



DERBY CITY COUNCIL

SPECIAL PURPOSES COMMITTEE
26 JULY 2005

Report of the Director of Finance

ITEM 5

Statement of Accounts 2004/05

RECOMMENDATION

- 1.1 To consider the Statement of Accounts including the key issues summarised in Appendix 2.
- 1.2 To approve the Statement of Accounts for 2004/05 subject to external audit.
- 1.3 To approve the formal capital financing determinations set out in Appendix 4.
- 1.4 To note the process for completion of draft Group Accounts for 2004/5.

REASON FOR RECOMMENDATIONS

- 2.1 The Statement of Accounts for 2004/05 summarises the council's financial performance for the year ended 31 March 2005. It is a requirement of the Accounts and Audit Regulations 2002 that the Statement of Accounts must be approved by a full council or a committee nominated by full council by 31 July 2005. The full statement is attached at Appendix 3.

MATTERS FOR CONSIDERATION

- 3.1 Each Statement at Appendix 3 starts with a brief description for explanatory purposes. The Statement of Accounts contains 8 key elements as follows:
 - Consolidated Revenue Account - CRA
 - Housing Revenue Account - HRA
 - Consolidated Balance Sheet - CBS
 - Statement of Total Movement in Reserves
 - Cashflow Statement
 - Collection Fund
 - Statement of Responsibilities
 - Statement on Internal Control – SIC.
- 3.2 Regulation 4 of the Accounts and Audit Regulations (2003) requires audited bodies to conduct a review, at least once a year, of the effectiveness of its system of internal control and publish a statement on internal control (SIC) each year with the authority's financial statements. The Council's SIC for 2004/5 is reported separately

to this meeting for consideration and approval. It will then be consolidated into the Statement of Accounts for publication.

- 3.3 The Council's accounts are increasingly prepared on a basis similar to that seen in the private sector and indeed there is a gradual progression towards standardised accounts across the world. In addition, central government is moving towards preparing consolidated accounts for the whole of government activities. Starting in 2005/06 all public bodies will have to submit returns to central government to enable all expenditure and income to be consolidated to produce a UK income and expenditure account and balance sheet for the first time.
- 3.4 A consequence of the standardisation agenda is that the accounts are looking increasingly complex. To overcome this, attached at Appendix 2 is a brief explanation of the accounts, key issues and messages from each of the main statements. In addition, any changes to content and any restatements from 2003/04 are fully explained within the Statement of Accounts, where relevant.
- 3.5 Members are invited to scrutinise the accounts and explanatory information provided at Appendix 2, prior to consideration at the formal approval meeting.
- 3.6 As this report was being prepared final checks were being completed to ensure that income and expenditure accrued in the revenue and capital accounts for goods and services provided informally by 31 March 2005 arising from internal billing match each other. This is required to ensure there is neither a material misstatement of income or expenditure in the Consolidated Revenue account or spend on fixed assets in the Balance Sheet and resulting overstatement of debtors or under statement of creditors in the Balance Sheet.

Any minor adjustments to the Statement of Accounts and final Revenue and Capital Outturns 2004/5 will be reported at the meeting.

- 3.7 The accounts attached at Appendix 3 are subject to external audit during August 2005. Should there be any material changes required as a consequence of the audit, this will be reported to the new Audit and Accounts Committee by 30 September 2005, and a revised Statement of Accounts tabled. Council on 20 July approved the transfer of the responsibilities of this committee to the Audit and Accounts Committee with effect from 1 August 2005.
- 3.8 Once the external audit is complete the accounts will be published by 30 October 2005. A summarised set of accounts will also be prepared in leaflet form, incorporated into an annual report of the Council with other key information.
- 3.9 External auditors have to comply with the auditing standard, Statement of Auditor Standards 610 – Communication of Audit Matters (SAS610). It imposes responsibilities upon the Council's auditors, PricewaterhouseCoopers,(PWC). In summary, the requirements mean that auditors will report to the body charged with approving the accounts any issues relating to their audit not normally covered in their management letter. A copy of the auditors SAS610 report will also be reported to the Audit and Accounts Committee by 30 September 2005 for consideration by members.

3.10 The Consolidated Revenue Account includes a net departmental underspending that is £55,000 greater than the position reported in the Revenue Outturn report to Cabinet of 20 July 2004. This comprises:

- £39k additional Trading Services surplus after adjustment for notional capital charges in the CRA
- net £16k, minor changes across other areas since July outturn report.

For the purpose of finalising the accounts, this sum has been transferred to the corporate budget risk reserve.

3.11 The formal Capital Financing Determination 2004/05, which gives details of how the capital programme has been financed, is attached at Appendix 4. These have been made under the Local Government and Housing Act 1989 and include £280k of 2003/4 completed work which was not paid for until 2005/6. The figures differ from those in the capital outturn report by this amount as the report dealt only with 2004/5 expenditure.

Timetable

3.12 This is the second successive year in which closure of the annual accounts has been brought forward by a month, from a starting deadline of 30 September for the 2002/3 accounts. This has been a key performance target for the Accountancy section in the Finance Directorate and devolved accountancy teams in other departments. It has been achieved by streamlining accounting processes, working within existing resources. The deadline for approval of the 2005/6 accounts will also be advanced by a further month, to 30 June 2006.

Group Accounts

3.13 Under the 2004 SORP, the preparation of Group Accounts is a new requirement for 2005/6, to be produced alongside the normal Statement of Accounts for an authority. All local authorities will be required to consider whether they have a material interest in any legal entity meeting the definition of a subsidiary, associate or joint venture, and where non-production of group accounts would result in the Statement of Accounts failing to present fairly the authorities activity and financial position.

3.14 Under the 2004 SORP, transitional arrangements apply for 2004/5. It recommends that councils implement early adoption by completing a formal "dry run" for the 2004/5 Accounts, to prepare for full compliance for 2005/6. 2004/5 Group Accounts must be available by the time the 2005/6 Accounts, which must include comparator information for the previous year, have to be approved.

3.15 Draft Group Accounts are now being prepared for 2004/5 in line with recommended best practice to ensure we are fully prepared for 2005/6, particularly in light of the earlier 30 June deadline next year. These will be reported to the September Audit and Accounts Committee for consideration and approval. The Group Accounts will include an explanatory forward, together with revised Accounting Policies and a

Group Income and Expenditure Account, Balance Sheet, Cashflow statement and Movement in Reserves statement.

- 3.16 Following a review of the Council's interest in other legal entities the Group Accounts will consist of the City Council's own accounts and Derby Homes accounts only.

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| For more information contact: | Carolyn Wright Tel 01332 255349 e-mail carolyn.wright@derby.gov.uk |
| Background papers: | None |
| List of appendices: | Appendix 1 - Implications Appendix 2 - Key Issues and Messages within the Statement of Accounts Appendix 3 - Statement of Accounts 2004/05 Appendix 4 - Capital Financing Determinations 2004/05 |

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| IMPLICATIONS |
|---------------------|

Financial

1. As detailed in the report.

Legal

- 2.1 The Accounts and Audit Regulations 2002 require authorities to obtain approval by a council committee to the Statement of Accounts by 31 July 2005.
- 2.2 The Council has to make a formal determination of capital financing under the capital control legislation set out in the Local Government and Housing Act 1989 (Sections 42,56,60 and 64) by 30 September 2005.
- 2.3 Under the Council's constitution, approval of the above is delegated to the Special Purposes Committee, to ensure the deadline can be met.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

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

Key issues and Messages within the Statement of Accounts

A. Consolidated Revenue Account

1. The gross expenditure of the Council in 2004/5 on a broadly comparable basis with the private sector was £567 million.
2. Income was £281m, giving a net cost of service of £286m, after a £3.5m adjustment for local government and teachers pensions.
3. After adjustments for asset rentals, interest received, pension costs and contributions to and from reserves, the amount to be funded from general government grant and council tax was £251.7m.
4. This compares with a budget of £251.9m, creating a transfer of £156k held in the General Reserve. This transfer into corporate reserves was as planned, to maintain General Reserves at 2% of the budget requirement.

B. Consolidated Balance Sheet

1. The Council owns fixed assets valued at £1,122m. This has increased by £181m arising from revaluations mainly of the housing stock and capital expenditure which has increased asset values.
2. The Council has strengthened its balance sheet over the year.
 - Equity or the Net Worth of the council is £665m an increase of £49m over 2003/4.
 - The Council has usable revenue reserves of £41m, an increase of £11m over 2003/4.
 - The Council has accumulated £12m in capital receipts, plus £18m in capital reserves to meet capital commitments and future spending plans.

C. Collection Fund

The Collection Fund is showing an accumulated deficit of £515k. This is very close to the deficit of £490k which it was planned to recover when setting the 2005/6 council tax, in order to bring the Fund back into balance by March 2006. The position on the Fund is therefore materially unchanged since previously reported in February.

D. Statement of Movement in Reserves

This statement brings together all the capital and revenue reserves of the authority and shows total reserves stand at £665m, an increase of £49m over 2003/4. Of this, £71m are usable as explained in Section B. The remainder are earmarked technical accounting reserves in relation to capital accounting and pension costs.

