



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS  
COMMITTEE  
28 SEPTEMBER 2006**

# ITEM XX

Report of the Corporate Director  
– Resources and Housing

## **Final Statement of Accounts 2005/06**

### **RECOMMENDATION**

- 1.1 To note that the auditors have issued an unqualified audit opinion and that they have identified no material items to bring to Members attention on completion of the audit.
- 1.2 To approve the final set of accounts for the 2005/06 financial year at Appendix 2, which include final adjustments made following the audit as explained in Appendix 3.

### **SUPPORTING INFORMATION**

- 2.1 The Council's external auditors – PricewaterhouseCoopers – PwC – have now completed the audit of the 2005/06 set of accounts approved by this committee on 29 June 2006. They are required to issue a report summarising the results of the audit covering issues arising from the audit of the financial statements and those issues which they are formally required to report under the Audit Commission's Code of Audit Practice and International Standard of Auditing ISA260 – Communication of audit matters with those charged with governance. This report is included as item 6 on the agenda.
- 2.2 The committee can draw assurance from the following results of the 2005/06 audit as confirmed in the report:
  - PwC have issued an unqualified audit opinion, as included in the final set of accounts
  - there are no unadjusted misstatements to bring to the attention of members
  - PwC have identified no material weaknesses in the Council's accounting and internal control systems during the audit
  - there are no irregular matters or poor standards of financial integrity to bring to the attention of members
  - the presentation of the final accounts and supporting working papers were of a good standard
- 2.4 Following the audit, there have been some changes to the statements agreed and incorporated in the final set of Accounts at Appendix 2. These adjustments are explained in Appendix 3. For the purposes of the Comprehensive Performance Assessment Use of Resources, PwC have confirmed that these adjustments are deemed to be 'trivial' which is a level 4 performance requirement on the annual

accounts key line of enquiry. The final set of approved Accounts has to be published by 30 September 2006, a month earlier than last year.

- 2.5 The auditors have raised two minor issues identified during the course of the audit work, which do not impact on the audit opinion. These are the need to review the level of a £330,000 provision held within the Housing Revenue Account and the use of a formalised reconciliation control process implemented to ensure the timely completion and review of all reconciliations.

**For more information contact:** Carolyn.Wright, Head of Accountancy, 01332 255349  
Carolyn.wright@derby.gov.uk

**Background papers:**

**List of appendices:**

Appendix 1 – Implications  
Appendix 2 – Final Statement of Accounts 2005/06  
Appendix 3 – Schedule of adjustments

<b>IMPLICATIONS</b>
---------------------

**Financial**

1. None directly arising.

**Legal**

2. None directly arising.

**Personnel**

3. None directly arising.

**Equalities impact**

4. None directly arising.

**Corporate objectives and priorities for change**

5. None directly arising.

---

## STATEMENT OF ACCOUNTS

---

The statements that follow summarise the Council's accounts for the financial year ended 31 March 2006. Each statement starts with a brief description of its purpose. The main statements are:

- **Consolidated Revenue Account – Page 11**  
the Council's main Revenue Account, covers income and expenditure on all services including council housing and trading services
- **Housing Revenue Account – Page 25**  
a separate statement showing income and expenditure on council housing
- **Consolidated Balance Sheet – Page 31**  
sets out the financial position of the Council on 31 March 2006
- **Statement of Total Movements in Reserves – Page 49**  
brings together all the revenue and capital reserves
- **Cashflow Statement – Page 50**  
summarises all inflows and outflows of cash arising from transactions with third parties
- **Collection Fund – Page 55**  
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 – Page 57**  
for the Statement of Accounts
- **Statement on Internal Control – Page 58**  
sets out the framework within which financial control is managed and reviewed.

The Corporate Director of Resources and Housing 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. The principles used in compiling the accounts are set out in the Statement of Accounting Policies.

# **EXPLANATORY FOREWORD BY THE CORPORATE DIRECTOR OF RESOURCES AND HOUSING**

## **Financial statements and policies**

The pages that follow show the main financial results for the year for the activities undertaken by the Council. They summarise day-to-day expenditure and income, and highlight changes in the financial position of the Council during the year. Separate statements are shown for council housing and the Collection Fund. Notes are used to explain certain figures in more detail.

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 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.

## **Council tax**

In 2005/6 the Council had to decide its spending plans having regard to the Government's reserve capping powers. The Band D council tax for 2005/6 for Derby City Council services was £943.99. This was derived by dividing the amount needed by the Council from taxpayers (£64.747m) by the tax base of 68,589.40.

## **Revenue expenditure and income**

In 2005/6, net spending on the Council's General Fund services was £296.828m creating a £1.5m transfer to revenue reserves, representing 0.6% of the Council's Budget Requirement 2005/6. Savings have, in the main been earmarked for use in future years to support strategic corporate and service priorities and future budget pressures, including commitments made but not accounted for in 2005/6.

The results for the Housing Revenue Account show a carried forward surplus of £4.965m for 2005/06.

The Statement of Recommended Practice defines how the Council's expenditure on services should be split for the Statement of Accounts. Expenditure is however controlled at departmental level and the table below shows that expenditure compared to the original and revised budgets.

## EXPLANATORY FOREWORD BY THE CORPORATE DIRECTOR OF RESOURCES AND HOUSING

Original Approved Budget £000	DEPARTMENT	Latest Approved Budget £000	Final Actual 2005/06 £000	Final (Under)/Over spend 2005/06 £000
0	COMMERCIAL SERVICES			
3,148	Trading	(360)	(444)	(84)
	Non-trading	3,238	3,270	32
5,807	CHIEF EXECUTIVE'S DEPARTMENT			
10,217	Policy directorate	6,927	6,962	35
7,373	Corporate Services directorate	10,550	10,517	(33)
16,335	Finance directorate	7,566	7,257	(309)
	Corporate Budgets	13,963	12,223	(1,740)
28,189	DEVELOPMENT & CULTURAL SERVICES	27,663	27,367	(296)
	EDUCATION			
108,611	Schools budgets	108,761	107,898	(863)
26,619	Other Education	26,677	27,009	332
62,149	SOCIAL SERVICES	62,967	63,493	526
<b>268,448</b>	<b>TOTAL DEPARTMENTS SPENDING</b>	<b>267,952</b>	<b>265,552</b>	<b>(2,400)</b>
1,231	Less Planned Transfer from/to reserves	1,727	1,727	0
0	Less transfer schools balances to reserves	0	863	863
<b>269,679</b>	<b>NET SPENDING</b>	<b>269,679</b>	<b>268,142</b>	<b>(1,537)</b>
0	Less Transfer Underspend To Reserve	0	1,537	1,537
<b>269,679</b>	<b>BUDGET REQUIREMENT</b>	<b>269,679</b>	<b>269,679</b>	<b>0</b>

### Revenue Reserves

Unallocated general reserves stand at £5.769m at the end of 2005/6. The balance is consistent with the Council's financial policy of holding general reserves at approximately 2% of the net revenue budget. Other reserves available to the general fund stand at £29.175m and are earmarked for either departmental or corporate use. The increase in revenue reserves includes £2m of backdated census funding and £1m Local Public Service Agreement (LPSA) reward grant received in 2005/6. A further £1m LPSA reward grant received in 2005/06 is held in capital reserves.

Corporate earmarked revenue reserves include a Pump Priming Fund to support self-financing projects, a Corporate Investment Fund for priority initiatives and a reserve to support LPSA schemes. In addition reserves are being held to provide cover for potential future budget risks and pressures, including job evaluation. The budget for 2006/7 includes the use of £0.6m corporate reserves and £0.5m service reserves.

# EXPLANATORY FOREWORD BY THE CORPORATE DIRECTOR OF RESOURCES AND HOUSING

## Capital expenditure and income

In 2005/6, the Council spent £76.01m on capital schemes. The major schemes were:

	£m
• New build, extensions and modernisation of schools and education centres	11.8
• Devolved capital schools grants	3.0
• Modernisation of council dwellings	30.8
• Housing improvement grants	6.0
• Highways and transportation	11.7
• Refuse vehicles & plant	0.9
• Street cleaning equipment	0.2
• Grounds plant & equipment	0.5
• Information and communications technology	1.8

## Capital Reserves and Unapplied Capital Receipts

Capital reserves stand at £22.810m at 31 March 2006. These consist of £10.7m unapplied capital grants, £9.8m developer and other capital contributions and £2.3m earmarked capital reserves. These reserves are earmarked and are planned to be used over the next five years, as included in the Council's 5 year capital programme.

The Unapplied Capital Receipts account is £13.4m at 31 March 2006. This is available to fund the capital programme and £7m is earmarked for the Council's Accommodation Strategy.

## Net Pension Liability

The Council participates in the Derbyshire County Council defined benefit (open) superannuation fund. During the year there was a decrease in the Council's Net Pension Liability of £0.605m. This meant the Council's Net Pension Liability as at 31 March 2006 was £181.109m. A more detailed analysis of the movement in Net Pension Liability can be found in the notes to the Consolidated Balance Sheet.

Corporate Director of Resources and Housing  
June 2006

# STATEMENT OF ACCOUNTING POLICIES

## General

The accounts have been prepared in accordance with the accounting practices as required by the Code of Practice on Local Authority Accounting in Great Britain published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code has been approved as a Statement of Recommended Practice (SORP), which is recognised by statute as representing proper accounting practices, and also complies with Financial Reporting Standards (FRS's).

Services that continue to be operated under former Compulsory Competitive Tendering arrangements are included as Trading Services.

## Tangible Fixed Assets

Tangible fixed assets are included in the Balance Sheet at valuation, less depreciation where appropriate. These include any assets financed by finance leases.

Service Revenue Accounts are charged with capital charges for all fixed assets used in the delivery of services, comprising a provision for depreciation (where appropriate) and a notional interest charge. Capital financing costs are disclosed separately in the Consolidated Revenue Account.

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. This includes assets acquired under finance leases that have been capitalised and included in the Balance Sheet on the basis of the outstanding obligations to make future rental payments.

Operational assets have been included in the Balance Sheet at the lower of open market value for existing use or depreciated replacement cost. Non-operational assets have been included at open market value. Infrastructure and community assets, which by their nature are not capable of being realised, are included at their historical cost. As from 1 April 2005 the fixed asset categories have been reviewed. Non-operational investment properties has now been split between true investment properties (those which are income earning) and surplus properties (those which are no longer in use by the authority and therefore available for sale).

A further category has been created to highlight assets under construction which when complete and operational will be added to land and buildings operational assets and will therefore carry an asset rental charge.

The current asset values used in the accounts are based upon a certificate issued by the Council's Chief Valuation Officer at 1 April 2005.

## Depreciation on Fixed Assets

Depreciation is provided for on all assets except land and is calculated using the straight-line method over the remaining life of the asset. For 2005/6 this fully complies with SORP 2005 and Financial Reporting Standard (FRS) 15. The HRA has been charged with full depreciation of its assets, including Council dwellings.



## STATEMENT OF ACCOUNTING POLICIES

### Depreciable Lives

The Council uses the following depreciable lives for the classes of assets listed

Asset Class	Life In Years
Community Assets	+20
Council Dwellings	50
Infrastructure	40
Non Operational Land and Buildings	
• Investment Properties	+20
• Other	+30
Operational Land and Buildings	+50
Vehicles, Plant and Equipment	5 - 20

### De minimus Level for Capitalisation of Expenditure

A de minimus level of £10,000 has been adopted for the inclusion of fixed assets in the accounts.

### Charges to Revenue for the Use of Fixed Assets

All service revenue accounts, the Housing Revenue Account, central support services and trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a notional rate, specified annually by CIPFA, to net asset values. For the financial year 2005/6, the rate was 3.5% for all assets. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

For assets held at historical cost (these include infrastructure and community assets) the rate of interest for charges made to service revenue accounts was 4.95%.

The charge made to the Housing Revenue Account as a cost of capital is also the specified 3.5%. However a technical accounting adjustment is made to ensure the HRA receives a charge equal to its true share of debt interest costs.

External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with the capital charges included in cost of services. Capital charges have a neutral impact on the amounts required to be raised from local taxation and housing rents with the exception of the Housing Revenue Account depreciation on council dwellings which is a net charge equal to the Major Repairs Allowance with the difference reversed out to the Major Repairs Reserve.

Amounts are set aside from revenue for the repayment of external loans to finance capital expenditure or as transfers to other earmarked reserves disclosed separately as appropriations on the face of the Consolidated Revenue Account, below net operating expenditure.

# STATEMENT OF ACCOUNTING POLICIES

## Impairment

The Council's impairment policy is such that it seeks to identify where there has been a material change in the recorded valuations of assets 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.

Valuations of property to address impairment that has occurred include fixed plant and equipment, fixtures and fittings but exclude all moveable items of plant, fixtures and fittings.

## Long Term Private Finance Initiative (PFI) Contracts

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

### Operational

- Grouped Schools
- Housing Inner City Regeneration
- Revenues and Benefits

### In procurement

- Street Lighting
- Housing – New Build and Refurbishment

PFI transactions in relation to operational schemes, together with the relevant notes to the accounts are treated in accordance with the latest SORP. Where appropriate, account has been taken within the revenue account and balance sheet of the implications of any residual balance and prepayments in relation to schemes. 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 schemes 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 Consolidated Revenue Account.

# STATEMENT OF ACCOUNTING POLICIES

## Intangible Assets

Intangible assets represent expenditure which may properly be capitalised at cost, but which does not represent tangible fixed assets, which need representing on the balance sheet. Intangible assets are amortised on a systematic basis over their economic life. Economic lives of intangible assets are limited to periods of 20 years or less.

## Deferred Charges

Deferred charges are amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the local authority.

Due to the types of expenditure usually categorised as deferred charges, e.g. improvement grants, 100 per cent of the deferred charge is amortised to revenue in the year the deferred charge is recognised. This is on the assumption that full economic benefit takes place in year. Any corresponding grant funding is also amortised to revenue to match the expenditure.

Under the capital control framework, however, this type of expenditure is classed as capitalised expenditure for financing purposes, and as such, is included in the Capital Financing Note 3 to the Balance Sheet.

Entries can therefore be found in the Consolidated Revenue Account with corresponding entries in the Capital Financing Account and Government Grants Deferred Account.

## 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.

## Leases

Rental payments under finance leases are apportioned between the finance charge and the principal element, that is the reduction of the liability to pay future rentals. The finance element of rentals is charged to the Asset Management Revenue Account.

Annual rents payable on operating leases are charged direct to the revenue account over the term of the lease.

## Credit Arrangements

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. Cover amounting to the net present value of future lease payments has been made within the Capital Financing Account.

## Capital Reserves

- **The Fixed Assets Restatement Account** represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
- **The Capital Financing Account** represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets. It also includes the provision for credit liabilities. This represents sums to be set aside for debt redemption which, in accordance with statutory requirements, is the minimum revenue provision and set aside capital receipts.

## **STATEMENT OF ACCOUNTING POLICIES**

### **The Usable Capital Receipts Reserve**

The useable element of cash received from the sale of tangible fixed assets is held in this account until used to finance capital expenditure. This represents the balance of capital receipts available to finance new capital investment. Under current legislation only 25% of capital receipts from the sale of council housing is available for this purpose, but the whole sum is available from most non-housing capital receipts. The balance is required to be set aside to repay debt or used instead of new borrowing. Interest on these funds pending use is credited to the General Fund.

### **Government Grants – Revenue Account**

Government Grants are accounted for on an accruals basis. Grant income has been credited to the appropriate revenue account.

