributions	(828)
Total Net Impairment Losses	**1,352**

8. Revenue Expenditure Funded from Capital under Statute

There has been no Revenue Expenditure Funded from Capital under Statute attributable to the HRA for 2008/09 (Nil in 2007/08)

9. Analysis of HRA Subsidy

2007/08 £000		2008/09 £000
20,936	Management and Maintenance Allowances	20,981
7,504	Major Repairs Allowance	7,729
5,282	Charges for Capital	5,311
7,774	ALMO Allowance	7,774
(37,196)	Rent	(40,080)
(8)	Interest on Receipts	(7)
4,292	**Total Housing Revenue Account Subsidy**	**1,708**
12	Defective Dwellings	5
0	Overprovision of housing subsidy	114
4,304	**Total Subsidy**	**1,827**

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

2007/08 £000		2008/09 £000
1,527	**Amount of rent arrears**	**1,753**
1,772	**Aggregate Balance sheet provision in respect of uncollectible debts**	**1,912**
	Analysed as follows:	
1,236	Weekly Rents	1,428
199	Housing Benefit overpayments	132
337	Other Debts	352

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.

2007/08 £'000		Notes	2008/09 £'000
	INCOME AND EXPENDITURE ACCOUNT		
	Income		
(71,553)	Council Tax		(75,859)
(70,996)	Business Rates	2	(82,488)
	Transfers from General Fund		
(14,140)	Council Tax Benefit		(15,322)
	Net Adjustments of previous years Community Charges		
(156,689)	**TOTAL INCOME**		**(173,669)**
	Expenditure		
	Precepts and Demands		
70,563	Derby City Council		74,404
9,871	Derbyshire Police Authority		10,369
4,210	Fire Precept		4,399
	Business Rates		
69,733	Payment to National Pool		80,369
309	Costs of Collection		325
	Provision for bad and doubtful debts		
1,153	Council Tax		1,049
955	Business Rates		1,794
	Transfer of previous years estimated surplus		
	Derby City Council – General Fund		
83	Derby City Council – Council Tax		0
12	Derbyshire Police Authority		0
5	Derbyshire Fire Authority		0
156,894	**TOTAL EXPENDITURE**		**172,709**
205	(SURPLUS) / DEFICIT FOR THE YEAR		(960)
(401)	(SURPLUS) / DEFICIT AT THE BEGINNING OF YEAR		(164)
(196)	**(SURPLUS) / DEFICIT AT END OF THE YEAR**		**(1,124)**
	Share of Collection Fund surplus		
(164)	Derby City Council		**(938)**
(22)	Derbyshire Police Authority		**(131)**
(10)	Fire Precept		**(55)**
(196)	**(SURPLUS) / DEFICIT AT END OF THE YEAR**		**(1,124)**

NOTES TO THE COLLECTION FUND

1. Council Tax

The Council's tax base for 2008/09 was 69,854.20 (69,560.06 in 2007/08). 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	43.78
A	6/9	29,591.00
B	7/9	13,124.55
C	8/9	12,283.64
D	9/9	7,472.00
E	11/9	4,644.89
F	13/9	2,939.88
G	15/9	875.67
H	18/9	14.59
		70,990.00
Less adjustment for non-collection		(1,135.80)
Council Tax Base		**69,854.20**

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 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 Corporate 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 25 June 2009.

Signed: ____

Councillor Dave Roberts - Chair, Audit and Accounts Committee

The Corporate Director of Resources Responsibilities

The Corporate 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 Great Britain (the Code). The Code requires the Authority to present fairly the financial position of the Authority for the year ended 31 March 2009.

In preparing this Statement of Accounts, the Corporate Director of Resources and Housing 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 Corporate 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-

Corporate Director of Resources

Date: ____

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.

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.

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 form 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.

Cashflow: 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.

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.

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.

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.

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.

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

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.

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,

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.

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.

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,

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