DRAFT STATEMENT OF ACCOUNTS

The statements that follow summarise the Council's accounts for the financial year ended 31 March 2005. Each statement starts with a brief description of its purpose. The main statements are:

- **Consolidated Revenue Account – Page 9**
the Council's main Revenue Account, covers income and expenditure on all services including council housing and trading services
- **Housing Revenue Account – Page 21**
a separate statement showing income and expenditure on council housing
- **Consolidated Balance Sheet – Page 26**
sets out the financial position of the Council on 31 March 2005
- **Statement of Total Movements in Reserves – Page 42**
brings together all the revenue and capital reserves
- **Cashflow Statement – Page 43**
summarises all inflows and outflows of cash arising from transactions with third parties
- **Collection Fund – Page 47**
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 49**
for the Statement of Accounts
- **Statement on Internal Control – Page 50**
sets out the framework within which financial control is managed and reviewed.

The Director of Finance's 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 DIRECTOR OF FINANCE

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 the 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.

Revenue expenditure and income

In 2004/5, net spending on the Council's General Fund services was £249.4m creating a £2.5m transfer to Revenue Reserves. Savings have, in the main, been earmarked for use in future years to support strategic corporate and service priorities and future budget pressures.

The Council's total General Fund balance amounted to £5.630m at 31 March 2005

The results for the Housing Revenue Account show a carried forward surplus of £6.276m at 31 March 2005.

Capital expenditure and income

In 2004/5, the Council spent £89.5m on capital schemes. The major schemes were:

| | £m |
|--|------|
| • New build, extensions and modernisation of schools and education centres | 10.7 |
| • Devolved capital schools grants | 2.6 |
| • Modernisation of council dwellings | 46.0 |
| • Housing improvement grants | 1.6 |
| • Highways and Transportation | 9.6 |
| • Street Cleaning Equipment | 0.7 |
| • Information and communications technology | 1.5 |

EXPLANATORY FOREWORD BY THE DIRECTOR OF FINANCE

Council tax

In 2004/5 the Council had to decide its spending plans having regard to the Government's reserve capping powers. The council tax for 2004/5 gave a Derby City Council Band D tax of £903.82. This was derived by dividing the amount needed by the Council from taxpayers (£61.397m) by the tax base of 67,930.80

Reserves

Unallocated general reserves at the end of 2004/5 stand at £5.630m. The balance is in line with the Council's financial policy of holding general reserves at approximately 2% of the net revenue budget. This includes £0.4m from the City Council's share of an underspend on the Magistrates Court PFI, pending confirmation of its scale and treatment. Other reserves available to the general fund stand at £19.747m and are earmarked for either departmental or corporate use. Corporate earmarked reserves include a Pump Priming Fund to support self-financing projects, a Corporate Investment Fund for priority initiatives and a fund to provide cover for potential future budget risks. The budget for 2005/6 includes the use of £2.7m corporate reserves and £0.7m service reserves.

Director of Finance
July 2005

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, also compliance with Statements of Standard Accounting Standards (SSAPs) and Financial Reporting Standards (FRS's).

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

Fixed assets

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. 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 2004/5 this fully complies with SORP 2003 and Financial Reporting Standard (FRS) 15. As a result of the introduction of Resource Accounting in the Housing Revenue Account (HRA) from 1 April 2001, the HRA has been charged with full depreciation of its assets, including Council dwellings.

Charges to Revenue for the use of Fixed Assets

All service revenue accounts, Housing Revenue Accounts, 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 2004/5, 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.

STATEMENT OF ACCOUNTING POLICIES

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.

Long Term Private Finance Initiative (PFI) Contracts

Derby City Council has four operational PFI projects and a further 2 in procurement as follows:

Operational

- Derbyshire Magistrates Court (jointly with Derbyshire County Council)
- Grouped Schools
- Housing Inner City Regeneration
- Revenues and Benefits

In procurement

- Street Lighting
- Housing – New Build and Refurbishment

The Magistrates Court scheme has since been taken over by the Department for Constitutional Affairs with effect from 1 April 2005 and from that date will no longer form part of the City Council Statement of Accounts. 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 are deemed to have been transferred to the private sector provider, returning to the Council only at the end of the operational period. In cases where the revenue grant stream received from the government generates cash surpluses in the early years of a project, the surplus's 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.

Deferred charges

Deferred charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets, which need representing on the balance sheet. Deferred charges are amortised to revenue over an appropriate period not exceeding

STATEMENT OF ACCOUNTING POLICIES

five years and as part of the capital accounting entries deferred charges are passed through the capital financing reserve and the consolidated revenue account so there is no impact on the levels of council tax.

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.

Leases

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

Operating leases, rents payable net of benefits is charged to the revenue account on a straight-line basis 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. The Council has 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 Reserve.

Capital Reserves

- **The Fixed Assets Restatement Reserve** represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
- **The Capital Financing Reserve** 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.
- **The Usable Capital Receipts Reserve** 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. Following the introduction of the Local Authority (Capital Finance and Accounting) Regulations 2003, Local Authorities now contribute 75% of receipts arising from the sale of it's assets to a national pool. This replaces the previous regime whereby 75% of it's receipts from sale of assets were 'set aside' to redeem debt. The receipts affected by this change are, in the main, those arising from the sale of council housing. The result of this change in legislation is a significant reduction in the receipts set aside to redeem debt in the 2004/5 accounts.

Government Grants – Revenue Account

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

STATEMENT OF ACCOUNTING POLICIES

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 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 Reserve. Previously these contributions were transferred directly to the Capital Financing Reserve.

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.

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 FRS 12 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.

STATEMENT OF ACCOUNTING POLICIES

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 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 costs Superannuation Fund figures 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.

Teachers Pensions

This is an unfunded scheme administered by the Department for Education and Employment. 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.

STATEMENT OF ACCOUNTING POLICIES

Auditors Fees

Disclosure of the appointed auditors and fees in relation to 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 Fund balance shows how much was available at 31 March 2005 to meet future expenditure and/or reduce council tax levels.

| 2003/4 Net Expenditure £'000 | | Note | 2004/5 Gross Expenditure £'000 | 2004/5 Less Gross Income £'000 | 2004/5 Net Expenditur e £'000 |
|---------------------------------------|--|------|---|--|---|
| | EXPENDITURE ON SERVICES | 1 | | | |
| | <i>CONTINUING SERVICES</i> | | | | |
| 3,756 | Central Services to the Public – includes local tax collection and registration of births, deaths and marriages | | 35,851 | (31,824) | 4,027 |
| 5,461 | Corporate and Democratic Core – includes the costs of corporate and democratic management | | 5,277 | (24) | 5,253 |
| (213) | Non Distributed Costs – includes past service costs of pensions | 11 | 411 | 0 | 411 |
| 60 | Magistrates Courts | | 1,802 | (1,266) | 536 |
| 37,111 | Cultural, Environmental & Planning | | 79,269 | (39,071) | 40,198 |
| 135,280 | Education | | 199,428 | (60,640) | 138,788 |
| 9,459 | Highways, Roads & Transport | 1 | 24,301 | (9,880) | 14,421 |
| 19,365 | Housing | 2 | 111,261 | (90,515) | 20,746 |
| 55,016 | Social Services | | 109,724 | (47,418) | 62,306 |
| 6,451 | Discontinued Service Fire Service | 3 | 0 | 0 | 0 |
| 271,746 | NET COST OF SERVICES | | 567,324 | (280,638) | 286,686 |
| | | | | | |

CONSOLIDATED REVENUE ACCOUNT

| 2003/4 Net Expenditure £'000 | | Note | 2004/5 Net Expenditure £'000 |
|---------------------------------------|---|------|---------------------------------------|
| (143) | Net (surplus) / deficit on trading services | 5 | (241) |
| (20,785) | Transfer from Asset Management Revenue Account | 4 | (24,945) |
| 659 | Amortised premia and discounts | | 351 |
| 22,164 | Pension interest costs | | 24,877 |
| (15,182) | Expected return on pension assets | | (17,788) |
| (2,062) | Interest and Investment Income | | (4,681) |
| (417) | Restatement of prior year provision | 6 | (233) |
| 255,980 | NET OPERATING EXPENDITURE | | 264,026 |
| | APPROPRIATIONS TO / FROM RESERVES | | |
| 240 | Housing Revenue and Repairs Accounts surplus / (deficit) transferred to / (from) HRA reserve | | 4,899 |
| (176) | Net Contributions to / (from) Schools reserves | | (785) |
| 3,367 | Net Contributions to / (from) General Fund revenue earmarked reserves | | 2,069 |
| 330 | Net Contributions to / (from) HRA revenue earmarked reserves | | (42) |
| (17,036) | Movement on pensions reserve | | (20,787) |
| 13,225 | Employers contribution to pension fund | | 15,488 |
| | Contributions to/(from) capital reserves: | | |
| | - Capital financing from revenue: | | |
| 1,707 | In-year expenditure | | 2,612 |
| 988 | To capital reserves for future expenditure | | 189 |
| (679) | Less use of Neighbourhood Renewal Fund | | (45) |
| (2,839) | - Provision for repayment of external loans | 7 | (3,155) |
| (3,455) | - Major Repairs Reserve | | (4,523) |
| (8,757) | - Deferred charges | | (8,300) |
| 0 | - Deferred consideration PFI | | (19) |
| (65) | - De-minimis capital expenditure | | (488) |
| 303 | - Government Grants Deferred | | 595 |
| 243,133 | AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION | | 251,734 |
| | SOURCES OF FINANCE | | |
| | Council taxpayers: | | |
| (60,771) | demand on Collection Fund | | (61,397) |
| (2) | previous year's estimated surplus - Community charge | | (70) |
| 224 | - Council tax | | 501 |
| (116,032) | Government Revenue Support Grant | | (128,560) |
| (67,145) | Distribution from National Non Domestic Rating Pool | | (62,364) |
| (593) | NET GENERAL FUND (SURPLUS) FOR THE YEAR | | (156) |
| (4,881) | Balance brought forward 1 April | | (5,474) |
| (5,474) | BALANCE AT 31 MARCH | | (5,630) |

Signed:

Director of Finance
Chair of Special
Purposes Committee

Date:

NOTES TO THE 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 2004 (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 2004/5.