### **Government Grants and Contributions to the Capital Programme**

From 2004/5 contributions to the Capital Programme have been credited to the Government Grants/Contributions Deferred Account as well as to capital grants. Amounts are released from this account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate or, if no depreciation is to be charged, transferred to the Capital Financing Account. Previously these contributions were transferred directly to the Capital Financing Account.

### **Investments**

Investments are shown in the Balance Sheet at the lower of original cost or net realisable value and any dividends are credited to the revenue account upon receipt.

### **Debtors and Creditors**

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and SSAP2. This means that sums due to or from the Council during the year are included, whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy has been consistently applied each year to revenue and therefore does not have a material effect on the year's accounts.

Appropriate provision is made in the accounts for bad and doubtful debts following an annual review of amounts due at 31 March.

All income and expenditure figures exclude value added tax (VAT).

### **Stocks and Work in Progress**

All material items of stock are valued at the average price paid. There is a periodic review of the stores and obsolete stock is written off. This is a departure from the requirements of the Code of Practice and SSAP9, which require stocks to be shown at actual cost or net realisable value, if lower. The difference in treatment is not considered to have a material effect on the Council's accounts.

Work in progress on incomplete jobs is valued at cost including an allocation of overheads.

# **STATEMENT OF ACCOUNTING POLICIES**

## **Provisions**

The Council makes provision for any liabilities of uncertain timing or amount that have been incurred. Amounts recognised as provisions are the best estimate of the liability, taking into account the risks and uncertainties surrounding the events. The Council has complied with FRS12 in recognising provisions.

## **Earmarked Reserves**

These include certain sums of money held by the Council which have been earmarked for a specific purpose in line with the Accounting Code of Practice.

## **General Fund Balance**

The General Fund Balance comprises all unallocated reserves and is available to meet future net expenditure as required. The General Fund receives all interest on balances except the element relating to the Housing Revenue Account balance and school balances under Local Management of Schools arrangements. Interest due on these balances is calculated at short-term money market rates.

## **Pensions**

### **Local Government Scheme**

The pension costs, which are charged to the Council's accounts in respect of its employees, are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise which relate to certain pensions paid to retired employees on an unfunded basis.

These contributions have been determined on the basis of rates that are set to meet 100% of the liabilities of the Superannuation Fund, in accordance with relevant Government regulations.

The Annual Report of the Derbyshire Superannuation Fund is available from Derbyshire County Council, County Hall, Matlock, DE4 3AH.

## **FRS17 Compliance**

The Statement of Accounts includes accounting for and disclosure of pension costs, assets and liabilities in compliance with the requirements of the SORP relating to FRS17. This includes the requirement to adjust the costs in the Revenue Account to reflect current pension costs, and this is shown separately on the face of the Consolidated Revenue Account.

The Derbyshire Superannuation Fund Actuary has provided the FRS17 Pension Superannuation Fund costs for inclusion in the Statement of Accounts.

The objective of FRS17 is to ensure that the authority's financial statements reflect at fair value the future pension liabilities that have been incurred, and the extent to which assets have already been set aside to fund them. This is a non-cash entry in the revenue account, which is then reversed out to the pensions reserve to ensure a neutral position that does not impact on the amount to be met from local taxes.

# STATEMENT OF ACCOUNTING POLICIES

## Teachers Pensions

This is an unfunded scheme administered by the Department for Education and Skills. The pension cost charged to the accounts is the contribution rate set by the Department for Education and Skills (DfES) on the basis of a notional fund.

## Housing Revenue Account - Resource Accounting

The Housing Revenue Account has been prepared in accordance with guidance on Resource Accounting in the HRA. Resource Accounting was introduced as part of a new financial framework for local authority housing and became effective on 1 April 2001.

## Auditors Fees

Disclosure of the appointed auditors' fees in relation to audit services, statutory inspections and grant certifications are included in the notes to the Consolidated Revenue Account in accordance with SORP guidelines.

## Support Services

In accordance with the CIPFA Best Value Accounting Code of Practice and Statement of Accounting for Overheads, the cost of professional, technical and administrative support has been charged to services on the bases given 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, 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, repair and maintenance fees | Charge based on time allocation of works undertaken               |
| • Equalities                                                                                                                   | Charge based on number of staff and time allocation               |
| • 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 charges applicable |

## CONSOLIDATED REVENUE ACCOUNT

This account shows the gross expenditure, income, and net expenditure analysed by service, which is ultimately paid for by council taxpayers, business ratepayers and the Government. The account balance shows how much was available at 31 March 2006 to meet future expenditure and/or reduce council tax levels.

2004/5 Net Expenditure £'000		Note	2005/6 Gross Expenditure £'000	2005/6 Less Gross Income £'000	2005/6 Net Expenditure £'000
	<b>EXPENDITURE ON SERVICES</b>	1			
	<i>CONTINUING SERVICES</i>				
<b>4,035</b>	Central Services to the Public – Includes local tax collection and registration of births, deaths and marriages		<b>20,059</b>	<b>(16,562)</b>	<b>3,497</b>
<b>5,260</b>	Corporate and Democratic Core – includes the costs of corporate and democratic management		<b>6,877</b>	<b>(1,385)</b>	<b>5,492</b>
<b>411</b>	Non Distributed Costs – includes past service costs of pensions	9	<b>326</b>	<b>0</b>	<b>326</b>
<b>40,201</b>	Cultural, Environmental & Planning		<b>83,911</b>	<b>(43,008)</b>	<b>40,903</b>
<b>139,003</b>	Education		<b>221,051</b>	<b>(72,344)</b>	<b>148,707</b>
<b>14,421</b>	Highways, Roads & Transport		<b>26,209</b>	<b>(11,640)</b>	<b>14,569</b>
<b>20,760</b>	Housing	3	<b>103,772</b>	<b>(87,824)</b>	<b>15,948</b>
<b>62,307</b>	Social Services		<b>104,661</b>	<b>(36,280)</b>	<b>68,381</b>
	<i>DISCONTINUED SERVICES</i>				
<b>536</b>	Magistrates Court	2	<b>0</b>	<b>(492)</b>	<b>(492)</b>
<b>286,934</b>	<b>NET COST OF SERVICES</b>		<b>566,866</b>	<b>(269,535)</b>	<b>297,331</b>

## CONSOLIDATED REVENUE ACCOUNT

2004/5 Net Expenditure £'000		Note	2005/6 Net Expenditure £'000
(226)	Net (surplus) / deficit on trading services	4	(198)
(24,945)	Transfer from Asset Management Revenue Account	5	(22,791)
351	Amortised premia and discounts		101
24,877	Pension interest costs	9	27,013
(17,788)	Expected return on pensions assets	9	(19,874)
(4,681)	Interest and Investment Income		(5,242)
0	Pensions past service cost/gain	9	(7,814)
0	LPSA Reward	6	(1,021)
(463)	Restatement of prior year balances	6	(1,408)
264,059	<b>NET OPERATING EXPENDITURE</b>		266,097
	<b>APPROPRIATIONS TO / FROM RESERVES</b>		
4,885	Housing Revenue and Repairs Accounts surplus / (deficit) transferred to / (from) HRA reserve	3	4,965
(935)	Net Contributions to / (from) Schools reserves		1,010
2,193	Net Contributions to / (from) General Fund revenue earmarked reserves		9,429
(42)	Net Contributions to / (from) HRA revenue earmarked reserves		(34)
(20,787)	Pensions Movement	9	(14,832)
15,488	Employers contribution to pension fund	9	17,929
	Contributions to/(from) capital reserves:		
	- Capital financing from revenue:		
2,612	In-year expenditure		1,673
189	- From Capital Reserves to Revenue for future expenditure		(52)
(45)	Less Use of Neighbourhood Renewal Fund		0
(3,148)	- Provision for repayment of external loans	7	(1,640)
(4,523)	- Major Repairs Reserve		(4,244)
(8,300)	- Deferred charges amortised to revenue	8	(7,594)
0	- Deferred charges grants amortised to revenue	8	3,696
(19)	- Deferred consideration PFI		(332)
(488)	- De-minimis capital expenditure		(634)
595	- Government Grants Deferred		855
0	- Impairment		(4,530)
251,734	<b>AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION</b>		271,762
	<b>SOURCES OF FINANCE</b>		
	Council taxpayers:		
(61,397)	demand on Collection Fund		(64,748)
(70)	previous year's estimated surplus - Community charge		0
501	- Council tax		490
(128,560)	Government Revenue Support Grant		(127,704)
(62,364)	Distribution from National Non Domestic Rating Pool		(77,718)
0	Backdated Census	10	(2,219)
(156)	<b>NET GENERAL FUND (SURPLUS) FOR THE YEAR</b>		(137)
(5,474)	Balance brought forward 1 April		(5,630)
(5,630)	<b>BALANCE AT 31 MARCH</b>		(5,767)
Signed:	Corporate Director of Resources and Housing Chair of Audit and Accounts Committee	Date:	



# NOTES TO CONSOLIDATED REVENUE ACCOUNT

## 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: A Statement of Recommended Practice 2005 (the SORP). The SORP sets out what local authorities should report in their Statement of Accounts.

The classification of services and total cost is fully compliant with the Best Value Code of Practice (BVACOP). The recharged costs of support services are shown only in the gross expenditure of the service receiving them.

No new services have been provided by the City Council in 2005/6.

## 2. Discontinued Service

Responsibility for magistrate courts was transferred from the Council on 1<sup>st</sup> April 2005. Government funding for this service was removed from the Revenue Support Grant for the 2005/6 financial year. During 2005/6 the Council received £0.9m as its share of an underspend on a joint magistrate courts PFI scheme with Derbyshire County Council. £0.4m was accrued in previous years accounts leaving £0.5m as 2005/6 income.

## 3. Housing Services

Expenditure and income on housing services includes the separate, ring-fenced Housing Revenue Account (HRA), which has been fully consolidated into the Consolidated Revenue Account under Resource Accounting.

The costs of providing council housing do not fall on the council tax payer, however, and the net surplus or deficit is transferred to the HRA to ensure this. Details of the Housing Revenue Account, including housing repairs can be found on page 24.

## NOTES TO CONSOLIDATED REVENUE ACCOUNT

### 4. Trading Services

Trading services have been analysed in accordance with the BVACOP. The net surplus is after any profit share payments. The following table shows the financial results of each trading service.

2004/5				2005/6		
Income £'000	Expenditure £'000	(Surplus) /Deficit £'000		Income £'000	Expenditure £'000	(Surplus) /Deficit £'000
			<b>Continuing CCT arrangements</b>			
(28,406)	28,152	(254)	Building	(24,451)	24,275	(176)
(2,660)	2,747	87	Building Cleaning/Caretaking	(2,773)	2,956	183
(4,830)	4,874	44	Catering	(5,074)	5,427	353
(162)	162	0	School Crossing Patrols	(176)	176	0
(5,087)	5,068	(19)	Waste Management	(5,343)	5,188	(155)
(725)	671	(54)	Street Lighting	(1,042)	797	(245)
(786)	748	(38)	Conveniences/Market Cleaning	(785)	753	(32)
(3,636)	3,562	(74)	Grounds Maintenance	(3,903)	3,591	(312)
(358)	399	41	Other Cleaning (Gullies)	(2,287)	2,224	(63)
(3,729)	3,812	83	Sports and Leisure Management	(3,809)	4,093	284
<b>(50,379)</b>	<b>50,195</b>	<b>(184)</b>	<b>Net trading (surplus) / deficit</b>	<b>(49,643)</b>	<b>49,480</b>	<b>(163)</b>
<b>0</b>	<b>(42)</b>	<b>(42)</b>	<b>ADD FRS17 adjustment</b>	<b>0</b>	<b>(35)</b>	<b>(35)</b>
<b>(50,379)</b>	<b>50,153</b>	<b>(226)</b>	<b>Net (surplus) / deficit in CRA</b>	<b>(49,643)</b>	<b>49,445</b>	<b>(198)</b>

For building services in 2005/6, a £422k rebate was returned to the General Fund.

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 £75,000 in 2005/06 has been met from the ring fenced Building Control trading reserve. The remaining expenditure and income is included within Cultural, Environmental and Planning Services in the Consolidated Revenue Account.

## NOTES TO CONSOLIDATED REVENUE ACCOUNT

Total Building Control 2004/5		Chargeable 2005/6	Non-chargeable 2005/6	Total Building Control 2005/6
£'000		£'000	£'000	£'000
	<b>Expenditure</b>			
550	Employee expenses	471	243	714
3	Premises costs	1	10	11
19	Transport	15	7	22
175	Supplies and Services	122	16	138
252	Central support service charges	201	46	247
999	<b>Total Expenditure</b>	<b>810</b>	<b>322</b>	<b>1132</b>
	<b>Income</b>			
(749)	Building Regulations charges	-733	0	-733
(32)	Other Income	-2	-9	-11
(781)	<b>Total Income</b>	<b>-735</b>	<b>-9</b>	<b>-744</b>
218	<b>(Surplus) / Deficit for the year</b>	<b>75</b>	<b>313</b>	<b>388</b>

### 5. Asset Management Revenue Account

The transactions on the Asset Management Revenue Account are shown in the following table:

2004/5 £'000		2005/6 £'000	2005/6 £'000
	<b>Income</b>		
	Capital Charges:		
(27,210)	General Fund	(32,561)	
(34,032)	Housing Revenue Account	(31,952)	
(65)	Trading Services	(154)	
(61,307)			(64,667)
	<b>Expenditure</b>		
20,990	Provision for depreciation	19,673	
0	Impairment	4,530	
(595)	Less	(855)	
	Government grants deferred		
15,967	External interest charges	18,528	
36,362			41,876
(24,945)	<b>Surplus to Consolidated Revenue Account</b>		(22,791)

The impairment of £4.5m relates to fire damage at the Authority's Sinfin school and has been included in the Consolidated Revenue Account cost of services under Education.

# NOTES TO CONSOLIDATED REVENUE ACCOUNT

## 6. Exceptional Items

### Restatement of Prior Year Balances

£785,000 held as provisions and £622,000 held as creditors in the 2004/5 balance sheet have been written back to revenue in 2005/06 and transferred to revenue reserves.

### LPSA Reward Grant

Following the successful completion of LPSM targets the Council received £1.04m revenue reward grant and transferred to earmarked reserves a further £1.04m for capital purposes.

## 7. Provision for Repayment of External Loans

2004/5		2005/6
£'000		£'000
3,550	General Fund Minimum Revenue Provision	4,485
2,024	Share of liability for Derbyshire County Council debt	1,942
100	Housing Revenue Account provision for repayment of debt	125
15	Credit Arrangement notional interest	16
	<b>Less:</b>	
(8,837)	General Fund provision for depreciation	(8,208)
(3,148)		(1,640)

Since 1 April 2004, the Housing Revenue Account is no longer required to make a minimum revenue provision for repayment of debt, in line with revised item 8 determination rules.

## 8. Deferred Charges

To fully comply with capital accounting requirements, grant income used to finance deferred charge expenditure has been amortised to revenue to match the amortised expenditure in 2005/6.

