



## Draft Statement of Accounts 2009/10

### RECOMMENDATION

- 1.1 To consider the draft Statement of Accounts including the key figures summarised in Appendix 2.
- 1.2 To approve the draft Statement of Accounts for 2009/10 subject to external audit.

### REASON FOR RECOMMENDATIONS

- 2.1 The Statement of Accounts for 2009/10 summarises the council's financial performance for the year ended 31 March 2010. It is a requirement of the Accounts and Audit Regulations 2003 that the Statement of Accounts must be approved by a full council or a committee nominated by full Council by 30 June 2010. The full statement is attached at Appendix 3.

### MATTERS FOR CONSIDERATION

- 3.1 Each Statement at Appendix 3 starts with a brief description for explanatory purposes. The Statement of Accounts contains nine key elements as follows:
  - Income and Expenditure account – I & E
  - Statement of movement on the General Fund Balance – SoMGF
  - Statement of Total Recognised Gains and Losses – STRGL
  - Balance Sheet – BS
  - Cashflow Statement – CFS
  - Housing Revenue Account – HRA
  - Collection Fund – CF
  - Statement of Responsibilities – SoR
  - Annual Governance Statement – AGS.

- 3.2 The preparation and publication of an annual governance statement in accordance with the CIPFA/SOLACE Framework is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England). The Governance Statement is reported as a separate item on the agenda for consideration. Once approved by the Committee, it will be consolidated into the Statement of Accounts.
- 3.3 Appendix 2 provides the key figures from the draft Statement of Accounts, with further detail to be provided in an explanatory briefing and presentation to Members at the meeting.
- 3.4 We are also required to prepare and publish Group Accounts for any subsidiary, associate or joint venture where non production of Group Accounts could result in the Statement of Accounts failing to present fairly the Authority's activity and financial position. The draft Group Accounts are also included at Appendix 3.
- 3.5 The Accounts attached at Appendix 3 are subject to external audit during July 2010. Should there be any material changes required as a consequence of the audit, this will be reported to the next Audit and Accounts Committee, and revised Accounts tabled.
- 3.6 The accounts will be published by 30 September 2010 and a summarised set of accounts will also be prepared. This will be on the basis of the final audited Statement of Accounts confirmed at the next Audit and Accounts Committee.
- 3.7 The Council's auditors, Grant Thornton have to comply with International Standards of Audit, ISA 260, which requires them to report to the body charged with approving the accounts any issues relating to their audit in an External Audit – Audit Memorandum. This will combine any final accounts issues to report. The audit memorandum will be reported to the next Audit and Accounts Committee for consideration by members.
- 3.8 The Income and Expenditure Account includes the total net variance on the revenue outturn against the revenue budget for 2009/10, as an appropriation to revenue reserves. Specific details of the revenue and outturn and treatment of variances, together with the balance and reason for holding earmarked revenue reserve, will be reported to 27 July 2010 Cabinet for approval. The published Statement of Accounts will include an expanded Explanatory Foreword to provide additional service revenue outturn and reserves information as reported to the July 2010 Cabinet.

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<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 - Implications Appendix 2 - Key Figures within the Statement of Accounts Appendix 3 - Statement of Accounts 2009/10

<b>IMPLICATIONS</b>
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**Financial**

1. As detailed in the report.

**Legal**

- 2.1 The Accounts and Audit Regulations 2003 require authorities to obtain approval by a council committee to the Statement of Accounts and Group Accounts by 30 June.
- 2.2 The Accounts are prepared in accordance with CIPFA's Statement of Recommended Practice – SORP – 2009.
- 2.3 Under the Council's constitution, approval of the above is delegated to the Audit and Accounts Committee, to ensure the deadline can be met.