The increase in expenditure on Highways, Roads and Transport is largely due to increased capital charges for the use of assets during 2004/5 arising from additions for infrastructure and highways properties.

2. 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 20.

3. Discontinued Service

From 2004/5 the Fire Service levy is financed by a precept on the Collection Fund and expenditure on this service is no longer shown in the Consolidated Revenue Account.

4. Asset Management Revenue Account

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

| 2003/4 £'000 | | £'000 | 2004/5 £'000 |
|-----------------|--|----------|-----------------|
| | Income | | |
| | Capital Charges: | | |
| (25,358) | General Fund | (27,217) | |
| (29,109) | Housing Revenue Account | (34,032) | |
| (51) | Trading Services | (65) | |
| 54,518 | | | (61,314) |
| | Expenditure | | |
| 20,717 | Provision for depreciation | 20,997 | |
| | Less | | |
| (303) | Government grants deferred | (595) | |
| 13,319 | External interest charges | 15,967 | |
| 33,733 | | | 36,369 |
| (20,785) | Surplus to Consolidated Revenue Account | | (24,945) |

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

5. 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.

| 2003/4 | | | | 2004/5 | | |
|-----------------|----------------------|--------------------------------|---|-----------------|----------------------|--------------------------------|
| Income £'000 | Expenditure £'000 | (Surplus)/ Deficit £'000 | | Income £'000 | Expenditure £'000 | (Surplus) /Deficit £'000 |
| (59) | 50 | (9) | Trading services/ undertakings with the public/other third parties | (55) | 46 | (9) |
| | | | Continuing CCT arrangements | | | |
| (24,236) | 24,018 | (218) | Building | (28,406) | 28,146 | (260) |
| (2,366) | 2,427 | 61 | Building Cleaning/Caretaking | (2,660) | 2,747 | 87 |
| (4,989) | 4,973 | (16) | Catering | (4,830) | 4,874 | 44 |
| (158) | 158 | 0 | School Crossing Patrols | (162) | 162 | 0 |
| (5,062) | 5,056 | (6) | Waste Management | (5,087) | 5,068 | (19) |
| (651) | 725 | 74 | Street Lighting | (725) | 671 | (54) |
| (743) | 739 | (4) | Conveniences/Market Cleaning | (786) | 748 | (38) |
| (3,593) | 3,580 | (13) | Grounds Maintenance | (3,636) | 3,562 | (74) |
| (168) | 142 | (26) | Other Cleaning (Gullies) | (358) | 399 | 41 |
| (3,725) | 3,790 | 65 | Sports & Leisure Management | (3,729) | 3,812 | 83 |
| (45,750) | 45,658 | (92) | Net trading (surplus) / deficit | (50,434) | 50,235 | (199) |
| 0 | (51) | (51) | ADD FRS17 adjustment | 0 | (42) | (42) |
| (45,750) | 45,607 | (143) | Net (surplus) / deficit in CRA | (50,434) | 50,193 | (241) |

Building: In 2004/5, a £422,000 rebate was returned to the General Fund and £200,000 was returned to the Housing Revenue Account during the year as budgeted.

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. This expenditure and income is included within Cultural, Environmental and Planning Services in the Consolidated Revenue Account.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

| Total Building Control 2003/4 £'000 | | Chargeable 2004/5 £'000 | Non-chargeable 2004/5 £'000 | Total Building Control 2004/5 £'000 |
|--|---|----------------------------|--------------------------------|--|
| | Expenditure | | | |
| 487 | Employee expenses | 357 | 193 | 550 |
| 2 | Premises costs | 2 | 1 | 3 |
| 29 | Transport | 13 | 6 | 19 |
| 74 | Supplies and Services | 148 | 27 | 175 |
| 191 | Central support service charges | 211 | 41 | 252 |
| 783 | Total Expenditure | 731 | 268 | 999 |
| | Income | | | |
| (637) | Building Regulations charges | (749) | 0 | (749) |
| (7) | Other Income | (13) | (19) | (32) |
| (644) | Total Income | (762) | (19) | (781) |
| 139 | (Surplus) / Deficit for the year | (31) | 249 | 218 |

6. Restatement of previous years' provisions

During 2004/5, insurance provisions were reduced by £233,000 to comply with accounting practices and transferred to earmarked revenue reserves.

7. Provision for Repayment of External Loans

| 2003/4 £'000 | | 2004/5 £'000 |
|-----------------|---|-----------------|
| 2,379 | General Fund Minimum Revenue Provision | 3,550 |
| 2,107 | Share of liability for Derbyshire County Council debt | 2,024 |
| 2,273 | Housing Revenue Account provision for repayment of debt | 100 |
| 14 | Credit Arrangement notional interest | 15 |
| | Less: | |
| (9,612) | General Fund provision for depreciation | (8,844) |
| (2,839) | | (3,155) |

From 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.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

8. 2004/5 Local Government Finance Settlement

The Government has indicated that it will issue a revised finance settlement for 2004/5. This is likely to lead to an increase in the share of revenue support grant paid to the Council, currently estimated at approximately £2.5m, reflecting the decision of the Office of National Statistics to revise Derby's census-based population estimates. Any such revision will be accounted for in the year that it is received, and consequently it has not been accrued for in the 2004/5 accounts, although it has been allowed for within the Council's forward financial planning.

9. 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.

| 2003/4 £'000 | | 2004/5 £'000 |
|-----------------|-------------------------|-----------------|
| 1,055 | Recruitment advertising | 1,141 |
| 285 | Other publicity | 309 |
| 1,340 | | 1,450 |

10. 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 2004/5 there has been no expenditure under that power and there was also no such expenditure in 2003/4.

11. 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

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

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:

| | Local Government Pension Scheme 2003/4 £000s | Local Government Pension Scheme 2004/5 £000s |
|--|---|---|
| Net Cost of Services | | |
| • Current Service Cost | 9,988 | 13,389 |
| • Past Service Cost | 66 | 170 |
| Net Operating Expenditure | | |
| • Interest cost | 21,088 | 23,816 |
| • Expected return on assets in the scheme | (15,182) | (17,788) |
| Amounts to be met from Government Grants and Local Taxation | | |
| • Movement on pensions reserve | 15,960 | 19,587 |
| Actual amount charged against council tax for pensions in the year: | | |
| • Employers' contributions payable to scheme / including added years | 11,971 | 14,199 |

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

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 2004/5 the Council paid £9.243m to the Teachers Pensions Agency in respect of teachers' pension costs (£6.793m in 2003/4). 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 included in the Consolidated Revenue Account as follows:

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

| | Teachers' Pension Scheme 2003/4 £000s | Teachers' Pension Scheme 2004/5 £000s |
|--|--|--|
| Net Cost of Services | | |
| • Current Service Cost | 0 | 0 |
| • Past Service Cost | 0 | 139 |
| Net Operating Expenditure | | |
| • Interest cost | 1,076 | 1,061 |
| • Expected return on assets in the scheme | 0 | 0 |
| Amounts to be met from Government Grants and Local Taxation | | |
| • Movement on pensions reserve | 1,076 | 1,200 |
| Actual amount charged against council tax for pensions in the year: | | |
| • Employers' contributions payable in respect of added years | 1,254 | 1,289 |

12. Leasing Contracts

Operating lease rentals paid in the year amounted to £0.768m (excluding HRA). There were no hire purchase payments in the year and there are no such agreements outstanding. The rentals include

As at 31 March 2005, the Council had a commitment to meet the following payments under existing operating leases:

| | HRA £'000 | General Fund £'000 | Total £'000 |
|-----------|--------------|-----------------------|----------------|
| 2005/2006 | 563 | 604 | 1,167 |
| 2006/2007 | 486 | 295 | 781 |
| 2007/2008 | 372 | 171 | 543 |
| 2008/2009 | 365 | 115 | 480 |
| 2009/2010 | 267 | 92 | 359 |

13. 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 Bowmer and Kirkland Ltd (Derby City Homes Regeneration Ltd), which commenced in January 2001. Gross service charge payments of £0.3m are anticipated in 2005/6 and future years. Future cash

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

payments between 2005/06 and the end of the contract are expected to be approximately £12.1m.

- Revenues and Benefits IT:

Originally a five year contract with Anite plc, which commenced in September 1999, this contract has since been extended to seven years. Dependent on performance deductions, gross service charges of up to £0.76m are anticipated in 2005/6. 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 exiting schools. The first new school is expected to become fully operational midway through 2005/6. Ultimately the value of contract payments depend on the level of performance of DSS, measured against predetermined standards. However, the maximum payments expected during 2005/6 and 2006/7, including prepayments will amount to £7.3m and £5.6m respectively. Future cash payments from 2007/8 are expected to be as follows:

| | |
|-------------------|--------|
| 2007/8 – 2011/12 | £26.0m |
| 2012/13 – 2016/17 | £24.3m |
| 2017/18 – 2021/22 | £23.2m |
| 2022/23 – 2026/27 | £22.9m |
| 2027/28 – 2031/32 | £21.9m |

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.