# NOTES TO CONSOLIDATED REVENUE ACCOUNT

## 9. Pensions

### a) Local Government Pension Scheme (LGPS)

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Authority participates in the Local Government Pension Scheme. The Local Government Pension Scheme for civilian employees, administered by Derbyshire County Council – is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account during the year:

<b>Local Government Pension Scheme 2004/5</b> <b>£000s</b>		<b>Local Government Pension Scheme 2005/6</b> <b>£000s</b>
<b>13,389</b> <b>170</b>	<b>Net Cost of Services</b> <ul style="list-style-type: none"> <li>Current Service Cost</li> <li>Past Service Cost/(Gain)</li> </ul>	<b>15,351</b> <b>(7,814)</b>
<b>23,816</b> <b>(17,788)</b>	<b>Net Operating Expenditure</b> <ul style="list-style-type: none"> <li>Interest cost</li> <li>Expected return on assets in the scheme</li> </ul>	<b>25,955</b> <b>(19,874)</b>
<b>19,587</b>	<b>Amounts to be met from Government Grants and Local Taxation</b> <ul style="list-style-type: none"> <li>Movement on pensions reserve</li> </ul>	<b>13,618</b>
<b>14,199</b>	<b>Actual amount charged against council tax for pensions in the year:</b> <ul style="list-style-type: none"> <li>Employers' contributions payable to scheme including added years</li> </ul>	<b>16,558</b>

Due to the material nature of the past service gain 2005/6, it is shown separately in the CRA after net costs of services in 2005/6. In previous years it has been included in non distributed costs.

The Annual Report of the Derbyshire Superannuation Fund is available from Derbyshire County Council.

## NOTES TO CONSOLIDATED REVENUE ACCOUNT

### b) Teachers' Pension Scheme

The teachers' pension scheme is a defined contribution scheme which is accounted for by charging employer contributions to the Net Cost of Services as they become payable by the City Council. In 2005/6 the Council paid £9.671m to the Teachers Pensions Agency in respect of teachers' pension costs (£9.243m in 2004/5). The contribution rate for both years was 13.5%.

In addition to this the Council is responsible for all pension payments relating to added years' benefits that it, or its predecessor Derbyshire County Council, has awarded. These are accounted for in the Consolidated Revenue Account as follows:

Teachers' Pension Scheme 2004/5 £000s		Teachers' Pension Scheme 2005/6 £000s
	<b>Net Cost of Services</b>	
0	• Current Service Cost	0
139	• Past Service Cost	156
	<b>Net Operating Expenditure</b>	
1,061	• Interest cost	1,058
0	• Expected return on assets in the scheme	0
	<b>Amounts to be met from Government Grants and Local Taxation</b>	
1,200	• Movement on pensions reserve	1,214
	<b>Actual amount charged against council tax for pensions in the year:</b>	
1,289	• Employers' contributions payable in respect of added years	1,371

### 10. Backdated census funding

The Government has issued a revised finance settlement for 2004/5 and 2005/6. This has increased the revenue support grant paid to the council reflecting the decision of the Office of National Statistics to revise Derby's census-based population estimates. The revisions are being accounted for in the year of receipt. £2.219m has been received in 2005/6 and £3.079m will be received in 2006/7.

## NOTES TO CONSOLIDATED REVENUE ACCOUNT

### 11. 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 Consolidated Revenue Account above is as follows.

2004/5 £'000		2005/6 £'000
1,141	Recruitment advertising	906
309	Other publicity	361
1,450		1,267

### 12. Section 137 Expenditure

Section 137 of the Local Government Act 1972 (as amended) enables authorities to incur expenditure not specifically authorised under any other power for the benefit of people in their area. The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well being in their area. As a consequence the majority of s137 has been repealed for unitary authorities. Only s137 (3), which covers donations with no direct benefit to the area, would still be applicable to the City Council. In 2005/6 there has been no expenditure under that power and there was also no such expenditure in 2004/5.

### 13. Leasing Contracts

Operating lease rentals paid in the year amounted to £0.625m General Fund and £0.562m HRA. There were no hire purchase payments in the year and there are no such agreements outstanding. As at 31 March 2006, the Council had a commitment to meet the following payments under existing operating leases:

	HRA £'000	General Fund £'000	Total £'000
2006/2007	486	415	901
2007/2008	372	293	665
2008/2009	365	208	573
2009/2010	267	185	452
2010/2011	159	167	326

### 14. Obligations under Private Finance Initiative (PFI) contract

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 £0.36m are anticipated in 2006/7 and future years. Future cash payments between 2007/08 and the end of the contract are expected to be approximately £11.3m.

## NOTES TO CONSOLIDATED REVENUE ACCOUNT

- Revenues and Benefits IT:

This scheme was originally a five year contract with Anite plc, which commenced in September 1999. The scheme was extended to seven years to cease in August 2006. Final contract payments for the period April to August 2006 are expected to be around £0.32m.

- Grouped Schools:

A 27 year PFI contract was signed in November 2004 with Derby Schools Solutions (DSS), a private sector consortium, to build, maintain and operate five 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 2006/7 and 2007/8 including prepayments, will amount to £5.6m and £5.4m respectively. Future cash payments from 2008/9 are expected to be as follows:

2008/09 – 2012/13	£25.6m
2013/14 – 2017/18	£24.0m
2018/19 – 2022/23	£23.2m
2023/24 – 2027/28	£22.9m
2028/29 – 2031/32	£17.4m

These service charges will be met from a combination of special grant from the government and contributions from each school's delegated budget over the life of the contract.

- Street Lighting

A 25-year PFI contract is currently in the process of being signed with a private sector provider, 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 in respect of the newly built lighting units is anticipated from September 2006, however exact financial obligations are still being finalised.

- Affordable Housing

A 30-year PFI contract is currently in procurement, to provide a minimum of 175 affordable houses in the City. Potential bidders have been asked to register their interest and Pre-Qualification Questionnaires and Invitation to Dialogue will be issued in the forthcoming months.



## NOTES TO CONSOLIDATED REVENUE ACCOUNT

### 15. Officers' Remuneration

The number of employees whose total remuneration, excluding employer's pension contributions, was £50,000 or more is shown below, in bands of £10,000.

Remuneration includes all taxable pay and benefits:

Number of employees 2004/5	Total Remuneration	Number of employees 2005/6
52	£50,000 - £59,999	74
26	£60,000 - £69,999	22
5	£70,000 - £79,999	17
6	£80,000 - £89,999	3
3	£90,000 - £99,999	5
0	£100,000 - £109,999	0
1	£110,000 - £119,999	0
0	£120,000 - £129,999	1
<b>93</b>	<b>Total number of officers with remuneration over £50,000</b>	<b>122</b>

The increase in the number of employees in the lowest band relates to the remuneration for some headteachers falling into that band for the first time in 2005/6.

### 16. Members' Allowances

In 2005/6 the Council paid a total of £761,388 (£694,009 in 2004/5) to its members in the form of allowances. These comprised of basic and special responsibility allowances.

### 17. 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 Consolidated Revenue 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 £1.475m (£1.615m in 2004/5) 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 Consolidated Revenue Account.

The Authority has no other subsidiary or associated companies during the financial year.

## **NOTES TO CONSOLIDATED REVENUE ACCOUNT**

### **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. This is a PFI arrangement.

### **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 2005/6 services to the value of £187,973 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 standing orders. In addition, the Policy Directorate paid grants totaling £200,000 to voluntary organisations in which two members had an interest. These grants were made with proper consideration of declarations of interest.

During 2005/6 the Chief Executive of the City Council and one member held the position of Director of Derby Cityscape Limited which received a contribution of £291,999 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 2005/6, children were placed at the Royal School for the Deaf, at which one member has a relative working. Derby City has a high proportion of deaf children and adults living in the city. The Education Service aims to provide an appropriate education for these children and young people. RSD provides an alternative type of education required by some deaf children. The provision is used to compliment the range of authority based provision across the city.

The director for Children and Young People is one of four members of the management board of Connexions, representing the City Council. Connexions is one of the organisations receiving external funding through the Local Area agreement administered by the City Council. However, the City Council's representation on the management board has not influenced the amount of funding received in 2005/6, only how the funding will be used.

### **Partnership and Accountable Body arrangements**

Transactions totalling £7.3m (£6.9m in 2004/5) relating to the Derwent New Deal for Communities programme are included in the Consolidated Revenue 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.

## **NOTES TO CONSOLIDATED REVENUE ACCOUNT**

External funding streams totalling £11.5m were pooled and managed through a Local Area Agreement (LAA) in 2005/6 for the first time. This was administered by Derby City Council for the Derby City Partnership. This has not changed the accounting treatment or presentation of the expenditure and grant income in the accounts.

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, Community Safety Partnership and Derby Children's Fund Management Board who manage individual funding streams on behalf of the partnership.

In addition, Social Services includes £6.4m 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.

### **18. Pooled budgets**

The Council has entered into a pooled budget arrangement with Central Derby PCT to provide an integrated disabled children's service (IDCS) with effect from 1 September 2005. The IDCS pooled budget operates under Section 31 of the Health Act 1999 and the Council is acting as the host partner. The Council and the PCT operated a "Shadow pooled budget" from 1 April to 31 August 2005.

Income and expenditure for the 2005/6 financial year are as follows:

*Derby City Council Statement of Accounts 2005/2006*

## NOTES TO CONSOLIDATED REVENUE ACCOUNT

<b>Integrated Disabled Children's Service</b>	<b>2005/06</b> £'000
<b>Income</b>	
Derby City Council Contribution	1,001
Central Derby PCT	820
Other income	191
<b>Gross income</b>	<b>2,012</b>
<b>Expenditure</b>	
Head of Service	60
Residential services	1,416
Outreach service	276
Disability social work services	146
Administration	87
	<b>1,985</b>
<b>Surplus/(deficit) for year</b>	<b>27</b>
Surplus/(deficit) brought forward	-
<b>Surplus/(deficit) carried forward</b>	<b>27</b>

This expenditure and income is included within the Social Services category within the Consolidated Revenue Account.

### 19. 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.

### 20. Local Authorities (Goods and Services) Act 1970

The accounts include no material amounts of income and related expenditure for sold services.

### 21. Auditors Fees

The auditors PricewaterhouseCoopers LLP were appointed with regard to external audit services under the Audit Commission Act 1998, and fees payable for Audit Code work for the financial years 2005/6 were £252,480 (£262,714 in 2004/5)

The fees payable to the Audit Commission in respect of statutory inspections for the financial years 2005/6 totalled £17,993 (£65,908 in 2004/5) in accordance with the Local Government Act 1999.

The fees payable for certification of claims and returns totalled £110,850 (£105,879 in 2004/5) payable to PricewaterhouseCoopers under the Audit Commission Act 1998.

## 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.

2004/5 £'000		Notes	2005/6 £'000
	<b>INCOME</b>		
(33,600)	Dwelling rents (Gross)	1	(34,927)
(431)	Non dwelling rents (Gross)		(438)
(37)	Heating charges		(38)
(65)	Leaseholder's charges for services and facilities		(63)
(2,643)	Other charges for services and facilities		(2,726)
(6,076)	Housing Revenue Account subsidy receivable	9	(6,275)
(0)	Reduction in bad debt provision		(88)
(197)	Contributions towards expenditure	2	(211)
	<b>EXPENDITURE</b>		
8,822	Repairs and Maintenance	18	9,218
11,954	Supervision and Management	18	12,174
1,676	Special services		1,806
70	Rent rebates	3	35
106	Increase in provision for bad and doubtful debts	4	0
21,696	Capital Charge – Interest	12	20,487
12,153	Capital Charge - Depreciation		11,465
78	Debt Management costs		74
13,506	<b>NET COST OF SERVICES</b>		10,493
311	Amortised premiums and discounts		61
(14,278)	Capital Asset Charges Accounting Adjustment	13	(11,305)
(189)	HRA Investment Income		(367)
0	Add Restatement of prior year provisions		0
(650)	<b>NET OPERATING INCOME</b>		(1,118)
212	Revenue Contribution to Capital Expenditure		305
100	HRA Contribution to Minimum Revenue Provision	14	125
(4,523)	Transfer to/(from) Major Repairs Reserve	5	(4,244)
(272)	Appropriations from Reserves		(234)
229	Transfer to HRA Earmarked Reserve		201
(4,904)	<b>TOTAL (SURPLUS)/DEFICIT FOR YEAR</b>		(4,965)
	<b>HOUSING REVENUE ACCOUNT RESERVE BALANCE</b>		
(1,358)	Balance at beginning of the year		(6,262)
(4,904)	(Surplus)/Deficit for the year		(4,965)
(6,262)	<b>BALANCE AT END OF THE YEAR</b>	19	(11,227)

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1. Gross rent income

This is the total rent income for the year after allowance is made for empty property. During the year, 1.63% of lettable properties were vacant compared with 1.91% in 2004/5.

## 2. Contributions towards expenditure

The contributions include a transfer of £0.211m (£0.194m in 2004/5) from the General Fund in 2005/6 relating to the costs of maintaining non Housing Revenue Account community facilities on housing estates.

## 3. Rent Rebates

Assistance with rents is available under the Housing Benefits Scheme for people on low incomes. From April 2004 rent rebates ceased to become a charge to the Housing Revenue Account and instead are charged to the General Fund. The remaining costs shown in the Housing Revenue Account for 2005/6 relate to a two year transitional arrangement put in place by the Government. These costs will fall out after the two year period and thus become fully charged to the General Fund.

## 4. Provision for bad and doubtful debts

Provisions have been made for known liabilities uncertain as to the amount or timing. These include sums for weekly rents and Housing Benefit overpayments. For 2005/2006 there is a net reduction in the HRA bad debt provision of £1.02m.

2004/5 £'000		2005/6 £'000
	<b>Weekly Rents</b>	
1,717	Balance at 1 April	1,664
122	Net Increase / (decrease) charged to HRA	105
(175)	Provision used in year	(490)
1,664	Balance at 31 March	1,279
	<b>Housing Benefit Overpayments</b>	
1,036	Balance at 1 April	590
(79)	Net Increase / (decrease) charged to HRA	(292)
(367)	Provision used in year	(81)
590	Balance at 31 March	217
	<b>Other</b>	
446	Balance at 1 April	839
63	Provision made in year	98
0	Provision used and written back in year	(342)
509	Balance at 31 March	595
2,763	TOTAL PROVISIONS AT 31 MARCH	2,091

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 5. Major Repairs Reserve

The movements on the Major Repairs Reserve are shown below:

2004/5 £'000		2005/6 £'000
0	Balance at beginning of the year	(4,091)
(12,153)	Add transfer to the MRR (depreciation)	(11,465)
(90)	Add interest on balances	(93)
3,629	Less Charge to the account in respect of capital expenditure funded from the MRA	11,137
	Less Amount transferred to the HRA in respect of:	
4,340	Depreciation on dwellings in excess of the MRA	4,030
183	Depreciation on other HRA assets	214
(4,091)	<b>Balance at end of the year</b>	<b>(268)</b>

## 6. Housing Repairs Account

The movements on the Housing Repairs Account are shown below.

2004/5 £'000		2005/6 £'000
19	Balance at beginning of the year	0
0	Add interest received	0
8,822	Add contributions during the year	9,218
8,841		9,218
(8,841)	Less actual expenditure incurred	(9,218)
0	<b>Balance at end of the year</b>	<b>0</b>

## 7. Housing Stock

The Council was responsible for managing a stock of around 14,125 dwellings during 2005/6.

Number 31 March 2005		Number 31 March 2006
8,253	Houses	8,136
4,609	Flats	4,590
1,331	Bungalows	1,331
14,193		14,057

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 8. Publicity

Section 5 of the Local Government Act 1986 requires local authorities to identify expenditure on publicity. Details are as follows:

2004/5 £'000		2005/6 £'000
63	Recruitment advertising	37
48	Other	47
111		84

### 9. Housing Subsidy

The Local Government and Housing Act 1989 introduced a new subsidy for the Housing Revenue Account. The deficit is derived as the balance on a notional Housing Revenue Account for the authority, calculated in accordance with statutory determinations prescribing notional levels of increases in costs and rent income. As a result the position on the notional Housing Revenue Account can differ substantially from that on the Council's actual Housing Revenue Account.