**Personnel**

3. None directly arising.

**Equalities impact**

4. None directly arising.

**Corporate priorities**

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

**Key issues and Messages within the Draft Statement of Accounts  
2009/10**

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

1. The gross expenditure of the Council in 2009/10 on a broadly comparable basis with the private sector was £685.8 million. See *I&E statement*
2. Income was £485.9 million, giving a net cost of service of £199.9 million. See *I&E statement*
3. Net operating expenditure is £233.5 million. This gives rise to an Income and Expenditure account deficit of £29.9 million after £203.6 million income from Council Tax and Government funding. See *I&E statement*
4. Adjustments are then made for amounts required by statutory or non statutory proper accounting practices to be debited or credited to arrive at the change in the General Fund and Schools balances. The General Fund balance has increased by a planned transfer of £0.257 million to maintain balances at 2% of the net Revenue budget, including schools. Schools balances have decreased by £0.212 million. See *SoMGF*

**B. Balance Sheet**

1. The Council owns fixed assets valued at £1,175 million.
2. The main points to note from the Balance Sheet are:
  - Total Net Worth of the Council is £430 million, an increase of £78.8 million from 2008/09.
  - The Council has revenue earmarked reserves of £52.9 million which includes £2.6 million Housing Revenue Account earmarked reserves. These are held for specific defined purposes to provide for known commitments, or as contingency against the risk of future liabilities.
  - The Council has accumulated £53.2 million capital resources to fund the approved future capital programme.



DERBY CITY COUNCIL

# DRAFT STATEMENT OF ACCOUNTS **2009 – 2010**

# Contents

- **The Explanatory Foreword** \_\_\_\_\_ **Page 5**
  - 1. Introduction \_\_\_\_\_ Page 5
  - 2. Explanation of the Statements \_\_\_\_\_ Page 5
  - 3. Revenue Income and Expenditure \_\_\_\_\_ Page 7
  - 4. Borrowing Facilities \_\_\_\_\_ Page 8
  - 5. Capital expenditure and income \_\_\_\_\_ Page 8
  - 6. Private Finance Initiatives \_\_\_\_\_ Page 8
  - 7. Net Pensions Liability \_\_\_\_\_ Page 9
  - 8. Impact of current economic climate \_\_\_\_\_ Page 10
  - 9. Medium Term Financial Position \_\_\_\_\_ Page 10
  - 10. Significant Changes in Accounting Policy \_\_\_\_\_ Page 11
  - 11. Impact of conversion to IFRS \_\_\_\_\_ Page 11
  
- **Annual Governance Statement** \_\_\_\_\_ **Page 13**
  
- **Statement of Responsibilities** \_\_\_\_\_ **Page 14**
  
- **Audit Opinion** \_\_\_\_\_ **Page 15**
  
- **Statement of Accounting Policies** \_\_\_\_\_ **Page 16**
  - 1. General Principles \_\_\_\_\_ Page 16
  - 2. Accruals of Income and Expenditure \_\_\_\_\_ Page 16
  - 3. Provisions \_\_\_\_\_ Page 16
  - 4. Bad Debt Provisions \_\_\_\_\_ Page 17
  - 5. Contingent Assets and Liabilities \_\_\_\_\_ Page 17
  - 6. Reserves \_\_\_\_\_ Page 18
  - 7. Retirement Benefits \_\_\_\_\_ Page 18
  - 8. Government Grants and Contributions \_\_\_\_\_ Page 20
  - 9. Intangible Fixed Assets \_\_\_\_\_ Page 20
  - 10. Tangible Fixed Assets \_\_\_\_\_ Page 20
  - 11. Charges to Revenue for Fixed Assets \_\_\_\_\_ Page 23
  - 12. Revenue expenditure funded from capital under statute \_\_\_\_\_ Page 23
  - 13. Leases \_\_\_\_\_ Page 24
  - 14. Long Term Private Finance Initiative (PFI) Contracts \_\_\_\_\_ Page 24
  - 15. Financial Liabilities \_\_\_\_\_ Page 25
  - 16. Financial Assets \_\_\_\_\_ Page 26