- Derbyshire Magistrates Court:

None.

14. 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 2003/4 | Total Remuneration | Number of employees 2004/5 |
|-------------------------------|---------------------|-------------------------------|
| 29 | £50,000 - £59,999 | 52 |
| 26 | £60,000 - £69,999 | 26 |
| 7 | £70,000 - £79,999 | 5 |
| 5 | £80,000 - £89,999 | 6 |
| 1 | £90,000 - £99,999 | 3 |
| 0 | £100,000 - £109,999 | 0 |
| 1 | £110,000 - £119,999 | 1 |

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

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 2004/5.

15. Members' Allowances

In 2004/5 the Council paid a total of £0.694m (£0.667m in 2003/4) to its members in the form of allowances.

16. 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 debtor and creditors in the notes to the Balance Sheet.

Subsidiary and associated companies

The Council has included £1.615m (£1.541m in 2003/4) 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.

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 2004/5 services to the value of £654,000 were commissioned from companies in which one member had an interest. Contracts were entered into following full compliance with the council's standing orders. In addition, the Policy Directorate paid grants totaling £214,254 to voluntary organisations in which two members had an interest. These grants were made with proper consideration of declarations of interest.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

During 2004/05 the Chief Executive of the City Council held the position of Director of Derby Cityscape Limited which received a contribution of £250,000 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 2004/05, 20 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.

Partnership and Accountable Body arrangements

Transactions totalling £6.9m relating to Derby City Partnership and the Derwent Communities Team Management Board 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.

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 funding streams on behalf of the partnership.

The Derwent Community Team Management Board manages the Derwent New Deal for Communities programme. The 10 year programme that commenced in 2001 aims to improve the quality of life of all residents of Derwent.

In addition, Social Services includes £6.4m income from other local authorities, Health Authorities and other partners for the provision of services.

17. Contributions to Joint Committees and Joint Bodies

The City Council contributes to a variety of projects and services including:

- contributions to Derbyshire County Council towards the cost of Home Office Services
- its proportion of the cost of the service combined fire authority for Derbyshire.

These contributions are included in the Consolidated Revenue Account.

18. Local Authorities (Goods and Services) Act 1970

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

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

19. Auditors Fees

The auditors PricewaterhouseCoopers 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 2004/5 were £262,714. (239,573 in 2003/4)

The fees payable to the Audit Commission in respect of statutory inspections for the financial years 2004/5 totalled £65,908 (£53,040 in 2003/4) in accordance with the Local Government Act 1999.

The fees payable for certification of claims and returns totalled £105,879 (£109,968 in 2003/4) 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.

| 2003/4 £'000 | | Notes | 2004/5 £'000 |
|-----------------|---|-------|-----------------|
| | INCOME | | |
| (32,933) | Dwelling rents (Gross) | 1 | (33,600) |
| (428) | Non dwelling rents (Gross) | | (431) |
| (35) | Heating charges | | (37) |
| (74) | Leaseholder's charges for services and facilities | | (65) |
| (2,577) | Other charges for services and facilities | | (2,643) |
| (23,987) | Housing Revenue Account subsidy receivable | 9 | (6,076) |
| (59) | Housing benefit transfers | | (0) |
| (373) | Contributions towards expenditure | 2 | (197) |
| | EXPENDITURE | | |
| 10,479 | Repairs and Maintenance | | 10,362 |
| 9,953 | Supervision and Management | | 10,400 |
| 1,856 | Special services | | 1,676 |
| 21,075 | Rent rebates | 3 | 70 |
| 378 | Increase in provision for bad and doubtful debts | 4 | 106 |
| 18,004 | Capital Charge – Interest | 12 | 21,696 |
| 11,105 | Capital Charge - Depreciation | | 12,153 |
| 65 | Debt Management costs | | 78 |
| 12,449 | NET COST OF SERVICES | | 13,492 |
| 619 | Amortised premiums and discounts | | 311 |
| (12,236) | Capital Asset Charges Accounting Adjustment | 13 | (14,278) |
| (41) | HRA Investment Income | | (189) |
| (355) | Add Restatement of prior year provisions | | 0 |
| 436 | NET OPERATING EXPENDITURE | | (664) |
| 0 | Revenue Contribution to Capital Expenditure | | 212 |
| 2,273 | HRA Contribution to Minimum Revenue Provision | 14 | 100 |
| 0 | Transfer to/(from) principal reserve | | 0 |
| (3,455) | Transfer to/(from) Major Repairs Reserve | 5 | (4,523) |
| 0 | Appropriations from Reserves | | (272) |
| 330 | Transfer to HRA Earmarked Reserve | | 229 |
| (416) | TOTAL (SURPLUS)/DEFICIT FOR YEAR | | (4,918) |
| | HOUSING REVENUE ACCOUNT RESERVE BALANCE | | |
| (942) | Balance at beginning of the year | | (1,358) |
| (416) | (Surplus)/Deficit for the year | | (4,918) |
| (1,358) | BALANCE AT END OF THE YEAR | | (6,276) |

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, etc. During the year, 1.91% of lettable properties were vacant compared with 2.15% in 2003/4.

2. Contributions towards expenditure

The contributions include a transfer of £0.194m from the General Fund in 2004/5 relating to the costs of maintaining community facilities.

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 2004/5 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

During 2004/5, rent arrears reduced from £2.077m to £1.980m equivalent to 5.93% and 5.91% of gross rent income respectively. An amount of £0.178m was written off during the year and the provision for bad and doubtful debts was reduced by £0.73m to £1.644m owing to the reduction in arrears. The provision for rent rebate overpayments, bad and doubtful debts, was reduced in 2004/5.

5. Major Repairs Reserve

The movements on the Major Repairs Reserve are shown below:

| 2003/4 £'000 | | 2004/5 £'000 |
|-----------------|--|-----------------|
| 0 | Balance at beginning of the year | 0 |
| (11,105) | Add transfer to the MRR (depreciation) | (12,153) |
| 0 | Add interest on balances | (90) |
| 7,650 | Less Charge to the account in respect of capital expenditure funded from the MRA | 3,629 |
| | Less Amount transferred to the HRA in respect of: | |
| 3,302 | Depreciation on dwellings in excess of the MRA | 4,340 |
| 153 | Depreciation on other HRA assets | 183 |
| 0 | Balance at end of the year | (4,091) |

NOTES TO THE HOUSING REVENUE ACCOUNT

6. Housing Repairs Account

The movements on the Housing Repairs Account are shown below.

| 2003/4 £'000 | | 2004/5 £'000 |
|-----------------|-----------------------------------|-----------------|
| 195 | Balance at beginning of the year | 19 |
| 4 | Add interest received | 0 |
| 8,873 | Add contributions during the year | 8,808 |
| 9,072 | | 8,827 |
| (9,053) | Less actual expenditure incurred | (8,827) |
| 19 | Balance at end of the year | 0 |

7. Housing Stock

The Council was responsible for managing a stock of around 14,300 dwellings during 2004/5.

| Number 31 March 2004 | | Number 31 March 2005 |
|-------------------------|-----------|-------------------------|
| 8,808 | Houses | 8,253 |
| 4,697 | Flats | 4,609 |
| 1,337 | Bungalows | 1,331 |
| 14,842 | | 14,193 |

8. Publicity

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

| 2003/4 £'000 | | 2004/5 £'000 |
|-----------------|-------------------------|-----------------|
| 123 | Recruitment advertising | 63 |
| 71 | Other | 48 |
| 194 | | 111 |

NOTES TO THE HOUSING REVENUE ACCOUNT

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 2001/2002 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:

| 2003/4 £'000 | | 2004/5 £'000 |
|-----------------|---------------------------------------|-----------------|
| 14,701 | Management and maintenance allowances | 17,239 |
| 7,650 | Major repairs allowance | 7,630 |
| 8,424 | Charges for capital | 5,662 |
| 21,313 | Rent rebates – see note 3 | 0 |
| 3,110 | ALMO allowance | 7,774 |
| 14 | Defective dwellings | 14 |
| (31,190) | Rent | (32,226) |
| (35) | Interest on receipts | (17) |
| 23,987 | | 6,076 |

10. Operational/Non Operational Assets

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

| 31 March 2004 £'000 | | 31 March 2005 £'000 |
|------------------------|------------------------|------------------------|
| 489,568 | Operational Assets | 590,316 |
| 5,426 | Non Operational Assets | 14,591 |
| 494,994 | | 604,907 |

This includes council dwellings and other assets held by the HRA.

The increase reflects movement in the current market and the increase to values from the significant capital investment in council dwellings in 2004/05.

NOTES TO THE HOUSING REVENUE ACCOUNT

11. Council Dwellings Vacant Possession Value

The total vacant possession value of dwellings within the HRA at 1 April 2004 was £965,349m (£815.344m at 1 April 2003). ODPM guidance requires that the balance sheet valuation (£598.516m at 1 April 2004, £505.513 at 1 April 2003) be deduced by applying a regional multiplier (62% 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 £21.695m is calculated as a percentage of the restated value of HRA operational assets at 1 April 2004 (£618.869m). This includes council dwellings (£598.516m) 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 2004, 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 2004/5.