Following the implementation of Resource Accounting, the subsidy was extended from 2001/2 to include a Major Repairs Allowance, which reflects the estimated average annual cost of maintaining the condition of the authority's housing stock over a 30 year period.

Following the achievement of a three star rating by Derby Homes Limited, the Council's Arms Length Management Organisation (ALMO), an ALMO allowance has been received as a new component of Housing Revenue Account subsidy.

The subsidy payable to the authority is made up as follows:

2004/5 £'000		2005/6 £'000
17,239	Management and maintenance allowances	18,639
7,630	Major repairs allowance	7,220
5,662	Charges for capital	5,770
0	Rent rebates – see note 3	0
7,774	ALMO allowance	7,774
14	Defective dwellings	14
(32,226)	Rent	(33,131)
(17)	Interest on receipts	(11)
6,076	<b>Total</b>	<b>6,275</b>



## NOTES TO THE HOUSING REVENUE ACCOUNT

### 10. Operational/Non Operational Assets

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

31 March 2005 £'000		31 March 2006 £'000
590,316	Operational Assets	557,509
14,591	Non Operational Assets	14,016
604,907		571,525

The decrease reflects movements due to the major 5 year stock revaluation required as part of resource accounting, added to the impact of disposals in year totalling £10.68m.

### 11. Council Dwellings Vacant Possession Value

The total vacant possession value of dwellings within the HRA at 1 April 2005 was £1,125.102m (£965.349m at 1 April 2004). ODPM guidance requires that the balance sheet valuation (£562.551m at 1 April 2005, £598.516m at 1 April 2004) 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.

### 12. Cost of Capital Charge

The cost of capital charge of £20.487m is calculated as a percentage of the restated value of HRA operational assets at 1 April 2005 (£569.94m). This includes council dwellings (£562.551m) and other operational and non-operation assets.

### 13. Capital Asset Charges Accounting Adjustment

The Capital Asset Charges accounting adjustment reflects the difference between the cost of capital charged and the true HRA share of external interest costs.

### 14. Minimum Revenue Provision

From 1 April 2005, the Housing Revenue Account is no longer required to make MRP repayments of debt, as this has been removed from the HRA item 8 determination for 2005/06. The remaining charge of £0.1m relates to the scheduled repayment of debt for housing properties the Council inherited on reorganisation of Local Government boundaries in 1974.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 15. Depreciation

The total charge for depreciation of the assets within the HRA was £11.465m. This is made up of:

2004/5 £000		2005/6 £000
11,970	Council Dwellings	11,251
183	Other operational land and buildings	214
12,153		11,465

### 16. Impairment

There is no material impairment charge for 2005/6. (£0 in 2004/05)

### 17. Deferred charges

There are no deferred charges attributable to the HRA for 2005/6. (£0 in 2004/05)

### 18. Restatement of previous years figures

The Best Value Accounting Code of Practice states that 'costs in relation to the clerical and overall planning processes of repairs should be treated as Management not Maintenance'. The 2004/2005 figures contain costs of approximately £1.5m in relation to these processes and have therefore been restated to reflect this position. The changes do not affect the overall HRA surplus.

### 19. HRA Reserve

The HRA's reserve continues to be built up substantially in the short term as part of the 30 year HRA Business Plan, which aims to smooth a projected substantial loss of funding in the future, particularly in 2011/12 when the additional funding currently allocated by the government to Derby for running an ALMO runs out. In addition, the funds are being saved for a programme of estate improvement, known as Estates Pride which will run for the next five years, and will cost between £6m and £15m depending on the funds eventually available.

# CONSOLIDATED BALANCE SHEET

The Balance Sheet shows the financial position of the Council as a whole in relation to the outside world. All internal transactions between Council Services have been eliminated.

31 March 2005 £'000		Notes	£'000	31 March 2006 £'000
1,122,278	<b>TANGIBLE FIXED ASSETS</b>	1		<b>1,088,450</b>
0	<b>OTHER ASSETS</b>			
10,100	Intangible fixed assets	2	38	
7,248	Investments	4	100	
	Long-term debtors	5	13,316	
17,348				<b>13,454</b>
1,139,626	<b>TOTAL LONG TERM ASSETS</b>			<b>1,101,904</b>
	<b>CURRENT ASSETS</b>			
73,791	Short-term investments		104,230	
305,702	Pensions	24	397,170	
1,384	Stocks and work in progress	6	896	
33,454	Debtors	7	37,785	
647	Cash in hand		219	
414,978				<b>540,300</b>
	<b>CURRENT LIABILITIES</b>			
(39,681)	Creditors	8	(47,181)	
(507,699)	Pensions	24	(599,380)	
(4,040)	Bank overdraft		(7,538)	
(551,420)				<b>(654,099)</b>
1,003,184	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>988,105</b>
(285,474)	Long-term borrowing	9	(320,351)	
(350)	Deferred capital receipts	10	(206)	
(48,127)	Deferred liabilities and credits	11	(46,292)	
(2,500)	Provisions	12	(1,781)	
(336,451)				<b>(368,630)</b>
666,733	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>619,475</b>
	<b>FINANCED BY:</b>			
	<b>Capital Balances and Reserves</b>			
(613,929)	Fixed asset restatement account	13	(575,846)	
(168,101)	Capital financing account	14	(134,484)	
(12,085)	Usable capital receipts reserve	15	(13,388)	
(15,929)	Government Grants Deferred Account	16	(22,173)	
(18,077)	Earmarked capital reserves		(22,810)	
(828,121)				<b>(768,701)</b>
	<b>Revenue Balances and Reserves</b>			
(19,746)	Earmarked General Fund	17	(29,175)	
(480)	Earmarked Housing Revenue Account Reserve	17	(451)	
(4,915)	Schools' balances	18	(5,925)	
(5,630)	General Fund balance	19	(5,767)	
201,997	Pension Reserve	24	202,210	
(4,091)	Major Repairs Reserve		(268)	
(6,262)	Housing Revenue Account balance	20	(11,227)	
515	Collection Fund balances	21	(171)	
161,388				<b>149,226</b>
(666,733)	<b>TOTAL BALANCES</b>			<b>(619,475)</b>
Signed:		Date:		
		Corporate Director of Resources and Housing		
		Chair of Audit and Accounts Committee		

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 1. Tangible Fixed Assets

### a. Movement in fixed assets 2005/6

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra- structure Assets	Communi- ty Assets	Investment Properties	Surplus Prop- erties	Construct ion & Work in Progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net book value at 31 March 2005	587,397	405,560	5,457	69,975	13,063	40,826	0	0	1,122,278
Add restatements between categories	0	(3,678)	215	0	(247)	(13,914)	17,624	0	0
Revaluations and restatements	(24,606)	(3,521)	(23)	11	(3)	3,373	(1,265)	0	(26,034)
<b>Restated Value at 1 April 2005</b>	<b>562,791</b>	<b>398,361</b>	<b>5,649</b>	<b>69,986</b>	<b>12,813</b>	<b>30,285</b>	<b>16,359</b>	<b>0</b>	<b>1,096,244</b>
Additions	30,671	15,622	3,975	12,478	928	590	6	4,134	68,404
Disposals	(10,676)	0	0	0	0	(81)	(1,292)	0	(12,049)
<b>Gross book value</b>	<b>582,786</b>	<b>413,983</b>	<b>9,624</b>	<b>82,464</b>	<b>13,741</b>	<b>30,794</b>	<b>15,073</b>	<b>4,134</b>	<b>1,152,599</b>
Depreciation for the year	(11,251)	(5,205)	(1,193)	(2,024)	0	0	0	0	(19,673)
Impairment	0	(4,530)	0	0	0	0	0	0	(4,530)
De-minimis capital expenditure written out to revenue	0	(489)	(92)	0	(41)	(6)	(6)	0	(634)
Capital expenditure not adding to asset value	(18,841)	(10,990)	(845)	(7,347)	(705)	(584)	0	0	(39,312)
<b>Net book value at 31 March 2006</b>	<b>552,694</b>	<b>392,769</b>	<b>7,494</b>	<b>73,093</b>	<b>12,995</b>	<b>30,204</b>	<b>15,067</b>	<b>4,134</b>	<b>1,088,450</b>

### b. Commitments under capital contracts include the following:

- £2.96m on schools modernisation and refurbishments
- £0.19m on improving disabled access in schools
- £0.02m on Grounds Maintenance Equipment
- £0.16m on Street Cleaning Equipment
- £0.19m on Refuse Vehicles
- £0.09m on Playground Equipment

### c. Significant capital expenditure proposals in 2006/7 including the above commitments are as follows :-

- The Council's Housing stock was declared decent at the end of 2005/6. The focus is now on maintaining the level of decency as prescribed by the Government. The programme also includes improving energy efficiency in dwellings, secure housing and environmental and

## NOTES TO THE CONSOLIDATED BALANCE SHEET

socio-economic improvements in the deprived inner city areas including Rosehill Market renewal – total programme amounts to £21.402m

- QUAD – £5.13m in 2006/2007 – Continuation of the programme to develop and construct a visual arts and media centre, including high quality exhibition space. The programme is significantly funded by the Arts Council, European Funding and regional partners with an overall scheme contribution from the council of approximately 15%.
- Completion of significant condition and modernisation projects in a range of schools relating to roofing, structural and electrical rewiring schemes (£5 million). A major project for a new Multiple Use Games Area and changing rooms at St Benedict's Secondary School (£2.5 million). A range of smaller projects completed to improve disabled access in schools.
- Continuation of IRRIMS – the Inner Ring Road Integrated Maintenance Scheme a 3 year programme which commenced on site in September 2005. The first year saw completion of a significant proportion of the planned works which included resurfacing 18,000m<sup>2</sup> of carriageway; designing a parapet system to required new standards and commencing the erection of these parapets, design and manufacture of 3 new gantries and substantial directional drilling and preparatory works associated with the new East Gate Pumping station. The works will continue in 2006/7 with the planned works including completing a further 20,000m<sup>2</sup> of carriageway resurfacing; erection of the 3 new gantries; completion of the design and subsequent manufacture and installation of new pedestrian and vehicle guardrails and the completion of the Pumping station which will be online by July 2006.

### 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 2005 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.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

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 2005. There is no requirement to depreciate land assets.

In calculating depreciation, the straight line method has been adopted using a prudent estimate for the useful economic life and residual land value for individual assets within each category. A maximum life of 50 years is used for all assets, although each asset is considered individually based on its condition and construction. The asset register contains the detailed information used in the depreciation calculation.

The following table details the cumulative provisions for depreciation for each category of assets as at 31 March 2006.

	Council Dwellings	Other land and buildings	Vehicles, plant and equipment	Infra-structure	Community Assets	Investment properties	Total
	£000	£000	£000	£000	£000	£000	£000
Depreciation provision at 1 April 2005	(46,158)	(25,698)	(8,631)	(9,760)	(185)	(46)	<b>(90,478)</b>
Depreciation for 2005/06	(11,251)	(5,205)	(1,193)	(2,024)	-	-	<b>(19,673)</b>
Depreciation provision at 31 March 2006	(57,409)	(30,903)	(9,824)	(11,784)	(185)	(46)	<b>(110,151)</b>

### f. Expenditure Not Adding Value (ENAV)

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 of repair to aid the more effective and efficient provision of services. ENAV totalled £39.3m at 31 March 2006 (£46.9m at 31 March 2005). Significant items include:

- £18.8m on upgrading Housing Revenue Account properties to bring them up to an acceptable standard
- £7.5m on Local Transport Plan schemes that are currently in progress, but not yet complete
- £1.2m on Disabled Disability Access and Planned Maintenance works
- £1.0m on care homes to bring them up to National Care Standards required levels
- £8.2m on refurbishment and renovation works that have been undertaken on schools and educational properties.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 2. Intangible Fixed Assets

Following changes in the 2004 SORP intangible fixed assets were 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.

	<b>Total £'000</b>
Balance at 31 March 2005	<b>0</b>
Additions	<b>38</b>
Amounts Amortised in year to Service Revenue Accounts	<b>0</b>
<b>Balance at 31 March 2006</b>	<b>38</b>

### 3. Financing of Capital Expenditure

	<b>£'000</b>		<b>£'000</b>
<b>Financing</b>		<b>Expenditure</b>	
Borrowing	38,531	Tangible Fixed Assets	68,404
Capital Receipts	2,798	Intangible Fixed Assets	38
Government / other grants	17,408	Deferred Charges	7,594
Major Repairs Allowance	11,137	Movement in working capital	383
Revenue and Revenue Reserves	1,673		
Capital reserves	687		
Other external contributions	4,185		
	<b>76,419</b>		<b>76,419</b>

Deferred charge expenditure has been fully amortised to revenue, along with any grant funding, in 2005/6. However, under the capital control framework this expenditure is still classed as capital expenditure and capital financing applies as shown above.

### 4. Long Term Investment

The Local Government Act 2003 came into effect on 1 April 2004 and permits local authorities to invest surplus cash balances for periods longer than one year as part of an Annual Investment Strategy. An investment was made for a period of two years in February 2005 and included in the 2004/5 accounts as a long term investment. The £10m decrease in 2005/6 reflects the reclassification of the investment as short-term, as it has less than one year to maturity. The existing £100,000 represents an investment in ADC (Properties) Ltd held for the longer term benefit of the Authority.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 5. Long Term Debtors

The deferred consideration entry in 2004/5 reflected PFI contract prepayments made where the payment gave rise to a future benefit for the Council. In 2005/6 there was a further prepayment and the amortisation to revenue over the period of the future benefit began.

31 March 2005 £'000		Additions £'000	Reductions £'000	31 March 2006 £'000
2,129	Deferred consideration and residual value – Schools PFI	6,803	(332)	8,600
192	Mortgages for sales of council housing	0	(41)	151
126	Loans to housing associations	0	(103)	23
4,622	Derbyshire County Council 1974 transferred debt	0	(189)	4,433
140	Car Loans to Employees	96	(138)	98
39	Other loans	2	(30)	11
7,248		6,901	(833)	13,316

### 6. Stocks and Work in Progress

31 March 2005 £'000		31 March 2006 £'000
	<b>Stocks</b>	
246	Trading Services	237
101	Other departments	91
347		328
	<b>Work in progress</b>	
1,037	Trading Services	568
1,384		896

The combination of reduced turnover and works being valued and invoiced nearer to the year end has reduced the level of Work in Progress.



## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 7. Debtors

The table below shows an analysis of the amounts owing to the Council at the balance sheet date. The increase in sundry debtors includes timing differences over the 2005/6 financial year-end requiring transactions totalling £3.7m to be accrued in the accounts.

31 March 2005 £'000		31 March 2006 £'000
	<b>Amounts falling due within one year</b>	
17,680	Government Departments	12,796
1,716	Other local authorities	1,863
10,026	Council taxpayers	9,837
1,142	Business ratepayers	1,378
1,532	Housing rents	1,182
14,139	Sundry debtors	20,295
46,235		47,351
(12,781)	Provision for bad and doubtful debts	(9,566)
33,454		37,785

### 8. Creditors

The table below shows an analysis of the Council's creditors at the balance sheet date.

31 March 2005 £'000		31 March 2006 £'000
120	PWLB Borrowing with less than one year to maturity	8,123
11,350	Government Departments	9,210
2,607	Other local authorities	2,355
480	Council taxpayers	652
317	Business ratepayers	397
24,807	Sundry creditors	26,444
39,681		47,181

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 9. 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 2005 £'000		Range of interest rates payable %	Total Outstanding 31 March 2006 £'000
	<b>Source of loan</b>		
262,774	Public Works Loan Board	3.166 to 9.56	297,651
22,700	Money Market	4.45	22,700
285,474			320,351
	<b>Analysis of loans by maturity</b>	Weighted Average	
8,123	Maturing within 1 - 2 years - PWLB	3.166	121
22,700	Maturing within 1 - 2 years – Money Market	4.45	22,700
17,338	Maturing within 2 - 5 years	9.366	16,307
10,626	Maturing within 5 – 10 years	6.277	8,537
226,687	Maturing after 10 years	4.771	272,686
285,474			320,351

### 10. 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 £0.206m at 31 March 2006 (£0.350m at 31 March 2005) and are matched by sums included in long-term debtors.