- 17. Stocks and Work in Progress \_\_\_\_\_ Page 27
- 18. Repurchase of Borrowing \_\_\_\_\_ Page 27
- 19. Housing Revenue Account \_\_\_\_\_ Page 28
- 20. Overheads and Support Services \_\_\_\_\_ Page 28
- 21. VAT \_\_\_\_\_ Page 29
- 22. Interest in Companies and Other Entities \_\_\_\_\_ Page 29
- 23. Events after Balance Sheet Date \_\_\_\_\_ Page 29
- **The Core Financial Statements \_\_\_\_\_ Page 30**
  - 1. The Income and Expenditure Account (I & E) \_\_\_\_\_ Page 30
  - 2. Statement of Movement on the General Fund Balance (SMGFB) \_\_\_\_\_ Page 31
  - 3. Note of Reconciling Items to SMGFB \_\_\_\_\_ Page 32
  - 4. Statement of Total Recognised Gains and Losses (STRGL) \_\_\_\_\_ Page 33
  - 5. The Balance Sheet (BS) \_\_\_\_\_ Page 34
  - 6. The Cash Flow Statement (CFS) \_\_\_\_\_ Page 36
- **Notes to the Core Financial Statements \_\_\_\_\_ Page 37**
  - 1. Expenditure on Services \_\_\_\_\_ Page 37
  - 2. Prior Period Adjustments \_\_\_\_\_ Page 37
  - 3. Auditor Fees \_\_\_\_\_ Page 38
  - 4. Trading Services \_\_\_\_\_ Page 38
  - 5. Pooled Budgets \_\_\_\_\_ Page 39
  - 6. Obligations under Private Finance Initiative (PFI) contracts \_\_\_\_\_ Page 40
  - 7. Members Allowances \_\_\_\_\_ Page 42
  - 8. Officers' Remuneration \_\_\_\_\_ Page 42
  - 9. Senior Officer Remuneration \_\_\_\_\_ Page 43
  - 10. Transactions with Related Parties \_\_\_\_\_ Page 43
  - 11. Government Grants \_\_\_\_\_ Page 45
  - 12. Financial Instruments \_\_\_\_\_ Page 45
  - 13. Commitments Under operating Leases \_\_\_\_\_ Page 53
  - 14. Capital – Tangible Assets \_\_\_\_\_ Page 54
  - 15. Financing of Capital Expenditure \_\_\_\_\_ Page 58
  - 16. Commitments Under Capital Contracts \_\_\_\_\_ Page 59
  - 17. Capital – Intangible Assets \_\_\_\_\_ Page 60
  - 18. Net Assets Employed \_\_\_\_\_ Page 61
  - 19. Long Term Investment \_\_\_\_\_ Page 61
  - 20. Long Term Debtors \_\_\_\_\_ Page 61

○ 21. Stocks and Work in Progress	Page 62
○ 22. Debtors	Page 62
○ 23. Creditors	Page 63
○ 24. Long Term Borrowing	Page 63
○ 25. Deferred Capital Receipts	Page 64
○ 26. Deferred Liabilities/ Credits	Page 64
○ 27. Provisions	Page 64
○ 28. Contingent Assets and Liabilities	Page 66
○ 29. Deployment of Dedicated Schools Grant	Page 66
○ 30. Pension Disclosures	Page 67
○ 31. Movement on Reserves	Page 75
○ 32. Financial Instruments Adjustment Account	Page 76
○ 33. Revaluation Reserve	Page 76
○ 34. Deferred Government Grants/Contributions	Page 77
○ 35. Usable Capital Receipts Reserve	Page 77
○ 36. Capital Adjustment Account	Page 78
○ 37. Trust Funds	Page 79
○ 38. Subsidiary Companies	Page 79
○ 39. Post Balance Sheet Events	Page 80
○ 40. Reconciliation between I&E and Revenue Cash Flow	Page 81
○ 41. Reconciliation to Cash Related Balance Sheet Movements	Page 82
○ 42. Revenue and Capital Grants	Page 83
<b>• The Housing Revenue Account (HRA)</b>	<b>Page 85</b>
○ HRA Income and Expenditure Account	Page 85
○ Statement of Movement on HRA Balance (SMHRAB)	Page 86
○ Note of Reconciling Items to the SMHRAB	Page 87
○ Notes to the HRA	Page 88
▪ 1. The Number and Type of Dwelling	Page 88
▪ 2. Council Dwellings Vacant Possession Value	Page 88
▪ 3. Major Repairs Reserve	Page 89
▪ 4. Housing Repairs Account	Page 89
▪ 5. Capital Expenditure and Financing	Page 89
▪ 6. Depreciation	Page 90
▪ 7. Impairment	Page 90
▪ 8. Revenue Expenditure Funded from Capital under Statute	Page 91
▪ 9. Analysis of HRA Subsidy	Page 91