15. Depreciation

The total charge for depreciation of the assets within the HRA was £12.153m. This is made up of:

| 2003/04 £000 | | 2004/05 £000 |
|-----------------|--------------------------------------|-----------------|
| 10.952 | Council Dwellings | 11.970 |
| 0.153 | Other operational land and buildings | 0.183 |
| 11.105 | | 12.153 |

16. Impairment

There is no material impairment charge for 2004/05.

17. Deferred charges

There are no deferred charges attributable to the HRA for 2004/05.

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 2004 £'000 | | Notes | £'000 | 31 March 2005 £'000 |
|------------------------|--|---------------------|-----------|------------------------|
| 941,548 | FIXED ASSETS | 1 | 1,122,271 | |
| 0 | OTHER ASSETS | | | |
| 100 | Deferred charges | 2 | 0 | |
| 5,354 | Investments | 4 | 10,100 | |
| | Long-term debtors | 5 | 7,181 | |
| | | | | |
| 947,002 | TOTAL LONG TERM ASSETS | | | 1,139,552 |
| | CURRENT ASSETS | | | |
| 62,835 | Short-term investments | | 73,791 | |
| 262,063 | Pensions | 24 | 305,702 | |
| 877 | Stocks and work in progress | 6 | 1,390 | |
| 31,287 | Debtors | 7 | 34,644 | |
| 705 | Cash in hand | | 647 | |
| 357,767 | | | | 416,174 |
| | CURRENT LIABILITIES | | | |
| (37,977) | Creditors | 8 | (40,127) | |
| (388,329) | Pensions | 24 | (507,699) | |
| (8,099) | Bank overdraft | | (4,040) | |
| (434,405) | | | | (551,866) |
| 870,364 | TOTAL ASSETS LESS CURRENT LIABILITIES | | | 1,003,860 |
| | | | | |
| (216,594) | Long-term borrowing | 9 | (285,474) | |
| (433) | Deferred capital receipts | 10 | (350) | |
| (52,004) | Deferred liabilities and credits | 11 | (50,303) | |
| (2,639) | Provisions | 12 | (2,730) | |
| (271,670) | | | | (338,857) |
| 598,694 | TOTAL ASSETS LESS LIABILITIES | | | 665,003 |
| | FINANCED BY: | | | |
| | Capital Balances and Reserves | | | |
| (446,396) | Fixed asset restatement account | 13 | (613,929) | |
| (214,765) | Capital financing account | 14 | (166,331) | |
| (8,399) | Usable capital receipts reserve | 15 | (12,085) | |
| (7,767) | Government Grants Deferred Account | 16 | (15,929) | |
| (17,549) | Earmarked capital reserves | | (18,077) | |
| (694,876) | | | | (826,351) |
| | Revenue Balances and Reserves | | | |
| (17,554) | Earmarked General Fund | 17 | (19,622) | |
| (522) | Earmarked Housing Revenue Account Reserve | 17 | (480) | |
| (5,850) | Schools' balances | 18 | (5,065) | |
| (5,474) | General Fund balance | 19 | (5,630) | |
| 126,266 | Pension Reserve | 24 | 201,997 | |
| (1,377) | Housing Revenue Account balances | 20 | (10,367) | |
| 693 | Collection Fund balances | 21 | 515 | |
| 96,182 | | | | 161,348 |
| (598,694) | TOTAL BALANCES | | | (665,003) |
| Signed | | Date: | | |
| : | | Director of Finance | | |
| | | Chair of Special | | |
| | | Purposes Committee | | |

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets

a. Movement in fixed assets 2004/05

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

| | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles, Plant and Equipment £'000 | Infra- structure Assets £'000 | Comm- unity Assets £'000 | Investment Properties £'000 | Total £'000 |
|---|-------------------------------|---|--|--|-----------------------------------|-----------------------------------|------------------|
| Net book value at 31 March 2004 | 488,792 | 344,722 | 4,793 | 63,057 | 9,943 | 30,241 | 941,548 |
| Add restatements between categories | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluations and restatements | 109,724 | 60,334 | (263) | 1,403 | 0 | 11,236 | 182,434 |
| Restated Value at 1 April 2004 | 598,516 | 405,056 | 4,530 | 64,460 | 9,943 | 41,477 | 1,123,982 |
| Additions | 45,930 | 17,755 | 4,394 | 9,639 | 3,376 | 117 | 81,211 |
| Disposals | (13,565) | (580) | 0 | 0 | 0 | (756) | (14,901) |
| Gross book value | 630,881 | 422,231 | 8,924 | 74,099 | 13,319 | 40,838 | 1,190,292 |
| Less: | | | | | | | |
| Depreciation for the year | (11,970) | (5,749) | (1,202) | (2,014) | (50) | (12) | (20,997) |
| De-minimis capital expenditure written out to revenue | (19) | (384) | (53) | (9) | (23) | 0 | (488) |
| Capital expenditure not adding to asset value | (31,495) | (10,545) | (2,212) | (2,101) | (183) | 0 | (46,536) |
| Net book value at 31 March 2005 | 587,397 | 405,553 | 5,457 | 69,975 | 13,063 | 40,826 | 1,122,271 |

b. Commitments under capital contracts include the following:

- £5.2m on schools modernisation and refurbishments
- £0.06m on Youth Facilities in parks
- £0.03m on Street Cleaning Equipment
- £0.01m on playground equipment.

c. Significant capital expenditure proposals in 2005/2006 including the above commitments are as follows . . .

- Continued improvement of the housing stock to achieve a level of decency by the end of 2005/06. The programme also includes improving energy efficiency in dwellings, secure housing and environmental and socio-economic improvements in deprived inner city areas - £32.2m.
- Completion of significant condition and modernisation projects in a range of schools relating to roofing, structural and electrical rewiring schemes (£4 million). A major project for a new Technology Block at Littleover Community School (£1 million). Completion of lottery funded Space for Sports and Arts Projects at five primary schools (£1.9 million). Projects

NOTES TO THE CONSOLIDATED BALANCE SHEET

currently underway for lottery funded projects for PE and Sports facilities at five schools (£2.9 million). A range of smaller projects completed to improve disabled access in schools.

- Commencement of IRRIMS – the Inner Ring Road Integrated Maintenance Scheme - £3.2m.

d. 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.

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 2004. 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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

The following table details the cumulative provisions for depreciation for each category of assets as at 31 March 2005.

| | Council Dwellings | Other land and buildings | Vehicles, plant and equipment | Infrastructure | Community Assets | Investment properties | Total |
|---|-------------------|--------------------------|-------------------------------|----------------|------------------|-----------------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Depreciation provision at 1 April 2004 | (34,188) | (19,956) | (7,429) | (7,746) | (135) | (34) | (69,488) |
| Depreciation for 2004/05 | (11,971) | (5,749) | (1,201) | (2,014) | (50) | (12) | (20,997) |
| Depreciation provision at 31 March 2005 | (46,159) | (25,705) | (8,630) | (9,760) | (185) | (46) | (90,485) |

2. Deferred Charges

Deferred charges represent capital expenditure which does not result in the creation or enhancement of an asset in the Authority's accounts. The expenditure has been totally written down to revenue in the year because it does not have any continuing revenue benefit to the Council.

| | Improvement Grants £'000 | Other Grants £'000 | Other Items £'000 | Pride Park £'000 | Total £'000 |
|--|-----------------------------|-----------------------|----------------------|---------------------|----------------|
| Balance at 31 March 2004 | 0 | 0 | 0 | 0 | 0 |
| Expenditure in year | 4,757 | 2,719 | 489 | 335 | 8,300 |
| Amounts written down in year to Service Revenue Accounts | (4,757) | (2,719) | (489) | (335) | (8,300) |
| Balance at 31 March 2005 | 0 | 0 | 0 | 0 | 0 |

3. Financing of Capital Expenditure

| | £'000 | | £'000 |
|------------------------------|---------------|-----------------------------|---------------|
| Financing | | Expenditure | |
| Borrowing | 58,049 | Fixed Assets | 81,211 |
| Capital Receipts | 2,325 | Deferred Charges | 8,300 |
| Government / other grants | 17,452 | Movement in working capital | (1,213) |
| Major Repairs Allowance | 3,629 | | |
| Revenue and Revenue Reserves | 2,612 | | |
| Capital reserves | 757 | | |
| Other external contributions | 3,474 | | |
| | 88,298 | | 88,298 |

NOTES TO THE CONSOLIDATED BALANCE SHEET

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. The £10m increase in long term investments is a consequence of the change in legislation. The existing £100,000 represents an investment in ADC (Properties) Ltd held for the longer term benefit of the Authority.