### 11. Deferred Liabilities/Credits

The 31 March 2005 balances have been restated by a £2.176m reduction to the proportion of County Council debt charges liability, with a corresponding restatement made to the Capital Financing Account balance. This is to reflect the correct liability that transferred on 1 April 1997.

Restated 31 March 2005 £'000		31 March 2006 £'000
	<b>Deferred Liabilities</b>	
47,018	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.	45,137
1,660	Loans transferred from neighbouring authorities in 1968	1,534
286	Other	291
48,964		46,962
	<b>Less Deferred Credits</b>	
(837)	PWLB loan restructuring premium	(670)
48,127		46,292

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 12. Provisions

Provisions have been made for known liabilities uncertain as to the amount or timing in compliance with FRS 12. These include sums for uninsured risks, future pension payments for former Passenger Transport employees and housing PFI scheme.

2004/5 £'000		2005/6 £'000
	<b>Provision for uninsured risks</b>	
1,296	Balance at 1 April	1,558
175	Prior year reclassification	(650)
831	Provision made in year	724
	(CRA Note 6, Page 15)	
(744)	Provision used and written back in year	(650)
1,558	Balance at 31 March	982
	<b>Provision for future pension payments</b>	
755	Balance at 1 April	759
32	Provision made in year	33
(28)	Provision used in year	(23)
759	Balance at 31 March	769
	<b>Other provisions</b>	
588	Balance at 1 April	183
(175)	Prior Year Reclassification	(135)
	(CRA Note 6, Page 15)	
0	Provision made in year	0
(230)	Provision used / written back in year	(18)
183	Balance at 31 March	30
2,500	TOTAL PROVISIONS AT 31 MARCH	1,781

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 13. Fixed Asset Restatement Account

This reserve represents the net book value of assets disposed of and any surplus or deficit arising as a result of revaluations. From 2004/5 capital expenditure not adding value has been charged directly to the Capital Financing Account.

2004/5 £'000		2005/6 £'000
446,396	<b>Balance at 1 April</b>	<b>613,929</b>
182,434	Add revaluations and restatements	<b>(26,034)</b>
(14,901)	Less disposal of fixed assets and investments in year	<b>(12,049)</b>
0	Capital expenditure not adding to asset values	<b>0</b>
613,929	<b>Balance at 31 March</b>	<b>575,846</b>

The revaluations and restatements includes a valuation increase of £5.9m relating to buildings and land and £21.2m relating to community assets and a valuation reduction of £24.6m in relation to council dwellings. The reduction on council dwellings relates to the 5 year stock revaluation in accordance with the HRA resource accounting guidance 2001.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 14. Capital Financing Account

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue, capital receipts and external grants and contributions. It also contains the difference between the amounts provided for depreciation and those that are required to be charged to revenue to repay the principal element of external loans. Capital receipts set aside in 2005/6 are reduced as a result of new pooling arrangements for receipts from the sale of council dwellings. This is explained further in accounting policies. The opening balance has been restated as explained in Note 11 Deferred Liabilities.

2004/5 £'000		2005/6 £'000
(214,765)	<b>Balance at 1 April</b>	<b>(165,925)</b>
0	Restatement of opening balance – transferred debt	<b>(2,176)</b>
	Restated 1 April	<b>(168,101)</b>
(130)	Capital receipts set aside in year	<b>(183)</b>
	<b>Capital financing from</b>	
(2,325)	Capital receipts	<b>(2,798)</b>
(3,629)	Major repairs allowance	<b>(11,137)</b>
(2,612)	Other revenue and revenue reserves	<b>(1,673)</b>
(757)	Capital reserves	<b>(687)</b>
(10,130)	Grants direct to Capital Financing Reserve	<b>(9,118)</b>
(2,039)	Contributions	<b>(1,680)</b>
	<b>Net contribution to Consolidated Revenue Account:</b>	
(3,650)	Minimum revenue provision	<b>(4,611)</b>
(15)	Outstanding credit arrangement	<b>(16)</b>
0	Residual Value PFI	<b>(62)</b>
(595)	Government Grants Amortised to revenue	<b>(855)</b>
0	Deferred charges grants amortised to revenue	<b>(3,696)</b>
(2,024)	Transferred Debt	<b>(1,942)</b>
20,990	Depreciation charged	<b>19,673</b>
0	Impairment	<b>4,530</b>
46,949	Capital Expenditure not adding value	<b>39,312</b>
19	Deferred Consideration	<b>332</b>
8,300	Deferred charges written down to revenue	<b>7,594</b>
488	De-minimis expenditure written down	<b>634</b>
(165,925)	<b>Balance at 31 March</b>	<b>(134,484)</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 15. 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 is available for use and part has to be set aside (see Note 14). From 1 September 1998, legislation came into force revoking this requirement for most non-housing asset sales, so that the whole receipt is available for future capital investment. Capital receipts set aside in 2005/6 are reduced as a result of new pooling arrangements for receipts from the sale of council dwellings. This is explained further in accounting policies.

2004/5 £'000		2005/6 £'000
8,399	<b>Balance at 1 April</b>	<b>12,085</b>
12,410	Capital receipts in year from sales of assets	<b>9,471</b>
(2,325)	Receipts applied to finance capital expenditure in year	<b>(2,798)</b>
(6,269)	Housing Pooling	<b>(5,187)</b>
(130)	Receipts set aside	<b>(183)</b>
12,085	<b>Balance at 31 March</b>	<b>13,388</b>

### 16. Deferred Government Grants/Contributions

Since 2003/4 a Government Grants Deferred Account has been operated. From 2004/05 a Contributions Deferred Account has also been operated. From 2005/6 this has included the credit direct to revenue for grants used to finance deferred charge expenditure.

2004/5 £'000		2005/6 £'000
7,767	<b>Balance at 1 April</b>	<b>15,929</b>
0	Adjustment to balance brought forward	<b>0</b>
	<b>Government Grant receipts and contributions applied to finance capital</b>	
	Expenditure funded from	
17,452	• grants	<b>17,408</b>
3,474	• contributions	<b>4,185</b>
(595)	Grants/contributions amortised to revenue	<b>(855)</b>
	Credited direct to the Capital Financing Reserve	
(10,130)	• grants	<b>(9,118)</b>
(2,039)	• contributions	<b>(1,680)</b>
0	Credited direct to revenue for deferred charges	<b>(3,696)</b>
15,929	<b>Balance at 31 March</b>	<b>22,173</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### **17. Earmarked Reserves**

These are reserves held for specific capital or revenue purposes. Details of the movements in reserves can be found in the Statement of Total Movements in Reserves on page 48.

### **18. Schools' Balances**

These balances are held by schools under Local Management of Schools arrangements, including Foundation Schools.

### **19. General Fund Balance**

The 1989 Act limited the number of funds a local authority could hold from 1 April 1990 to the General Fund (for all council services other than council housing) and the Housing Revenue Account (for council housing). Details can be found in the Consolidated Revenue Account on page 10.

### **20. Housing Revenue Account**

Details of this account can be found on page 24.

### **21. Collection Fund Balances**

Details of this account can be found on page 54.

### **22. European Monetary Union**

The Council continues to assess the impact that the possible introduction of the Euro in the UK would have on the delivery of the Council's services, its financial information systems and the Council's stakeholders. Until a decision is made as to whether the UK should adopt the Euro, the expenditure on Euro activities should be absorbed within existing budgetary provision.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 23. 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 authority, 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

2004/5 Trust Funds £'000		2005/6 Trust Funds £'000
	<b>Aggregate Revenue Account</b>	
1,152	Opening balance 1 April	1,175
240	Income during the year	208
1,392	Total Funds available in the year	1,383
(217)	Expenditure during the year	(164)
1,175	Closing balance 31 March	1,219
	<b>The funds are represented by:</b>	<b>Balance 31 March 2006 £'000</b>
	Investments:	
124	COIF Charity Funds	149
5	Edinburgh Fund Managers	7
3	Treasury Stock	3
17	National Savings investment funds	18
4	Building Society Deposits	5
1,022	Cash and Temporary Loans	1,037
1,175	Total Assets	1,219
46	Number of Funds	46



## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 24. Pension Disclosures

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 Authority.

#### Local Government Pension Scheme

The Council participates in the Derbyshire County Council defined benefit (open) superannuation fund. The figures below are derived by approximate methods from the full actuarial valuation of the Fund carried out by Watson Wyatt as at 31 March 2005.

As at the 31 March 2006, the Council had the following overall assets and liabilities for pensions, which are not shown on the balance sheet:

Balance 31 March 2005 £000	Local Government Pension Scheme	Balance 31 March 2006 £000
293,175	Estimated Assets in Scheme	379,456
(474,889)	Estimated Liabilities in Scheme	(560,565)
(181,714)	<b>Net Asset (Liability)</b>	<b>(181,109)</b>

The movement in the net pension liability of the Council for the year to 31 March 2006 is as follows:

Movement in Net Pension Liability	2005/6 £000
Net Pensions Liability as at 1 April 2005	(181,714)
<b>Movement In the Year</b>	
Contributions Paid	16,558
Current Service Cost	(15,351)
Past Service Costs/Gain	7,901
Settlement Gain	(87)
Interest Costs	(6,081)
Actuarial gain (loss)	(2,335)
<b>Net Pension Liability as at 31 March 2006</b>	<b>(181,109)</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

The actuarial loss can be analysed into the following categories, measured as absolute amounts and as a percentage of assets as 31 March 2006:

Analysis of Actuarial Gain (loss)	£'000	% of Assets/liabilities
Difference between the expected and actual return on assets	53,665	14.1% assets
Difference between actuarial assumptions about liabilities and actuarial experience	(11,580)	2.1% liabilities
Changes in demographic and financial assumptions used to estimate liabilities	(44,420)	7.9% liabilities
<b>Total Actuarial Gain (loss)</b>	<b>(2,335)</b>	

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

	31 March 2005	31 March 2006
Rates of Inflation	2.9%	<b>2.9%</b>
Rate of Increase in Salaries	4.4%	<b>4.4%</b>
Rate of Increase in Pensions	2.9%	<b>2.9%</b>
Discount Rate	5.4%	<b>4.9%</b>

Assets held by the fund as a whole are £1,806m valued at fair value as at 31 March 2006 (£1,441m at 31 March 2005). 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 2005	31 March 2006
Equities	7.5%	70.2%	<b>70.9%</b>
Gilts	4.7%	15.8%	<b>14.5%</b>
Other bonds	5.4%	2.2%	<b>1.9%</b>
Property	6.5%	5.0%	<b>5.1%</b>
Cash	4.75%	6.8%	<b>7.6%</b>
Total		100.0%	<b>100.0%</b>

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## Changes to the Local Government Pension Scheme

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the Council's pension liabilities by £7.8m and this has been included within non-distributed costs on the face of the Consolidated Revenue Account.

## Teachers' Pension Scheme

The Council participates in the Teachers' Pension Scheme, which is a defined contribution scheme. Discretionary early retirement pension enhancements awarded to teachers, however, are to be treated under FRS17 as though they were a defined benefit scheme from 2004/05. The figures below are derived by approximate methods based on information provided by the actuaries to the Derbyshire Superannuation Fund, Watson Wyatt.

As at the 31 March 2006, the Council had an overall liability of £21.101m in respect of teachers' pensions (£20.283m at 31 March 2005).

The movement in the pension liability of the Council for the year to 31 March 2006 is as follows:

Movement in Teachers' Pension Liability	2005/6 £'000
Teachers' Pension Liability as at 1 April 2005	(20,283)
<b>Movement In the Year</b>	
Contributions Paid	1,371
Current Service Cost	0
Past Service Costs	(156)
Interest Costs	(1,058)
Actuarial gain (loss)	(975)
<b>Teachers' Pension Liability as at 31 March 2006</b>	<b>(21,101)</b>

The actuarial loss can be analysed into the following categories, measured as absolute amounts and as a percentage of liabilities as at 31 March 2006:

Analysis of Actuarial Loss	£'000	% of liabilities
Difference between actuarial assumptions about liabilities and actuarial experience	(0)	0% liabilities
Changes in demographic and financial assumptions used to estimate liabilities	(975)	4.6% liabilities

## NOTES TO THE CONSOLIDATED BALANCE SHEET

The main financial assumptions used by the actuary are:

	31 March 2005	31 March 2006
Rates of Inflation	2.9%	<b>2.9%</b>
Rate of Increase in Pensions	2.9%	<b>2.9%</b>
Discount Rate	5.4%	<b>4.9%</b>

### 25. Contingent Liability

There are no contingent liabilities to report in 2005/6.

### 26. Subsidiary Companies (Subject to receiving Derby Homes audited accounts)

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 assets and results of operations (prior to FRS17 adjustments) for the year to 31 March 2006 are as follows:

2004/5 £'000		2005/6 £000's
43	Net assets at 31 March 2006	<b>73</b>
19	Operating profit before taxation	<b>30</b>
15	Operating profit after taxation	<b>30</b>
	Indebtedness with Derby City Council included in net assets above is	
820	<ul style="list-style-type: none"> <li>Derby Homes Debtors mainly relating to the management fee</li> </ul>	<b>445</b>
(1,506)	<ul style="list-style-type: none"> <li>Derby Homes Creditors mainly relating to services provided to Derby Homes by the Council</li> </ul>	<b>(2,141)</b>
(686)	<b>Net</b>	<b>(1,696)</b>

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

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES

The Statement of Total Movements in Reserves brings together all the recognised gains and losses of the Authority during the financial year. The statement shows the gains and losses unrealised in the Revenue Account and separates the movements between revenue and capital reserves.