- 10. Rent Arrears in Respect of Uncollectible Debt\_\_\_\_\_Page 91
- **The Collection Fund\_\_\_\_\_Page 92**
  - The Collection Fund\_\_\_\_\_Page 92
  - Notes to the Collection Fund\_\_\_\_\_Page 93
    - 1. Council Tax\_\_\_\_\_Page 93
    - 2. Income from Business Rate Payers\_\_\_\_\_Page 93
- **Group Accounts\_\_\_\_\_Page 94**
  - Introduction\_\_\_\_\_Page 94
  - Group Income and Expenditure Account\_\_\_\_\_Page 96
  - Reconciliation of Single Entity to Group Surplus/Deficit\_\_\_\_\_Page 97
  - Group Statement of Recognised Gains and Losses\_\_\_\_\_Page 98
  - Group Balance Sheet\_\_\_\_\_Page 99
  - Group Cash Flow\_\_\_\_\_Page 101
- **Glossary\_\_\_\_\_Page 102**

## **EXPLANATORY FOREWORD**

# **Explanatory Foreword**

### **1. Introduction**

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

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

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

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

### **2. Explanation of the statements**

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

#### **Statement of Accounting Policies** (page 16)

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

#### **Income and Expenditure Account** (page 30)

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

## **EXPLANATORY FOREWORD**

using accounting conventions which are broadly the same as those used by an unlisted private sector company.

### **Statement of Movement on the General Fund Balance (SMGFB) (page 31)**

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

### **Statement of Total Recognised Gains and Losses (STRGL) (page 33)**

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

### **Balance Sheet (page 34)**

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

### **Cash Flow Statement (page 36)**

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

### **Notes to the Core Financial Statements (page 37)**

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

## **Supplementary Financial Statements**

### **Housing Revenue Account (page 85)**

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

### **Collection Fund and associated notes (page 92)**

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

## **EXPLANATORY FOREWORD**

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

### **3. Revenue Income and Expenditure**

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

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

In 2009/10, net spending on the Council's General Fund services was £197.115m creating a £1.168m net underspend, which represents 0.59% of the Council's 2009/10 budget requirement. Of this, £0.680m has been set aside as a provision for the redundancy and retirement costs of the senior officer restructure. The £0.488m balance has been transferred to the Council's budget risk reserve to help address future budget pressures.

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

The Statement of Recommended Practice (SORP 2009) defines how the Council's expenditure on services should be split for the Statement of Accounts. Expenditure is however controlled at department level.

#### **Council Tax**

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

#### **Revenue Reserves**

Unallocated general reserves stand at £6.743m at the end of 2009/10. The balance is consistent with the Council's financial policy of holding general reserves at approximately 2% of the net revenue budget, including schools budgets. Other revenue reserves available to the general fund stand at £50.295m and are earmarked for either service or corporate use.

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

## **EXPLANATORY FOREWORD**

in-year impact of any material shifts in interest rates and borrowing requirements from the levels assumed in the budget.

### **4. Borrowing Facilities**

The total amount of long term borrowing held by the Council at 31 March 2010 was £261m compared to £335m at 31 March 2009. Borrowing has been reduced in 2009/10 in line with the Council's approved Treasury Management Strategy. All borrowings are held with the Public Works Loan Board. See note 24 on page 63 for further details.

### **5. Capital Expenditure and Income**

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

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

Unapplied capital resources, excluding capital receipts, stand at £45.362m at 31 March 2010. These consist of £25.995m unapplied capital grants, £13.274m developer and other capital contributions and £6.093m earmarked capital reserves.