5. Long Term Debtors

The deferred consideration entry in 2004/5 reflects PFI contract prepayments made where the payment has given rise to a future benefit for the Council. It will be amortised to revenue over the period of the future benefit.

| 31 March 2004 £'000 | | 31 March 2005 £'000 |
|------------------------|---|------------------------|
| 0 | Deferred Consideration – Schools PFI | 2,129 |
| 239 | Mortgages for sales of council housing | 192 |
| 135 | Loans to housing associations | 126 |
| 4,817 | Derbyshire County Council 1974 transferred debt | 4,622 |
| 139 | Car Loans to Employees | 73 |
| 24 | Other loans | 39 |
| 5,354 | | 7,181 |

6. Stocks and Work in Progress

| 31 March 2004 £'000 | | 31 March 2005 £'000 |
|------------------------|-------------------------|------------------------|
| | Stocks | |
| 264 | Trading Services | 246 |
| 97 | Other departments | 101 |
| 361 | | 347 |
| | Work in progress | |
| 516 | Trading Services | 1,043 |
| 877 | | 1,390 |

Increased volume of work and turnover in 2004/5 resulted in an increase in the number of jobs which were incomplete and work in progress at 31 March 2005.

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 debtors with government departments mainly relates to grant payments due at 31 March 2005 from government departments.

| 31 March 2004 £'000 | | 31 March 2005 £'000 |
|------------------------|--|------------------------|
| | Amounts falling due within one year | |
| 9,694 | Government Departments | 17,680 |
| 1,824 | Other local authorities | 1,716 |
| 9,395 | Council taxpayers | 10,026 |
| 1,764 | Business ratepayers | 1,142 |
| 1,401 | Housing rents | 1,532 |
| 19,151 | Sundry debtors | 15,329 |
| 43,229 | | 47,425 |
| (11,942) | Provision for bad and doubtful debts | (12,781) |
| 31,287 | | 34,644 |

8. Creditors

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

| 31 March 2004 £'000 | | 31 March 2005 £'000 |
|------------------------|-------------------------|------------------------|
| 116 | PWLB Borrowing | 120 |
| 11,064 | Government Departments | 11,350 |
| 1,778 | Other local authorities | 2,607 |
| 603 | Council taxpayers | 480 |
| 179 | Business ratepayers | 317 |
| 24,237 | Sundry creditors | 25,253 |
| 37,977 | | 40,127 |

The position at 31 March 2004 has been restated to reflect a reclassification of £30,000 to earmarked General Fund revenue reserves and £58,000 from Housing Revenue Account earmarked revenue reserves.

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 2004 £'000 | | Range of interest rates payable % | Total Outstanding 31 March 2005 £'000 |
|---|--------------------------------------|---|--|
| | Source of loan | | |
| 193,894 | Public Works Loan Board | 3.13 to 9.56 | 262,774 |
| 22,700 | Money Market | 0.75 | 22,700 |
| - | Other | | |
| 216,594 | | | 285,474 |
| | Analysis of loans by maturity | | |
| 22,820 | Maturing within 1 - 2 years | 0.75 to 3.134 | 30,823 |
| 11,358 | Maturing within 2 - 5 years | 9.234 | 17,338 |
| 20,728 | Maturing within 5 - 10 years | 8.035 | 10,626 |
| 161,688 | Maturing after 10 years | 4.895 | 226,687 |
| 216,594 | | | 285,474 |

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 £0.350m at 31 March 2005 (£0.433m at 31 March 2004) and are matched by sums included in long-term debtors.

11. Deferred Liabilities/Credits

| 31 March 2004 £'000 | | 31 March 2005 £'000 |
|------------------------|--|------------------------|
| | Deferred Liabilities | |
| 51,152 | 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. | 49,194 |
| 1,761 | Loans transferred from neighbouring authorities in 1968 | 1,660 |
| 279 | Other | 286 |
| 53,192 | | 51,140 |
| | Less Deferred Credits | |
| (1,188) | PWLB loan restructuring premium | (837) |
| 52,004 | | 50,303 |

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. There has been a reclassification from other to the provision for uninsured risks in 2004/5, in relation to provisions for highways claims.

| 2003/4 £'000 | | 2004/5 £'000 |
|-----------------|--|-----------------|
| | Provision for uninsured risks | |
| 1,578 | Balance at 1 April | 1,296 |
| | Prior year reclassification | 175 |
| 664 | Provision made in year | 831 |
| (946) | Provision used in year | (744) |
| 1,296 | Balance at 31 March | 1,558 |
| | Provision for future pension payments | |
| 772 | Balance at 1 April | 755 |
| 25 | Provision made in year | 32 |
| (42) | Provision used in year | (28) |
| 755 | Balance at 31 March | 759 |
| | Other provisions | |
| 267 | Balance at 1 April | 588 |
| 0 | Prior Year Reclassification | (175) |
| 512 | Provision made in year | 0 |
| (191) | Provision used / written back in year | (0) |
| 588 | Balance at 31 March | 413 |
| 2,639 | TOTAL PROVISIONS AT 31 MARCH | 2,730 |

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 Reserve.

| 2003/04 £'000 | | 2004/05 £'000 |
|------------------|---|------------------|
| 218,111 | Balance at 1 April | 446,396 |
| 251,690 | Add revaluations and restatements | 182,434 |
| (23,405) | Less disposal of fixed assets and investments in year | (14,901) |
| 446,396 | Balance at 31 March | 613,929 |

NOTES TO THE CONSOLIDATED BALANCE SHEET

The revaluations and restatements includes revaluations of £71.6m relating to buildings and land and £109.7m in relation to council dwellings by the depreciated replacement cost method as a result of a result of increase in building costs and land values since 2000.

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 that are required to be charged to revenue to repay the principal element of external loans. Capital receipts set aside in 2004/5 are reduced as a result of new pooling arrangements for receipts from the sale of council dwellings. This is explained further in accounting policies.

| 2003/04 £'000 | | 2004/05 £'000 |
|------------------|--|------------------|
| 236,828 | Balance at 1 April | 214,765 |
| 10,138 | Capital receipts set aside in year | 130 |
| | Capital financing from: | |
| 3,478 | Capital receipts | 2,325 |
| 7,650 | Major repairs allowance | 3,629 |
| 1,707 | Other revenue and revenue reserves | 2,612 |
| 471 | Capital reserves | 757 |
| 3,048 | Grants direct to Capital Financing Reserve | 10,130 |
| 2,426 | Contributions | 2,039 |
| | Net contribution to Consolidated Revenue Account: | |
| 4,657 | Minimum revenue provision | 3,650 |
| 14 | Outstanding credit arrangement | 15 |
| 303 | Government Grants Amortised to revenue | 595 |
| 2,107 | Transferred Debt | 2,024 |
| (20,717) | Less: Depreciation charged | (20,997) |
| (28,523) | Capital Expenditure not adding value | (46,536) |
| 0 | Deferred Consideration | (19) |
| (8,757) | Deferred charges written down to revenue | (8,300) |
| (65) | De-minimis expenditure written down | (488) |
| 214,765 | Balance at 31 March | 166,331 |

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 as Provision for Credit Liabilities (see also 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 2004/5 are reduced as a result of new pooling arrangements for receipts from the sale of council dwellings. This is explained further in accounting policies.

NOTES TO THE CONSOLIDATED BALANCE SHEET

| 2003/04 £'000 | | 2004/05 £'000 |
|------------------|---|------------------|
| 3,156 | Balance at 1 April | 8,399 |
| 18,858 | Capital receipts in year from sales of assets | 12,410 |
| (3,478) | Receipts applied to finance capital expenditure in year | (2,325) |
| | Less | |
| 0 | Housing pooling payment | (6,269) |
| (10,137) | Receipts set aside | (130) |
| 8,399 | Balance at 31 March | 12,085 |

16. Deferred Government Grants/Contributions

From 2003/04 a Government Grants Deferred Account has been operated. From 2004/05 a Contributions Deferred Account has also been operated. Previous years have not been restated.

| | 2004/05 £'000 |
|---|------------------|
| Balance at 1 April | 7,767 |
| Adjustment to balance brought forward | 0 |
| Government Grant receipts and contributions applied to finance capital | |
| Add: Expenditure funded from | |
| • grants | 17,452 |
| • contributions | 3,474 |
| Less: Grants/contributions amortised to revenue | (595) |
| Less: credited direct to the Capital Financing Reserve | |
| • grants | (10,130) |
| • contributions | (2,039) |
| Balance at 31 March | 15,929 |

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 39.

18. Schools' Balances

These balances are held by schools under Local Management of Schools arrangements, including Foundation Schools (cheque-book schools).

NOTES TO THE CONSOLIDATED BALANCE SHEET

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 8.

20. Housing Revenue Account

Details of this account can be found on page 18.

21. Collection Fund Balances

Details of this account can be found on page 42.

22. European Monetary Union

The Council continues to assess the impact that the possible introduction of the Euro on 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.

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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

| | 2004/5 Trust Funds £'000 |
|--------------------------------------|--|
| Aggregate Revenue Account | |
| Opening balance 1 April | 1,152 |
| Income during the year | 240 |
| Total Funds available in the year | 1,392 |
| Expenditure during the year | (217) |
| Closing balance 31 March | 1,175 |
| The funds are represented by: | Balance 31 March 2005 £'000 |
| Investments: | |
| COIF Charity Funds | 124 |
| Edinburgh Fund Managers | 5 |
| Treasury Stock | 0 |
| National Savings investment funds | 17 |
| Building Society Deposits | 4 |
| Other (specify) | 3 |
| Cash and Temporary Loans | 1,022 |
| Total Assets | 1,175 |
| Number of Funds | 46 |

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 2004.