	<b>Balance 31 March 2005 £'000</b>	Unrealised gain / (loss) on revaluation £'000	Value of assets disposed £'000	Proceeds of disposal £'000	Financing of fixed assets £'000	Net surplus/ (deficit) for year £'000	<b>Balance 31 March 2006 £'000</b>
<b>TECHNICAL, NON- USABLE RESERVES</b>							
<b>Capital</b>							
Fixed Asset Restatement Account	<b>613,929</b>	(26,034)	(12,049)	0	0	0	<b>575,846</b>
Capital Financing Account	<b>168,101</b>	0	0	183	27,093	(60,893)	<b>134,484</b>
Government Grants /Contributions Deferred	<b>15,929</b>	0	0	0	7,099	(855)	<b>22,173</b>
<b>Revenue</b>							
Pension Reserve	<b>(201,997)</b>	(3,310)				3,097	<b>(202,210)</b>
<b>USABLE RESERVES</b>							
<b>Capital</b>							
Usable Capital Receipts Reserve	<b>12,085</b>	0	0	9,471	(2,798)	(5,370)	<b>13,388</b>
<u>Earmarked Capital Reserves *</u>							
*Earmarked Government Grants	<b>7,707</b>				(17,408)	20,332	<b>10,631</b>
*Earmarked Contributions	<b>3,077</b>				(2,282)	2,343	<b>3,138</b>
*Earmarked S106 Contributions	<b>4,237</b>				(1,903)	4,405	<b>6,739</b>
*Other earmarked capital reserves	<b>3,056</b>	0	0	0	(687)	(67)	<b>2,302</b>
<b>Revenue</b>							
Major Repairs Reserve	<b>4,091</b>					(3,823)	<b>268</b>
General Fund	<b>5,630</b>					137	<b>5,767</b>
Schools' Balances	<b>4,915</b>					1,010	<b>5,925</b>
Housing Revenue Account Balance	<b>6,262</b>					4,965	<b>11,227</b>
Collection Fund	<b>(515)</b>					686	<b>171</b>
General Fund revenue earmarked reserves	<b>19,746</b>					9,429	<b>29,175</b>
Housing Revenue Account earmarked reserves	<b>480</b>					(29)	<b>451</b>
<b>TOTAL RESERVES</b>	<b>666,733</b>	<b>(29,344)</b>	<b>(12,049)</b>	<b>9,654</b>	<b>9,114</b>	<b>(24,633)</b>	<b>619,475</b>

## CASHFLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties, for revenue and capital purposes.

2004/5 £'000		Notes	£'000	2005/6 £'000
	<b>REVENUE ACTIVITIES</b>			
	<i>Cash outflows –</i>			
235,294	Cash paid to and on behalf of employees		<b>250,304</b>	
283,691	Other operating cash payments		<b>295,691</b>	
24,590	Housing benefits paid out		<b>26,191</b>	
8,286	Precept payment to Police Authority		<b>8,849</b>	
3,556	Precept Payment to Fire Authority		<b>3,769</b>	
58,510	Payment to Non-Domestic Rate Pool		<b>63,894</b>	
613,927				<b>648,698</b>
	<i>Cash inflows -</i>			
(18,139)	Rents (after rebates)		<b>(18,906)</b>	
(60,658)	Council tax receipts		<b>(64,082)</b>	
(62,364)	Distribution from Non-Domestic Rate Pool		<b>(77,718)</b>	
(60,238)	Non-domestic rate receipts		<b>(61,709)</b>	
(128,560)	Revenue Support Grant		<b>(129,923)</b>	
(23,486)	Government Grant for housing benefits		<b>(25,804)</b>	
(119,025)	Other government grants	4	<b>(117,532)</b>	
(150,395)	Cash received for goods and services		<b>(175,977)</b>	
(622,865)				<b>(671,651)</b>
(8,938)	<b>Net Revenue Activities Cashflow</b>	1		<b>(22,953)</b>
	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
	<i>Cash outflows –</i>			
16,604	Interest paid		<b>19,160</b>	
2	Interest element of finance leases		<b>1</b>	
16,606				<b>19,161</b>
	<i>Cash inflows -</i>			
(4,438)	Interest received			<b>(4,720)</b>
12,168				<b>14,441</b>

## CASHFLOW STATEMENT

2004/5 £'000		Notes	£'000	2005/6 £'000
	<b>CAPITAL ACTIVITIES</b>			
	<i>Cash outflows –</i>			
67,298	Purchase of fixed assets		42,470	
7,418	Deferred charges		3,016	
3,294	Other net capital cash		6,949	
	<i>Cash inflows -</i>			
(12,041)	Sales of fixed assets		(9,389)	
(15,272)	Capital grants received	4	(18,167)	
50,697	<b>Net Capital Activities Cashflow</b>			24,879
53,927	Net Cash Outflow / (Inflow) before Financing			16,367
	<b>MANAGEMENT OF LIQUID RESOURCES</b>			
10,956	Net increase / (decrease) in short term deposits			30,439
	<b>FINANCING</b>			
	<i>Cash outflows –</i>			
116	Repayments of amounts borrowed		8,120	
	<i>Cash inflows -</i>			
(69,000)	New loans raised		(51,000)	
(68,884)				(42,880)
(4,001)	<b>Net Cash (Inflow) / Outflow = Net Increase / (Decrease) in Cash</b>	2		3,926

## NOTES TO THE CASHFLOW STATEMENT

### 1. Reconciliation between the net (surplus) / deficit on the Consolidated Revenue Account to the Revenue Activities Net Cashflow

2004/5 £'000		2005/6 £'000
(156)	Net (surplus) - Consolidated Revenue Account	(137)
935	Net (increase) in Schools' balances	(1,010)
(8,976)	Net (surplus) / deficit - Housing Revenue Account	(1,142)
(178)	Net (surplus) / deficit - Collection Fund	(686)
2,234	(Decrease)/Increase in debtors	4,326
507	(Decrease)/Increase in stock and work in progress	(488)
(1,700)	(Increase) / decrease in creditors	(7,500)
139	(Increase) / Decrease in provisions	719
(2,150)	(Increase) / Decrease in earmarked reserves	(9,395)
	<i>Adjustment for non-cash transactions:</i>	
12,571	Capital activities	(1,202)
	<i>Less:</i>	
(12,168)	Servicing of finance items	(14,441)
4	Financing included in creditors	8,003
(8,938)	<b>Revenue Activities Net Cashflow</b>	<b>(22,953)</b>

### 2. Reconciliation of movement in cash to movement in net debt

Balance 31 March 2005 £'000	Movement 2004/5 £'000		Balance 31 March 2006 £'000	Movement 2005/6 £'000
647	(58)	Cash in hand	219	(428)
(4,040)	4,059	Bank overdraft	(7,538)	(3,498)
(3,393)	4,001	<b>Net Cash Increase/(Decrease) = net cash (inflow) / outflow</b>	(7,319)	(3,926)
		Adjust for the movement in liquid resources -		
73,791	10,956	Short-term investments	104,230	30,439
		Borrowing		
(285,594)	(68,884)	Public Works Loans Board	(328,474)	(42,880)
0	0	Other long-term borrowing	0	0
	(53,927)	<b>(Increase) / Decrease in Net Debt = net cash (inflow) / outflow before financing</b>		(16,367)



## NOTES TO THE CASHFLOW STATEMENT

### 3. Other Movements

Balance 31 March 2005 £'000		Balance 31 March 2006 £'000	Movement £'000
	<i>Increase:</i>		
33,459	Debtors	37,785	4,326
1,384	Stock and work in progress	896	(488)
	<i>(Increase) / decrease:</i>		
(39,681)	Creditors	(47,181)	(7,500)
(2,500)	Provisions	(1,781)	719

### 4. Revenue and capital grants

The following revenue grants from central government are included:

	Received in 2005/6 £'000
Rent Rebate – Housing Benefit	22,532
Council Tax benefit grant	13,596
Housing Benefit Subsidy	25,804
Arms Length Management Organisation (ALMO) Subsidy	6,262
Nursery Education / Surestart	6,122
Learning Standards Fund	8,638
School Standards Grant	4,178
Teachers Pay Grant	4,555
Asylum Seekers' Grant	249
Single Regeneration Budget (SRB) grant	721
New Deal for Communities	7,154
Neighbourhood Renewal Fund grant	3,250
Childrens Fund	182
Supporting People	10,954
LPSA Reward Grant	1,021
Other Policy Revenue Grants	13,733
Other Corporate Revenue Grants	673
Other Finance Revenue Grants	621
Other Development & Cultural Services Revenue Grants	902
Other Education Revenue Grants	2,373
Other Social Services Revenue Grants	9,432
Other Housing & Advice Revenue Grants	384
	<b>143,336</b>

## NOTES TO THE CASHFLOW STATEMENT

The following capital grants are included:

	Received in 2005/6 £'000
<i>Central government grants:</i>	
SRB capital grant	486
Schools capital grants	7,396
Transport Supplementary grant	799
Lottery capital grants	1,897
Disabled Facilities grant	422
ODPM capital grants	2,021
Urban II capital grant	405
Objective II capital grant	739
New Deal for Communities	70
LPSA reward grant/Pump Priming grant	985
Other capital grants	2,947
	<b>18,167</b>

## COLLECTION FUND

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

2004/5 £'000		Notes	2005/6 £'000
	<b>INCOME AND EXPENDITURE ACCOUNT</b>		
	<b>Income</b>		
(61,761)	Council tax	2	(64,706)
(60,177)	Business rates		(62,604)
	Transfers from General Fund		
(12,578)	Council tax benefit		(13,253)
	Net adjustments of previous year's		
3	Community charges		(3)
(134,513)	TOTAL INCOME		(140,566)
	<b>Expenditure</b>		
	<b>Precepts and Demands</b>		
61,397	Derby City Council		64,748
8,347	Derbyshire Police Authority		8,849
3,556	Derbyshire Fire Authority		3,769
	<b>Business Rates</b>		
59,037	Payment to National Pool		61,389
314	Costs of collection		315
	<b>Provision for bad and doubtful debts</b>		
1,351	Council tax		495
826	Business Rates		900
	<b>Transfer of previous year's estimated surplus</b>		
	Derby City Council General Fund:		
70	Community charge		0
(501)	Council tax		(490)
(62)	Derbyshire Police Authority		(67)
0	Derbyshire Fire Authority		(28)
134,335	TOTAL EXPENDITURE		139,880
(178)	<b>(SURPLUS) / DEFICIT FOR THE YEAR</b>	3	(686)
693	(SURPLUS) / DEFICIT AT BEGINNING OF YEAR		515
515	<b>(SURPLUS) / DEFICIT AT END OF YEAR</b>		(171)

# NOTES TO THE COLLECTION FUND

## 1. Council Tax

The Council's tax base for 2005/06 was 68,589.40 (£67,930.80 in 2004/05). 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	Estimated number of taxable properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A (disabled)	93	5/9	51.49
A	43,823	6/9	29,215.47
B	16,574	7/9	12,891.12
C	13,656	8/9	12,139.01
D	7,257	9/9	7,257.40
E	3,698	11/9	4,520.11
F	1,901	13/9	2,745.89
G	522	15/9	870.42
H	7	18/9	13.80
			69,704.71
<b>Less</b> adjustment for non-collection			1,115.31
<b>Council Tax Base</b>			<b>68,589.40</b>

## 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 total non-domestic rateable value at 31 March 2006 was £184.271m (£152.413m in 2004/05). The national non-domestic multiplier for 2005/6 was 42.2p (45.6p in 2004/05).

## 3. Collection Fund Surplus

The surplus on the Collection Fund at 31 March 2006 relates to council tax and is to be divided between the City Council, Police Authority and Fire Authority.

# STATEMENT OF RESPONSIBILITIES

## The Authority's responsibilities

The Authority is required:

- (1) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At Derby City Council that officer is the Corporate Director of Resources and Housing.
- (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 29 June 2006.

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

Councillor Mark Titley - Chair, Audit and Accounts Committee

## The Corporate Director of Resources and Housing responsibilities

The Corporate Director of Resources and Housing is responsible for the preparation of the Authority's Statement of Accounts in line with 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 2006.

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.

The Corporate Director of Resources and Housing 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: \_\_\_\_\_

Paul Dransfield –

Corporate Director of Resources and Housing

Date: \_\_\_\_\_

# STATEMENT ON INTERNAL CONTROL

## 1. SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

## 2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

The system of internal control has been in place at Derby City Council for the year ended 31 March 2006 and up to the date of approval of the Statement of Accounts.

## 3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of Derby City Council's internal control environment are as follows:

### **Establishment and monitoring the achievement of the authority's objectives**

The Council's priorities and objectives are reviewed on an annual basis as part of the corporate planning cycle. Priorities are established by Council Cabinet in consultation with Chief Officers, taking account of the Council's performance improvement priorities, inspection findings such as CPA, the national agenda for public service improvement and public consultation.

The corporate plan identifies actions and resources over a three year period, most recently 2005-08 and the BVPP establishes specific targets to measure progress. Performance is reported to Council Cabinet on a quarterly basis, and is monitored by the Overview and Scrutiny Commissions. Performance information is available across the Council through the *Performance Eye* information system.

# STATEMENT ON INTERNAL CONTROL

## **Facilitation of policy and decision making**

- Derby City Council has adopted a constitution which came into effect on 3 December 2001. This sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
- The Council Cabinet is the part of the Council that is responsible for most day-to-day decisions. When major decisions are to be discussed or made, these are published in the Council Cabinet's forward plan in so far as they can be anticipated. The Council Cabinet has to make decisions that are in line with the Council's overall policies and budget. If it wishes to make a decision that is outside the budget or policy framework, this must be referred to the Council as a whole to decide.
- In 2005/6 there were five Overview and Scrutiny Commissions, plus a Scrutiny Management Commission which support the work of the Council Cabinet and the Council as a whole. Within Derby City Council Scrutiny has two main roles:
  - to act as a check and balance on the Council Cabinet, holding it to account for its decisions
  - to review and help to develop Council policies to ensure that they have a positive impact on the people of Derby.
- The Council has also created five area panels which provide local citizens with a greater say in council affairs. These provide a forum to discuss local issues with the Council's partner organisations and local residents.

## **Ensuring compliance with established policies, procedures, laws and regulations**

The Council has designated the Corporate Director of Corporate and Adult Social Services and Deputy Chief Executive as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.

Responsibility for compliance with operational policies rests with the relevant Corporate Directors, Assistant Directors and Service Heads. These policies, such as those in relation to human resources, are reviewed and kept up to date.

The City Council is subject to internal and external audit and inspection regimes.

A Standards Committee containing three members of the Council and three members from outside the Council ensures the maintenance of high standards of conduct and deals with complaints against elected members. The Chair of the Standards Committee is an independent member.

## STATEMENT ON INTERNAL CONTROL

### Identifying, assessing and managing risks to the authority's objectives

The Council has robust systems in place for identifying and evaluating significant business risks. The key elements of the system include ...

- The Council has adopted a Risk Management Strategy which aims to embed risk management into the culture and operations of the Council. The aim is to manage risk in accordance with best practice and to make sure that departments have clear accountability for both the ownership and cost of risk and the tools to effectively reduce it.
- The Council has established clear roles and responsibilities and reporting lines within the Council for risk management, incorporating risk management into all new projects and reviews and into the Council's decision-making, business planning and performance management processes
- The Council has developed risk registers at both corporate and departmental levels. These registers are reviewed annually and are reported through to Cabinet.
- The Council has a Strategic Risk Group which is developing a formal framework to assist the organisation to manage business risks to achieve the Council's strategic priorities and deliver services to the community.
- The Council has produced a Business Continuity Plan that sets the framework for our planning and response arrangements for a disruption that might seriously affect our ability to deliver services. The Plan has been produced under the auspices of the risk management group, with ownership of local arrangements the responsibility of service departments. It sets out the structure for responding to a major service disruption, details of our major vulnerabilities, information on service continuance/restoration priorities and communication mechanisms. The Plan includes a development programme for areas identified as requiring further investigation to improve Business Continuity resilience.
- The Council has a corporate H&S team which aims to promote and protect the health and safety of all Council employees and anyone affected by their activities, by:
  - providing competent advice on current health and safety law and best practice
  - developing health, safety and welfare strategy and policy
  - working in partnership with stakeholders, including managers, the departmental health and safety advisers and trade union health and safety representatives
  - auditing for compliance with duties under the Health and Safety at Work etc. Act 1974
  - helping managers to comply with these duties
  - providing training on duties and compliance.



## STATEMENT ON INTERNAL CONTROL

During the year the External Auditor's CPA assessment of the Council's risk management arrangements was a score of 3 out of 4.

### **Ensuring the economical, effective and efficient use of resources and ensuring continuous improvement by virtue of the Best Value Duty.**

Even as an 'excellent four star' Council, we are committed to ongoing improvement. The Council has an on-going programme of service reviews.

Overarching this is the 'Building on Excellence' change management programme, based on the following five themes ...

- Improving organisational and service performance.
- Delivering efficiency and value for money.
- Improving communication and engagement.
- Developing a culture of excellence and learning.
- Providing excellent customer service.