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

### **6. Private Finance Initiatives – PFI – Schemes**

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

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

*Derby City Council Statement of Accounts 2009/2010*

## EXPLANATORY FOREWORD

### Operational

- **Grouped Schools**

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

- **Housing Inner City Regeneration**

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

- **Street Lighting Columns**

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

- **In procurement**

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

### 7. Net Pension Liability

The Council participates in the Derbyshire County Council defined benefit (open) pension fund and the Teachers' Pension Fund. During the year there was an increase in the Council's Net Pension Liability of £91.7m. This meant the Council's Net Pension Liability as at 31 March 2010 was £292.395m. A more detailed analysis of the movement in Net Pension Liability can be found in Note 30 on page 67. The forecast pension payments will be paid out over a period of many years during which time the assets will continue to generate returns towards funding them.

In addition, future changes in the equity market will also adjust the value of the fund assets. In calculating the scheme assets and liabilities the fund's actuaries make a number of assumptions about events and circumstances in the future. The resulting actuarial calculations are subject to uncertainties on the outcome of future events and include assumptions on the income and valuation of investments held by the fund. The principal actuarial assumptions made in relation to these accounts are disclosed in Note 30. This discloses the actuarial gains and losses in the year which reflects where actual outcomes differ from actuarial assumptions made last year together with the effect of consequent revision of the estimates moving forward.

## **EXPLANATORY FOREWORD**

### **8. Impact of Current Economic Climate**

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

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

The current economic climate has also resulted in a reduction in the asset values of some of our operational land and buildings and a total impairment adjustment of £33m has been applied to the Gross Book Asset Values at 31 March 2010. The impact has not been as significant as in the 2008/9 Accounts as the opening asset values were already lower due to the downwards adjustment in 2008/09 or from previous years rolling programme revaluations. The comparable impairment adjustment for 2008/09 was £168m, of which £117m related to Council Dwellings due to the impact of the housing market decline. The impairment adjustment for Council dwellings for 2009/10 is £7m. Further details of the asset impairments applied are included in Note 14(d) on page 56.

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

### **9. Medium Term Financial Position**

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

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

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

## **EXPLANATORY FOREWORD**

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

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

### **10. Significant Changes in Accounting Policy**

In accordance with the SORP 2009 the accounting requirements for Private Finance Initiatives for 2009/10 are no longer based on the UK Accounting Standard FRS 5, but on International Financial Reporting Standards (IFRIC 12 Service Concession Arrangements). This change in accounting policy has led to PFI properties used to deliver PFI services now being recognised on the Council's Balance Sheet, along with a liability for the financing provided by the PFI operator. Further details of the Council's PFI schemes and accounting for these are included in Note 6 on page 40.

Under the 2009 Local Authority SORP, significant changes to the accounting treatment for Council Tax and National Non-Domestic Rates (NNDR) have also been introduced.

The SORP 2009 clarifies for the first time the agency arrangements between the Council and its major precepting Authorities in terms of collection of Council Tax. Apart from the Council's share of council tax transactions, the Council's accounts now only reflect the effects of timing differences between the collection of council tax attributable to major precepting bodies and the paying it across to those authorities, rather than the totals of these transactions.

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

### **11. Impact of Conversion to International Financial Reporting Standards**

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



## EXPLANATORY FOREWORD

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

As part of the conversion process, and in accordance with the SORP 2009, IFRS compliant accounting treatment of the Council's PFI schemes has been introduced for 2009/10, see section 9 for further details.



Don McLure  
Strategic Director of Resources  
24 June 2010

**ANNUAL GOVERNANCE STATEMENT**  
**Annual Governance Statement 2009/10**

Separate report on agenda to 24 June 2010 Audit and Accounts Committee for approval. The statement will then be consolidated into the Statement of Accounts for the published version.

# Statement of Responsibilities

## The Authority's Responsibilities

The Authority is required:

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

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

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

Councillor Eric Ashburner - Chair, Audit and Accounts Committee

## The Strategic Director of Resources' Responsibilities

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

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

- (1) Suitable accounting policies have been selected and then applied consistently
- (2) Judgements and estimates have been made that were reasonable and prudent.
- (3) Compliance with the local authority SORP.