As at the 31 March 2005, the Council had the following overall assets and liabilities for pensions, which are not shown on the balance sheet:

NOTES TO THE CONSOLIDATED BALANCE SHEET

| Balance 31 March 2004 £000 | Local Government Pension Scheme | Balance 31 March 2005 £000 |
|-------------------------------------|------------------------------------|-------------------------------------|
| 262,063 | Estimated Assets in Scheme | 293,175 |
| (370,565) | Estimated Liabilities in Scheme | (474,889) |
| (108,502) | Net Asset (Liability) | (181,714) |

The movement in the net pension liability of the Council for the year to 31 March 2005 is as follows:

| Movement in Net Pension Liability | 2004/5 £m |
|--|------------------|
| Net Pensions Liability as at 1 April 2004 | (108,502) |
| Movement In the Year: | |
| Contributions Paid | 14,199 |
| Current Service Cost | (13,389) |
| Past Service Costs | (168) |
| Settlement Gain | (2) |
| Interest Costs | (6,028) |
| Actuarial gain (loss) | (67,824) |
| Net Pension Liability as at 31 March 2005 | (181,714) |

The actuarial loss can be analysed into the following categories, measured as absolute amounts and as a percentage of assets as 31 March 2005:

| Analysis of Actuarial Gain (loss) | £'000 | % of Assets/liabilities |
|---|----------|----------------------------|
| Difference between the expected and actual return on assets | 11,652 | 4% assets |
| Difference between actuarial assumptions about liabilities and actuarial experience | 4,592 | 1% liabilities |
| Changes in demographic and financial assumptions used to estimate liabilities | (84,086) | 17.7% liabilities |

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

| | 31 March 2004 | 31 March 2005 |
|------------------------------|------------------|--------------------------|
| Rates of Inflation | 2.8% | 2.9% |
| Rate of Increase in Salaries | 4.6% | 4.4% |
| Rate of Increase in Pensions | 2.8% | 2.9% |
| Discount Rate | 6.3% | 5.4% |

Assets held by the fund as a whole are £1,441m valued at fair value as at 31 March 2005 (£1,266m at 31 March 2004). 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 2004 | 31 March 2005 |
| Equities | 7.5% | 68.9% | 70.2% |
| Gilts | 4.7% | 16.4% | 15.8% |
| Other bonds | 5.4% | 2.4% | 2.2% |
| Property | 6.5% | 4.5% | 5.0% |
| Cash | 4.75% | 7.8% | 6.8% |
| Total | | 100.0% | 100.0% |

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 2005, the Council had an overall liability of £20,283m in respect of teachers' pensions (£17.764m at 31 March 2004)

NOTES TO THE CONSOLIDATED BALANCE SHEET

The movement in the pension liability of the Council for the year to 31 March 2005 is as follows:

| Movement in Teachers' Pension Liability | 2004/5 £'000 |
|--|-----------------|
| Teachers' Pensions Liability as at 1 April 2004 | (17,764) |
| Movement In the Year: | |
| Contributions Paid | 1,289 |
| Current Service Cost | 0 |
| Past Service Costs | (139) |
| Interest Costs | (1,061) |
| Actuarial gain (loss) | (2,608) |
| Teachers' Pension Liability as at 31 March 2005 | (20,283) |

The actuarial loss can be analysed into the following categories, measured as absolute amounts and as a percentage of liabilities as 31 March 2005:

| Analysis of Actuarial Loss | £'000 | % of liabilities |
|---|---------|-------------------|
| Difference between actuarial assumptions about liabilities and actuarial experience | (52) | 0.3% liabilities |
| Changes in demographic and financial assumptions used to estimate liabilities | (2,556) | 12.6% liabilities |

The main financial assumptions used by the actuary are:

| | 31 March 2004 | 31 March 2005 |
|------------------------------|------------------|------------------|
| Rates of Inflation | 2.8% | 2.9% |
| Rate of Increase in Pensions | 2.8% | 2.9% |
| Discount Rate | 6.3% | 5.4% |

The 2003/04 Balance Sheet figures on page 28 have been restated to correctly show LGPS balances in £'000 and to include the Teachers' Pension Scheme for comparison.

NOTES TO THE CONSOLIDATED BALANCE SHEET

25. Contingent Liability

The Inland Revenue is presently investigating a possible breach of the National Minimum Wage Act from April 1999 to Dec 2001 in respect of approximately 50 former council employees. The Council has provided information and evidence disputing the breach. This is being considered by the Inland Revenue and no enforcement notice has yet been served.

26. Subsidiary Companies

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

The net assets and results of operations for the year to 31 March 2005 are as follows:

| | £000's |
|--|---------|
| Net assets at 31 March 2005 | 43 |
| Operating profit before taxation | 19 |
| Operating profit after taxation | 15 |
| Indebtedness with Derby City Council included in net assets above are: | |
| <ul style="list-style-type: none">Derby Homes Debtors mainly relating to the management fee | 820 |
| <ul style="list-style-type: none">Derby Homes Creditors mainly relating to services provided to Derby Homes by the Council | (1,506) |
| Net | (686) |

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.

| | Balance 31 March 2004 £'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 2005 £'000 |
|--|--------------------------------------|--|---|----------------------------------|--|--|--------------------------------------|
| TECHNICAL, NON- USABLE RESERVES | | | | | | | |
| Capital | | | | | | | |
| Fixed Asset Restatement Account | 446,396 | 182,434 | (14,901) | 0 | 0 | 0 | 613,929 |
| Capital Financing Account | 214,765 | 0 | 0 | 130 | 21,492 | (70,056) | 166,331 |
| Government Grants/Contributions Deferred | 7,767 | 0 | 0 | 0 | 8,757 | (595) | 15,929 |
| USABLE RESERVES | | | | | | | |
| Capital | | | | | | | |
| Usable Capital Receipts Reserve | 8,399 | 0 | 0 | 12,280 | (2,325) | (6,269) | 12,085 |
| Earmarked Government Grants | 7,828 | | | | (17,452) | 17,836 | 8,212 |
| Earmarked Contributions | 2,863 | | | | (2,491) | 2,200 | 2,572 |
| Earmarked S106 Contributions | 3,276 | | | | (983) | 1,944 | 4,237 |
| Other earmarked capital reserves | 3,582 | 0 | 0 | 0 | (757) | 231 | 3,056 |
| Revenue | | | | | | | |
| General Fund | 5,474 | 0 | 0 | 0 | 0 | 156 | 5,630 |
| Schools' Balances | 5,850 | 0 | 0 | 0 | 0 | (785) | 5,065 |
| Housing Revenue Account | 1,377 | 0 | 0 | 0 | 0 | 8,990 | 10,367 |
| Collection Fund | (693) | 0 | 0 | 0 | 0 | 178 | (515) |
| Pension Reserve | (126,266) | (70,432) | 0 | 0 | 0 | (5,299) | (201,997) |
| General Fund revenue earmarked reserves | 17,554 | 0 | 0 | 0 | 0 | 2,068 | 19,622 |
| Housing Revenue Account earmarked reserves | 522 | | | | | (42) | 480 |
| TOTAL RESERVES | 598,694 | 112,002 | (14,901) | 12,410 | 6,241 | (49,443) | 665,003 |

CASHFLOW STATEMENT

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

| 2003/4 £'000 | | Notes | £'000 | 2004/5 £'000 |
|-----------------|--|-------|-----------|-----------------|
| | REVENUE ACTIVITIES | | | |
| | <i>Cash outflows –</i> | | | |
| 223,238 | Cash paid to and on behalf of employees | | 235,294 | |
| 296,505 | Other operating cash payments | | 283,687 | |
| 24,518 | Housing benefits paid out | | 24,590 | |
| 7,461 | Precept payment to Police Authority | | 8,286 | |
| 0 | Precept Payment to Fire Authority | | 3,556 | |
| 58,477 | Payment to Non-Domestic Rate Pool | | 58,510 | |
| 610,199 | | | | 613,923 |
| | <i>Cash inflows -</i> | | | |
| (17,630) | Rents (after rebates) | | (18,139) | |
| (56,456) | Council tax receipts | | (60,658) | |
| (67,145) | Distribution from Non-Domestic Rate Pool | | (62,364) | |
| (56,872) | Non-domestic rate receipts | | (60,238) | |
| (116,032) | Revenue Support Grant | | (128,560) | |
| (23,994) | Government Grant for housing benefits | | (23,486) | |
| (90,858) | Other government grants | 4 | (119,025) | |
| (173,129) | Cash received for goods and services | | (150,395) | |
| (602,116) | | | | (622,864) |
| 8,083 | Net Revenue Activities Cashflow | 1 | | (8,942) |
| | RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| | <i>Cash outflows –</i> | | | |
| 14,040 | Interest paid | | 16,604 | |
| 2 | Interest element of finance leases | | 2 | |
| 14,042 | | | | 16,606 |
| | <i>Cash inflows -</i> | | | |
| (2,727) | Interest received | | | (4,438) |
| 11,315 | | | | 12,168 |