Building on Excellence provides a structured approach to change and project management, based on Prince2 principles.

Our review programme includes change management reviews, mainly concerned with business process re-engineering to support the establishment of a new customer contact centre - Derby Direct and efficiency reviews to support the Gershon agenda. We have developed a BRP toolkit to support this.

### **Financial management of the authority and reporting of financial management**

To comply with s151 of the Local Government Act 1972, the Corporate Director of Resources and Housing is the responsible Financial Officer.

The system of internal financial control is based on a framework of regular management information, financial procedure rules, and a scheme of delegation and accountability.

The Council has continued to improve its financial management at an operational level through the continued development of financial reporting, profiling of budgets and strategically through its medium term planning of financial commitments. This is underpinned by ...

- Professional finance function.
- Financial Procedure Rules and Contract Procedure Rules
- Regular revenue and capital monitoring reports are provided at Cabinet meetings.
- Comprehensive budgeting and closedown guidance notes are issued.

## STATEMENT ON INTERNAL CONTROL

- The council has a treasury management strategy that reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services.
- Budget planning generally takes place over a three year period, with indicative budgets being approved for the second and third years. This has allowed the Council to ensure that its plans are affordable over the medium term and to consider early action in the context of any pressures that emerge, relative to affordable levels of council tax.
- Consultation is a key part of the budget process.
- Specific budget risks are highlighted and managed.
- Prioritisation within financial planning is closely aligned with the Council's wider corporate planning processes, the aim being to ensure that where funds become available, they are applied to ensure that developments can be prioritised as planned.
- Maintaining general reserves at no less than minimum recommended levels and by ensuring that the purpose for which reserves are earmarked are regularly reviewed.
- The Council has a strategy for securing efficiency gains which reflects a continuation of the Council's existing approach to identifying and recycling savings through the annual forward budgeting process. This is co-ordinated through a Gershon Review Board.
- Participation in the National Fraud Initiative and other data matching exercises.
- The verification framework for the administration of Council Tax and Housing Benefits.

### **Performance management of the authority and reporting of performance management.**

The Council has an agreed performance management strategy, to deliver an effective and fully integrated performance management framework, underpinned by an embedded performance management culture.

Key elements of this strategy are the collection and dissemination of robust performance information through the Performance Eye system, which establishes ownership and accountability for performance among responsible officers, and the regular reporting of performance and improvement actions, both corporately and departmentally.

Performance is reported against all national and local BVPP targets to Chief Officer Group and Council Cabinet each quarter, based on exception reporting according to variance from target with explanation for the causes – and improvement action if below target. Scrutiny Commissions review performance

## STATEMENT ON INTERNAL CONTROL

against indicators within their domain of responsibility, using Performance Eye, and have included below target indicators as a standing agenda item from 2005-06.

Performance Eye also provides information to support performance management within departments, including through departmental management teams, and the information it contains is being expanded to include more local indicators.

The effectiveness of our performance management strategy and Performance Eye implementation has been reviewed by our external auditors.

### 4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of internal auditors and the senior managers within the authority and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports. Managers have the responsibility for the development and maintenance of the internal control environment.

The following process has been applied in maintaining and reviewing the system of internal control ...

- The role of the Audit and Accounts Committee.
- Reports to the Council and Cabinet.
- Reports to Scrutiny Commissions on specific areas of responsibility.
- Existence of the Council's Financial Procedure Rules, Contract Procedure Rules and Scheme of Delegation.
- The council has an internal audit function that operates in accordance with the CIPFA code of practice for internal audit in local government.
- Corporate Directors are responsible for ensuring that proper standards of internal control operate within their Departments. Internal Audit reviews these controls and gives an opinion in respect of the systems and processes put in place.
- Reports by external audit and other inspection agencies.
- Development of the Corporate Plan and specific projects.
- Adoption of Treasury Management Practices in line with the Code of Practice on Treasury Management.
- The Corporate Complaints procedure.

## STATEMENT ON INTERNAL CONTROL

### 5. SIGNIFICANT INTERNAL CONTROL ISSUES AND PROPOSED ACTION

The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the Council's objectives have been mitigated.

Following the review of effectiveness the following internal control issues have been identified during 2005/6:

#### **Weaknesses in corporate systems**

An internal audit of the Council's IT Disaster Recovery Plan reported two fundamental weaknesses and rated the control environment as unsatisfactory. The disaster recovery activities at the time of the audit were insufficient to provide the Council with sufficiently comprehensive disaster recovery arrangements covering all of the Council's business critical IT systems. The absence of a corporate Disaster Recovery policy added to the uncertainty regarding where, and with whom precisely, managerial responsibility for both corporate level and system-specific disaster recovery lay.

The Head of ICT is currently leading a project to develop the Council's Disaster Recovery strategy. Detailed Disaster Recovery plans will follow the agreement on the strategy. The development of the Disaster Recovery policy will follow the completion of the Disaster Recovery strategy. Interim arrangements on cover are being put into place.

An IT site security survey was carried out by internal audit to identify the level of protection that had been afforded to the Council's IT systems. The review found a number of instances where the level of security for IT hardware in some older Council buildings was low and the conditions in which IT equipment was being held was unsuitable. The control environment was therefore rated as unsatisfactory.

Risk assessments for the sites where critical IT equipment is housed are being carried out. Departments have tended to implement and locate their local IT equipment as best they can within the confines of a lack of suitable locations and space, and buildings not really suited to house modern IT equipment. An action plan will then be drawn up and the risks mapped against any financial and operational implications.

There are other issues which are considered important enough to identify within the Statement on Internal Control for 2005/6 for the purpose of noting. These are issues that require attention to address certain weaknesses and ensure continuous improvement of the system of internal control. The issues are as follows ...

## STATEMENT ON INTERNAL CONTROL

### **Control weaknesses in departmental systems:**

The number of audit reviews where unsound and unsatisfactory control ratings were provided was low in the context of the number of audit reviews carried out in the year. However, there were a small number of departmental systems that received unsound or unsatisfactory overall ratings of the control environment following internal audit reviews. These are reported to the Audit and Accounts Committee, and the progress on implement of audit recommendations is monitored by the Committee. An unsound control rating was given following the audit review of Markets – car park income. Unsatisfactory control ratings were given following the audit reviews of schools procurement and the direct payments system.

### **Access to information:**

The Council received 141 requests for information under FOI and 10 formal requests for personal information under data protection in 2005/6. The Council met its obligation to provide information in the specified time frame under these pieces of legislation, except for one instance where a department failed to supply a copy of personal information within the statutory 40 working day limit from the date the original request was made.

## **6. PROGRESS ON DEVELOPMENT OF BEST PRACTICE**

In the 2004/5 SIC, the Council outlined a number of non-priority areas for development that had been highlighted during the assurance gathering process where further enhancements may benefit the Council's systems of internal control and management of risk, thus further contributing to effective corporate governance arrangements. These were viewed as medium term developments. Progress has already been made in many of the areas ...

- Annual assurance statements were developed during 2005/6 and have fed into the SIC process.
- Potential solutions for communicating new policies and revisions to policies to staff are being explored. One of the methods being explored is a web-based application for delivering key corporate policies or communications directly to staff via their desktop PCs.
- Financial Procedure Rules have been reviewed and updated.
- Following the development of the Council's Business Continuity Plan we are now in the process of developing service continuity plans for the high priority services.

## **7. EMERGING ISSUES**

The emerging issues section of the SIC is intended to identify significant service, financial and organisational issues that may impact in a positive or negative way on the achievement of the Council's corporate objectives in the future. The

## STATEMENT ON INTERNAL CONTROL

identification of issues in this section does not imply in any way that there are control weaknesses or concerns; rather, it is intended to demonstrate that the Council is scanning its horizon and actively recognising major change management issues.

### Re-Structuring of the Council

The implementation of the requirements of the Children Act 2004 resulted in the creation of a Children and Young People's Directorate in January 2006. The opportunity was taken to review the structure of all Council departments to provide a slimmer more strategic Chief Officer team, capable of responding more quickly to the fast changing agenda. It was designed to give a more generic and strategic approach to management. The process is on-going and the new structures will be finalised in each department during 2006/7. These changes will inevitably impact on the internal control environment within the Council.

### New Financial Systems

The Council is in the process of implementing replacement computerised financial systems. A new computer system to administer council tax and non-domestic rates collection and the processing of housing benefit claims should be fully implemented in July 2006. The implementation of a financial system to replace the current general ledger, accounts payable and accounts receivable system is on-going. It is intended to integrate the IDEA marketplace with this.

## 8. SUMMARY

The internal control framework operating during 2005/6 is considered to provide reasonable and objective assurance that significant risks impacting on the achievement of the Council's principal objectives have been identified and actions taken to avoid or mitigate their impact. There were two significant internal control issues to report. There were issues identified for noting where the City Council recognises the need for continuous improvement and actions have been taken, or are in progress, to make these improvements. There are key emerging issues for the Council where internal control systems will be monitored closely.

We have been advised about the results of the review of effectiveness of the system of internal control by the Council and plans to address weaknesses and implement improvements to the control systems are in place.

.....  
Ray Cowlshaw

Chief Executive

.....  
Chris Williamson

Leader of the Council

# **AUDITORS' REPORT TO DERBY CITY COUNCIL**

## **Independent Auditors' Report to the members of Derby City Council**

### **Opinion on the Financial Statements**

We have audited the financial statements for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, the Group Accounts and the related notes. The financial statements have been prepared under the accounting policies set out within them.

### **Respective Responsibilities of the Chief Financial Officer and Auditors**

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities for the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Auditing Standards (United Kingdom and Ireland).

This report, including the opinion, has been prepared for and only for Derby City Council's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Council and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Council's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only

## AUDITORS' REPORT TO DERBY CITY COUNCIL

the explanatory foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

### Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of Derby City Council as at 31 March 2006 and its income and expenditure and cash flows for the year then ended.

PricewaterhouseCoopers LLP  
Donington Court  
Pegasus Business Park  
Castle Donington  
East Midlands  
DE74 2UZ

Date:



# **AUDITORS' REPORT TO DERBY CITY COUNCIL**

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Council's Responsibilities**

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

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor's Responsibilities**

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Derby City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2006.

# **AUDITORS' REPORT TO DERBY CITY COUNCIL**

## **Best Value Performance Plan**

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2005/06 on 19 September 2005. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

## **Certificate**

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

PricewaterhouseCoopers LLP  
Donington Court  
Pegasus Business Park  
Castle Donington  
East Midlands  
DE74 2UZ

Date:

## **GLOSSARY OF TERMS**

### **ACCRUAL**

A sum included in the final accounts attributable to the year but for which payment has yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

### **ASSET**

An item having value measurable in monetary terms. Assets can be defined as fixed or current. A fixed asset has a value for more than one year, for example a building or a long-term investment. A current asset can be readily converted into cash, for example stocks or a short-term debtor.

### **AUDIT OF ACCOUNTS**

An independent examination of the authority's financial affairs.

### **BUDGET**

The spending plans of the authority over a specific period of time - generally the financial year 1 April to 31 March.

### **CAPITAL CHARGES**

A charge to service revenue accounts to reflect the cost of using fixed assets in the provision of services.

### **CAPITAL EXPENDITURE**

Expenditure to acquire or enhance fixed assets that will be used to provide services beyond the current financial year.

### **CAPITAL FINANCING**

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure, including borrowing, leasing, using capital receipts, grants or contributions from third parties, or direct from revenue budgets.

### **CAPITAL PROGRAMME**

The capital schemes the authority intends to carry out over a specified period of time.

### **CAPITAL RECEIPT**

The proceeds from the disposal of land or other fixed assets. A proportion of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.

## **GLOSSARY OF TERMS**

### **COLLECTION FUND**

A separate fund recording the expenditure and income relating to council tax, non-domestic rates and residual community charges.

### **COMMUNITY ASSETS**

Assets that the authority intends to hold in perpetuity, or that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

### **CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next one are the same.

### **COUNCIL TAX BASE**

The Council has to calculate the 'Council Tax Base' for 2005/06 as a means of raising council tax income from Derby council tax payers. The Base is a figure which represents the effective number of properties in terms of Band D in the Council's area during the year. It is used as a divisor to translate total council tax requirements in a 'headline' charge for Band D. Charges for other bands are calculated as fractions of the headline charge.

### **CREDIT APPROVAL**

Credit approvals give the authority permission to borrow to finance capital expenditure.

### **CREDIT CEILING**

This is a measure of the difference between the Authority's total liabilities in respect of capital expenditure finance by credit and the provision that has been made to meet those liabilities.

### **CREDITOR**

Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments had not been made by the end of that period.

### **DEBTOR**

Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for which payments had not been received by the end of that period.

## **GLOSSARY OF TERMS**

### **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

### **DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. The scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

A defined contribution scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits.

### **DEPRECIATION**

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

### **DIRECT SERVICE ORGANISATIONS (DSOs)**

Independent organisations within the local authority which, following competition with the private sector, have been successful in being awarded contracts for carrying out specified work for the Council.

### **FINANCE LEASE**

A lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee (the Authority).

### **FINANCIAL REPORTING STANDARD (FRS) AND STATEMENTS OF STANDARD ACCOUNTING PRACTISES (SSAP)**

These cover particular aspects of accounting practice, and set out the correct accounting treatment – for example, of depreciation. FRSs are issued by, and SSAPs have been adopted by, the Accounting Standards Board.

### **GOVERNMENT GRANTS**

Grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of local authority services. These grants may be specifically towards the cost of particular schemes or to support the general revenue spending of the Authority.

## **GLOSSARY OF TERMS**

### **HOUSING ADVANCES**

Loans made by an authority to individuals or Housing Associations towards the cost of acquiring, constructing or improving dwellings. Loans made to individuals are termed mortgages.

### **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 that includes all the expenditure and income arising from the provision of council housing by the Authority.

### **INCOME**

Amounts which the Council receives or expects to receive from any source, including rents, fees, charges, sales and grants.

### **INFRASTRUCTURE ASSETS**

Fixed assets belonging to the Council, which are not readily sold, do not necessarily have a resale value, and for which a useful life span cannot be readily assessed (for example highways).

### **INTANGIBLE ASSET**

Intangible assets represent expenditure which may be properly capitalised, but which does not represent tangible fixed assets which need 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 Reserve and the Consolidated Revenue Account so there is no impact on the levels of council tax.

### **LIABILITY**

An amount owed by the Authority, which will be paid at some time in the future.

### **MINIMUM REVENUE PROVISION (MRP)**

The MRP is a statutory amount relating to the principal element of loans outstanding, which is a specific percentage of the Authority's credit ceiling at the end of the previous year. This percentage is 2% for the Housing Revenue Account and 4% for other services.

### **NON-DOMESTIC RATE (NDR)**

The Non-Domestic Rate is a standard rate in the pound set by the Government on the assessed rateable value of business properties.

## **GLOSSARY OF TERMS**

### **NON-OPERATIONAL ASSETS**

Fixed assets held by the Authority, but not directly occupied or used in the delivery of services. Examples are investment properties, or assets that are surplus to requirements, pending sale or redevelopment.

### **OPERATING LEASE**

A type of lease where the ownership of the asset remains with the lessor.

### **OPERATIONAL ASSETS**

Fixed assets held by the Authority and directly occupied or used in the delivery of its services.

### **PRECEPT**

A levy made by precepting authorities on the Collection Fund of billing authorities. The Police Authority levies a precept on the City Council.

### **PROVISION**

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are required to be recognised when:

- the 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; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision should be the best estimate taking into account the risks and uncertainties surrounding the events and should be regularly reviewed.

### **PRUDENCE**

The concept that revenue is not anticipated but recognised only when realised or certain to be realised.