CASHFLOW STATEMENT

| 2003/4 £'000 | | Notes | £'000 | 2004/5 £'000 |
|-----------------|--|-------|-----------------|-----------------|
| | CAPITAL ACTIVITIES | | | |
| | <i>Cash outflows –</i> | | | |
| 49,011 | Purchase of fixed assets | | 67,298 | |
| 7,950 | Deferred charges | | 7,418 | |
| | <i>Cash inflows -</i> | | | |
| (18,858) | Sales of fixed assets | | (12,041) | |
| (18,813) | Capital grants received | 4 | (15,252) | |
| (7,232) | Other capital cash receipts | | 3,274 | |
| 12,058 | Net Capital Activities Cashflow | | | 50,697 |
| 31,456 | Net Cash Outflow / (Inflow) before Financing | | | 53,923 |
| | MANAGEMENT OF LIQUID RESOURCES | | | |
| 17,441 | Net increase / (decrease) in short term deposits | | | 10,956 |
| | FINANCING | | | |
| | <i>Cash outflows –</i> | | | |
| 2,616 | Repayments of amounts borrowed | | 120 | |
| | <i>Cash inflows -</i> | | | |
| (46,200) | New loans raised | | (69,000) | |
| (43,584) | | | | (68,880) |
| (5,313) | Net Cash (Inflow) / Outflow = Net Increase / (Decrease) in Cash | 2 | | (4,001) |

NOTES TO THE CASHFLOW STATEMENT

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

| 2003/4 £'000 | | 2004/5 £'000 |
|-----------------|---|-----------------|
| (593) | Net (surplus) - Consolidated Revenue Account | (156) |
| 176 | Net (increase) in Schools' balances | 785 |
| (240) | Net (surplus) / deficit - Housing Revenue Account | (8,990) |
| 287 | Net (surplus) / deficit – Collection Fund | (178) |
| 6,485 | (Decrease)/Increase in debtors | 3,357 |
| (295) | (Decrease)/Increase in stock and work in progress | 513 |
| 7,893 | (Increase) / decrease in creditors | (2,150) |
| (22) | (Increase) / Decrease in provisions | (91) |
| (3,872) | (Increase) / Decrease in earmarked reserves | (2,026) |
| | <i>Adjustment for non-cash transactions:</i> | |
| (9,579) | Capital activities | (12,162) |
| | <i>Less:</i> | |
| (11,315) | Servicing of finance items | (12,168) |
| 19,158 | Financing included in creditors | 24,324 |
| 8,083 | Revenue Activities Net Cashflow | (8,942) |

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

| Balance 31 March 2004 £'000 | Movement 2003/4 £'000 | | Balance 31 March 2005 £'000 | Movement 2004/5 £'000 |
|-----------------------------------|-----------------------------|---|-----------------------------------|-----------------------------|
| 705 | 373 | Cash in hand | 647 | 58 |
| (8,099) | (5,686) | Bank overdraft | (4,040) | (4,059) |
| (7,394) | (5,313) | Net Cash Increase/(Decrease) = net cash (inflow) / outflow | (3,393) | (4,001) |
| | | Adjust for the movement in liquid resources - | | |
| 62,835 | 17,441 | Short-term investments | 73,791 | 10,956 |
| | | Borrowing | | |
| (216,594) | (43,589) | Public Works Loans Board | (285,474) | (68,880) |
| 0 | 5 | Other long-term borrowing | 0 | 0 |
| | (31,456) | (Increase) / Decrease in Net Debt = net cash (inflow) / outflow before financing | | (61,925) |

NOTES TO THE CASHFLOW STATEMENT

3. Other Movements

| Balance 31 March 2004 £'000 | | Balance 31 March 2005 £'000 | Movement £'000 |
|-----------------------------------|-------------------------------|-----------------------------------|-------------------|
| | <i>Increase:</i> | | |
| 31,287 | Debtors | 34,644 | 3,357 |
| 877 | Stock and work in progress | 1,390 | 513 |
| | <i>(Increase) / decrease:</i> | | |
| (37,977) | Creditors | (40,127) | (2,150) |
| (2,639) | Provisions | (2,730) | (91) |

4. Revenue and capital grants

The following revenue grants from central government are included:

| | Received in 2004/5 £'000 |
|--|-----------------------------|
| Rent Rebate – Housing Benefit | 22,601 |
| Council Tax benefit grant | 13,994 |
| Housing Benefit Subsidy | 23,486 |
| Arms Length Management Organisation (ALMO) Subsidy | 6,062 |
| Standards Fund grant | 10,798 |
| Nursery Education / Surestart | 2,786 |
| Learning Standards Fund | 8,436 |
| Other Education grants | 16 |
| Asylum Seekers' Grant | 537 |
| Single Regeneration Budget (SRB) grant | 1,034 |
| New Deal for Communities | 6,321 |
| Neighbourhood Renewal Fund grant | 3,254 |
| Childrens Fund | 1,019 |
| Supporting People | 11,610 |
| Other revenue grants | 30,557 |
| | 142,511 |

The following capital grants are included:

| | Received in 2004/5 £'000 |
|-----------------------------------|-----------------------------|
| <i>Central government grants:</i> | |
| SRB capital grant | 121 |
| Schools capital grants | 7,918 |
| Other capital grants | 7,233 |
| | 15,272 |

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.

| 2003/4 £'000 | | Notes | 2004/5 £'000 |
|-----------------|---|-------|------------------|
| | INCOME AND EXPENDITURE ACCOUNT | | |
| | Income | | |
| (57,394) | Council tax | | (61,761) |
| (57,762) | Business rates | 2 | (60,177) |
| (11,794) | Transfers from General Fund: Council tax benefit | | (12,578) |
| 0 | Net adjustments of previous year's Community charges | 3 | 3 |
| (126,950) | TOTAL INCOME | | (134,513) |
| | Expenditure | | |
| | Precepts and Demands | | |
| 60,771 | Derby City Council | | 61,397 |
| 7,515 | Derbyshire Police Authority | | 8,347 |
| 0 | Fire Precept | | 3,556 |
| | Business Rates | | |
| 57,073 | Payment to National Pool | | 59,037 |
| 312 | Costs of collection | | 314 |
| | Provision for bad and doubtful debts: | | |
| 1,436 | Council tax | | 1,351 |
| 376 | Business Rates | | 826 |
| | Transfer of previous year's estimated surplus | | |
| 2 | Derby City Council General Fund: Community charge | | 70 |
| (224) | Council tax | | (501) |
| (24) | Derbyshire Police Authority | | (62) |
| 127,237 | TOTAL EXPENDITURE | | 134,335 |
| (287) | SURPLUS / (DEFICIT) FOR THE YEAR | 5 | 178 |
| (406) | SURPLUS / (DEFICIT) AT BEGINNING OF YEAR | | (693) |
| (693) | SURPLUS / (DEFICIT) AT END OF YEAR | | (515) |

NOTES TO THE COLLECTION FUND

1. Council Tax

The Council's tax base for 2004/5 was 67,930.80. 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) | 88 | 5/9 | 49 |
| A | 44,049 | 6/9 | 29,366.03 |
| B | 16,437 | 7/9 | 12,783.30 |
| C | 13,487 | 8/9 | 11,988.52 |
| D | 7,115 | 9/9 | 7,114.97 |
| E | 3,626 | 11/9 | 4,431.34 |
| F | 1,771 | 13/9 | 2,558.75 |
| G | 436 | 15/9 | 726.10 |
| H | 9 | 18/9 | 17.40 |
| | | | 69,035.41 |
| Less adjustment for non-collection | | | 1,104.61 |
| Council Tax Base | | | 67,930.80 |

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 2005 was £152.413m. The national non-domestic multiplier for 2004/5 was 45.6p.

3. Net Adjustments for Previous Year's Community Charges

In 2004/5, there was an adjustment relating to the writing off of £3,547 residual community charges raised in previous years in the Collection Fund. All residual community charge outstanding debt has now been written off.

4. Collection Fund Surplus

The deficit on the Collection Fund of £515,378 at 31 March 2005 consists of a deficit of £511,531 relating to council tax and a deficit of £3,547 relating to previous years' community charges. The deficit relating to the council tax is to be divided between the City Council, Police Authority and Fire Authority. The deficit relating to community charge is to be transferred to the City Council's General Fund.

STATEMENT OF RESPONSIBILITIES

The Authority's responsibilities

The Authority is required:

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

The Director of Finance's responsibilities

The Director of Finance 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 2005.

In preparing this Statement of Accounts, the Director of Finance 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 Director of Finance has also ensured that:

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

Signed: _____
Director of Finance

Date: _____

STATEMENT ON INTERNAL CONTROL

AUDIT OPINION ON THE ACCOUNTS

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, 1st 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.

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.

DEFERRED CHARGES

Capital expenditure that is of benefit beyond the current accounting period, but which does not result in a tangible fixed asset to the authority. An example of a deferred charge would be capital expenditure on improvement grants.

GLOSSARY OF TERMS

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.

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.

GLOSSARY OF TERMS

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).

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.

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.

GLOSSARY OF TERMS

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.

PROVISION FOR CREDIT LIABILITIES (PCL)

This represents the sum set aside for the repayment of debt.

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.

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.

GLOSSARY OF TERMS

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.

CAPITAL FINANCING DETERMINATIONS 2004/05

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

| Determination | Section of Act | Amount |
|--|-----------------------|---------------|
| | | £ |
| 1. Expenditure for capital purposes | | |
| (a) Use of credit approvals | S56 (2) | 54,731,434 |
| (b) Usable capital receipts | S60 (2) | 2,324,712 |
| (c) Grants and outside contributions | S42 (2)(g) | 20,926,338 |
| 2. Minimum Revenue Provision | | |
| Set aside to meet credit liabilities | S63 (1) | 3,650,393 |