### **PUBLIC WORKS LOAN BOARD (PWLb)**

A Central Government agency, which provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

### **RATEABLE VALUE**

The annual assumed rental value of a property, which is used for NDR purposes.

## **GLOSSARY OF TERMS**

### **RESERVES**

Surpluses and deficits that have been accumulated over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the Fixed Asset Restatement Reserve cannot be used to meet current expenditure.

### **RESIDUAL VALUE**

The difference between the agreed contractual residual value (nil) 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 created at the end of the contract.

### **REVENUE ACCOUNT**

The main account of the Authority into which grants and other income is paid and from which the cost of providing services is met.

### **REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

### **REVENUE SUPPORT GRANT (RSG)**

A grant paid by Central Government to authorities, contributing towards the cost of services.

### **STATEMENT OF RECOMMENDED PRACTICE (SORP)**

The SORP, issued by CIPFA in accordance with the Accounting Standards Board, governs the way local authorities must produce their financial statements and report their spending and income.

### **STOCKS**

Comprise the following categories: goods and other assets purchased for resale; consumable stores; long term contract balances and finished goods.

### **TEMPORARY LOAN**

Money borrowed for a period of less than one year.

### **TRUST FUNDS**

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



### GROUP ACCOUNTS 2005/2006

---

#### INTRODUCTION

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

#### INCLUSION WITHIN THE GROUP ACCOUNTS

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

The accounts used for consolidation are draft and therefore prior to audit certification. As the accounts are draft there has been no taxation liability calculated for 2005/2006.

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

#### ACCOUNTING POLICIES USED IN PREPARING THE GROUP FINANCIAL STATEMENTS

The financial statements produced by individual group entities have been re-aligned in order to ensure consistent accounting policies in the preparation of the Group statements. The accounting policies followed in the preparation of the Group Financial Statements differ from those applicable to the Authority's primary financial statements only in the following respects:

- a) Any profits or losses on disposals of fixed assets are included in the figures for the appropriate service in the Group Income and Expenditure Account.
- b) Charges to services for the use of fixed assets cover depreciation only.
- c) Government grants amortised in the year are included in the figures for the appropriate service in the Group Income and Expenditure Account.

## **GROUP ACCOUNTS**

- d) Fixed assets held by group entities which fall within the asset categories covered by the authority's own accounting policies are revalued in line with the Authority's accounting policies where material.
- e) All inter group transactions between Derby City Council and Derby Homes Limited have been eliminated upon consolidation.

# GROUP INCOME AND EXPENDITURE ACCOUNT 2005/2006

2004/5 Net Expenditure £'000		Note	2005/6 Gross Expenditure £'000	2005/6 Less Gross Income £'000	2005/6 Net Expenditure £'000
	<b>EXPENDITURE ON SERVICES</b>				
	<i>CONTINUING SERVICES</i>				
<b>3,895</b>	Central Services to the Public – includes local tax collection and registration of births, deaths and marriages		<b>20,002</b>	<b>(16,562)</b>	<b>3,440</b>
<b>5,218</b>	Corporate and Democratic Core – includes the costs of corporate and democratic management		<b>6,761</b>	<b>(1,385)</b>	<b>5,376</b>
<b>420</b>	Non Distributed Costs – includes past service costs of pensions		<b>326</b>	<b>0</b>	<b>326</b>
<b>37,657</b>	Cultural, Environmental & Planning		<b>80,887</b>	<b>(43,008)</b>	<b>37,879</b>
<b>127,081</b>	Education		<b>208,963</b>	<b>(72,344)</b>	<b>136,619</b>
<b>11,583</b>	Highways, Roads & Transport		<b>23,049</b>	<b>(11,640)</b>	<b>11,409</b>
<b>(462)</b>	Housing		<b>85,148</b>	<b>(90,751)</b>	<b>(5,603)</b>
<b>61,305</b>	Social Services		<b>103,669</b>	<b>(36,280)</b>	<b>67,389</b>
	<i>DISCONTINUED SERVICES</i>				
<b>536</b>	Magistrates Court		<b>0</b>	<b>(492)</b>	<b>(492)</b>
<b>247,233</b>	<b>NET COST OF SERVICES</b>		<b>528,805</b>	<b>(272,462)</b>	<b>256,343</b>

## GROUP INCOME AND EXPENDITURE ACCOUNT 2005/2006

2004/5 Net Expenditure		Note	2005/6 Net Expenditure £'000
(253)	Net (surplus) / deficit on trading services		(245)
15,956	Transfer from Asset Management Revenue Account		18,547
351	Amortised premia and discounts		101
25,697	Pension interest costs		27,903
(18,428)	Expected return on pensions assets		(20,639)
(4,681)	Interest and Investment Income		(5,242)
0	Pensions past service cost gain		(8,323)
0	LPSA Reward		(1,021)
4	Taxation of Group Entities		0
(463)	Restatement of prior year balances		(1,408)
265,416	<b>NET OPERATING EXPENDITURE</b>		266,016
	<b>APPROPRIATIONS TO / FROM RESERVES</b>		
4,885	Housing Revenue and Repairs Accounts surplus / (deficit) transferred to / (from) HRA reserve		4,965
(935)	Net Contributions to / (from) Schools reserves		1,010
2,193	Net Contributions to / (from) General Fund revenue earmarked reserves		9,429
(42)	Net Contributions to / (from) HRA revenue earmarked reserves		(34)
(21,833)	Pensions Movement		(15,343)
16,125	Employers contribution to pension fund		18,621
(394)	Net Contributions to / (from) subsidiary reserve		211
	Contributions to/(from) capital reserves:		
	- Capital financing from revenue:		
2,801	In-year expenditure		1,673
0	- Net from/to capital reserves		(52)
(45)	Less use of Neighbourhood Renewal Fund		0
(3,148)	- Provision for repayment of external loans		(1,640)
(4,523)	- Major Repairs Reserve		(4,244)
(8,300)	- Deferred charges amortised to revenue		(7,594)
0	- Deferred charges grants amortised to revenue		3,696
(19)	- Deferred consideration PFI		(332)
(488)	- De-minimis capital expenditure		(634)
595	- Government Grants Deferred		855
0	- Impairment		(4,530)
(554)	Reversal of profits/losses on disposal of fixed assets		(311)
251,734	<b>AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION</b>		271,762
	<b>SOURCES OF FINANCE</b>		
	Council taxpayers:		
(61,397)	demand on Collection Fund		(64,748)
(70)	previous year's estimated surplus - Community charge		0
501	- Council tax		490
(128,560)	Government Revenue Support Grant		(127,704)
(62,364)	Distribution from National Non Domestic Rating Pool		(77,718)
0	Backdated Census		(2,219)
(156)	<b>(SURPLUS)/DEFECIT FOR THE YEAR</b>		(137)
(5,474)	Balance brought forward 1 April		(5,630)
(5,630)	<b>BALANCE AT 31 MARCH 2006</b>		(5,767)
Signed:	Director of Resources Chair of Audit and Accounts Committee	Date:	

## **GROUP INCOME AND EXPENDITURE ACCOUNT 2005/2006**

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

# GROUP BALANCE SHEET AT 31/03/2006

31 March 2005 £'000		31 March 2006 £'000
	<b>TANGIBLE FIXED ASSETS</b>	
110	Intangible assets	188
1,081,559	Operational assets	1,058,304
0	Non-operational assets:	0
40,826	- Investment Properties	30,204
0	- Deferred Charges	0
10,100	Long Term Investments	100
7,248	Long-term debtors	13,316
1,139,843	<b>TOTAL LONG TERM ASSETS</b>	<b>1,102,112</b>
	<b>CURRENT ASSETS</b>	
73,791	Short-term investments	104,230
0	Pensions	0
1,384	Stocks and work in progress	896
32,424	Debtors	36,450
653	Cash in hand	225
108,252		<b>141,801</b>
	<b>CURRENT LIABILITIES</b>	
(120)	Borrowing repayable on demand or within 12 months	(8,123)
(40,007)	Creditors	(39,523)
0	Pensions	0
(2,739)	Bank overdraft	(5,879)
(42,866)		<b>(53,525)</b>
1,205,229	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,190,388</b>
(285,474)	Long-term borrowing	(320,351)
(350)	Deferred capital receipts	(206)
(48,127)	Deferred liabilities and credits	(46,292)
(2,500)	Provisions	(1,781)
868,778	<b>NET ASSETS BEFORE PENSIONS NET ASSET OR LIABILITY</b>	<b>821,758</b>
(206,839)	Asset/Liability related to Defined Benefit Pension Scheme	(207,736)
<b>661,939</b>	<b>NET ASSETS</b>	<b>614,022</b>
	<b>FINANCED BY:</b>	
	<b>Capital Balances and Reserves</b>	
(613,929)	Fixed asset restatement account	(575,846)
(168,101)	Capital financing account	(134,484)
(12,085)	Usable capital receipts reserve	(13,388)
(15,929)	Government Grants Deferred Account	(22,173)
(18,077)	Earmarked capital reserves	(22,810)
(828,121)		<b>(768,701)</b>
	<b>Revenue Balances and Reserves</b>	
(5,630)	DCC General Fund	(5,767)
(43)	Derby Homes Profit and Loss Reserve	(73)
(6,262)	HRA Balance	(11,227)
(4,915)	Schools' balances	(5,925)
(19,746)	Earmarked Revenue Reserves - General Fund	(29,175)
(485)	Earmarked Revenue Reserves - HRA	(451)
(4,091)	Major Repairs Reserve	(268)
515	Collection Fund	(171)
206,839	Pension Reserve	207,736
(661,939)	<b>TOTAL BALANCES</b>	<b>(614,022)</b>
<div> <div>Signed:</div> <div> <div>Director of Resources</div> <div>Chair of Special Purposes Committee</div> </div> <div>Date:</div> </div>		

## **GROUP BALANCE SHEET AT 31/03/2006**

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

## GROUP STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	Balance 31 March 2005 £'000	Unrealised gain / (loss) on revaluation £'000	Value of assets disposed £'000	Proceeds of disposal £'000	Financing of fixed assets £'000	Net surplus/ (deficit) for year £'000	Balance 31 March 2006 £'000
<b>TECHNICAL, NON- USABLE RESERVES</b>							
<b>Capital</b>							
Fixed Asset Restatement Account	613,929	(26,034)	(12,049)	0	0	0	575,846
Capital Financing Account	168,101	0	0	183	27,093	(60,893)	134,484
Government Grants /Contributions Deferred	15,929	0	0	0	7,099	(855)	22,173
Pension Reserve	(206,839)	(4,175)				3,278	(207,736)
<b>USABLE RESERVES</b>							
<b>Capital</b>							
Usable Capital Receipts Reserve	12,085	0	0	9,471	(2,798)	(5,370)	13,388
<u>Earmarked Capital Reserves *</u>							
*Earmarked Government Grants	7,707				(17,408)	20,332	10,631
*Earmarked Contributions	3,077				(2,282)	2,343	3,138
*Earmarked S106 Contributions	4,237				(1,903)	4,405	6,739
*Other earmarked capital reserves	3,056	0	0	0	(687)	(67)	2,302
<b>Revenue</b>							
Major Repairs Reserve	4,091					(3,823)	268
General Fund	5,630					137	5,767
Derby Homes Ltd – Profit and Loss Reserve	43					30	73
Schools' Balances	4,915					1,010	5,925
Housing Revenue Account Balance	6,262					4,965	11,227
Collection Fund	(515)					686	171
General Fund revenue earmarked reserves	19,746					9,429	29,175
Housing Revenue Account earmarked reserves	485					(34)	451
<b>TOTAL RESERVES</b>	<b>661,939</b>	<b>(30,209)</b>	<b>(12,049)</b>	<b>9,654</b>	<b>9,114</b>	<b>(24,427)</b>	<b>614,022</b>



## GROUP CASHFLOW STATEMENT

2004/5 £'000		£'000	2005/6 £'000
(9,240)	<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>		(23,166)
	Returns on investments and servicing of finance:		
16,608	Interest paid	19,161	
(4,438)	Interest received	(4,720)	
			14,441
13	Taxation		15
	<b>Capital Expenditure and Financial Investment:</b>		
67,581	Purchase of fixed assets	42,671	
0	Purchase of Long-term Investments	0	
(12,041)	Sales of fixed assets	(9,389)	
(15,272)	Capital grants received	(18,167)	
10,712	Other capital cash payments	9,965	
			25,080
0	Equity Dividends paid		0
0	Acquisitions and Disposals		0
53,923	<b>Net Cash Inflow before Financing</b>		16,370
	<b>Management of Liquid Resources:</b>		
10,956	- Net increase/decrease in short-term deposits		30,439
	<b>Financing:</b>		
120	- Repayments of amounts borrowed	8,120	
0	- Capital element of finance lease rental payments	0	
(69,000)	- New loans raised	(51,000)	
			(42,880)
(4,001)	<b>NET INCREASE IN CASH</b>		3,929

**Statement of Accounts 2005/06****Changes following audit**

The main adjustments incorporated in the final set of Accounts are as follows:

1. Recognition of the impairment loss of £4.530m following the Sinfin School Fire. This has been charged to the Consolidated Revenue Account and reflected in an increased cost of Education Services, with a corresponding credit from the Capital Financing Reserve. This is a technical capital accounting non-cash entry required in the Accounts.
  - See pages 10 and 11 – Consolidated Revenue Account
  - Page 30 Consolidated Balance Sheet
  - Also affects Page 14 Note 5 Asset Management Revenue Account, Page 31 Note 1 Tangible Fixed Assets, Page 39 Note 13 Fixed Asset Restatement Account, Page 40 Note 14 Capital Financing Account, Page 48 Statement of Total Movements in Reserves
2. Reversal of the revaluation addition of £21.444m relating to Museums assets, which was included within fixed assets. It has been agreed that although we had made a positive step to fully comply with the accounting requirements by including these assets for the first time, the bases of valuations used were not complying with recommended practice and able to be fully substantiated. Work is now underway to obtain adequate historical value valuations to address this in 2006/07. This is a technical capital accounting non-cash entry required in the Accounts.
  - Page 30 – Consolidated Balance Sheet
  - Also affects Page 39 Note 13 Fixed Asset Restatement Account, Page 48 Statement of Total Movements in Reserves
3. Inclusion of Derby Homes FRS17 pensions adjustment in the Group Accounts. The changes were as a result of incorrect treatment of employers contributions by Derby Homes in their 2005/06 accounts. These have now been eliminated and net pension costs included as required by FRS17.
  - Page 79 and 80 Group Income and Expenditure Account
4. Corrections to analysis of balances at 31 March 2006 between creditors and debtors:
  - Debtors- Government departments - £226k reduction
  - Debtors Sundry £536k increase
  - Debtors net total - £310k with corresponding increase to sundry creditors
  - Page 30 - Consolidated Balance Sheet
  - Also affects Page 36 Note 7 Debtors and Note 8 Creditors

5. Typing correction on the face of the Collection Fund, notified to PWC at start of the audit, to increase both income from business rates and payment to the NNDR pool by £2.745m

- Page 54 - Collection Fund

6. Addition of a new paragraph within the balance sheet pension notes to explain the changes to the Local Government Pension Scheme, linking to the £7.814m past service gain shown on the face of the Consolidated Revenue Account.

- Page 46 – Note 24 Pensions Disclosures -

### **Changes to the Local Government Pension Scheme**

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the Council's pension liabilities by £7.8m and this has been included within non-distributed costs on the face of the Consolidated Revenue Account.

In addition there have been some minor typographical, presentation and disclosure compliance changes incorporated into the final set of Accounts.