The Strategic Director of Resources has also ensured that:

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

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

Don McLure-  
Strategic Director of Resources

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

# Audit Opinion

To be added to the published version following the audit.

# STATEMENT OF ACCOUNTING POLICIES

## Statement of Accounting Policies

### 1. General Principles

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

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### 2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received in accordance with the SORP and FRS18. For example:

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

### 3. Provisions

The treatment outlined is in line with FRS12 (Provisions, contingent liabilities and contingent assets) and the 2009 SORP.

Provisions are required for any liabilities of uncertain timing or amount that have been incurred.

Provisions are required to be recognised when:

## **STATEMENT OF ACCOUNTING POLICIES**

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

A transfer of economic benefits or other events is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision is recognised.

The obligation can be 'constructive' (e.g. the authority has publicly expressed an intention to do something, and other parties have acted in expectation of this).

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

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

### **4. Bad Debt Provision**

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

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

### **5. Contingent Assets and Liabilities**

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

### 6. Reserves

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

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

### 7. Retirement Benefits

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

- **The Teachers' Pension Scheme**, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF). Liabilities for the defined benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme in accordance with the SORP. No liability for future payments of benefits is recognised in the Balance Sheet and the Education Service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.
- **The Local Government Pension Scheme**, administered by Derbyshire County Council and is accounted for as a defined benefits scheme as per FRS17 (Retirement benefits) and SORP. The liabilities of Derby City Council Pension Fund are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of projected earnings for current employees. Liabilities are discounted to their value at current price using a discount rate of 7.1% (as indicated by Mercer Ltd, the fund Actuary).

The assets of the Derby City Council Pension Fund are included in the Balance Sheet at their fair value:

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

## STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

### **Discretionary Benefits**

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



## STATEMENT OF ACCOUNTING POLICIES

### 8. Government Grants and Contributions

- **Revenue:** Whether paid on account, by instalment or in arrears, government grants and external contributions and donations are recognised as income at the date the Council satisfies the conditions of entitlement to the grant/contribution, there is a reasonable assurance that the monies will be received, and the expenditure for which the grant has been given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.
- **Capital:** Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down over the useful life of the asset to revenue to offset depreciation charges made for the related assets, in the relevant service revenue account, in line with the depreciation policy applied to them. Grant and contributions that are attributable to assets that are not depreciated or non-Council assets are credited to the service revenue account as they occur. To neutralise the impact of this credit a debit entry is made on the Statement of Movement on the General Fund Balance and a credit to the Capital Adjustment Account.

### 9. Intangible Fixed Assets

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

### 10. Tangible Fixed Assets

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

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

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

Net current replacement cost is assessed as:

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

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

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

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

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

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

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

### Disposals/Capital Receipts

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

Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Receipts in excess of £10,000 are categorised as capital receipts.

A proportion of receipts relating to Housing Revenue Account disposal (75% for dwellings and 50% for land and other assets, net of deductions and allowances) is payable into the Government pool. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from the Statement of Movement on the General Fund Balance.

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

### Depreciation

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

Depreciation is calculated on the following bases:

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

## **STATEMENT OF ACCOUNTING POLICIES**

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

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

### **11. Charges to Revenue for Fixed Assets**

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

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

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

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

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

## **STATEMENT OF ACCOUNTING POLICIES**

### **13. Leases**

#### **Finance Leases**

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

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

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

#### **Operating Leases**

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

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

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

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

Fixed Assets recognised on the balance Sheet are revalued and depreciated in the same way as other Fixed Assets owned by the Council.

## **STATEMENT OF ACCOUNTING POLICIES**

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

- Fair Value of the Services Received during the Year – Debited to the relevant service in the Income and Expenditure Account.
- Finance Cost – An interest charge of 5.21% - 5.31% on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Contingent Rent – Increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Payment Towards Liability – Applied to write down the Balance Sheet liability towards the PFI operator.
- Lifecycle Replacement Costs – Recognised as fixed assets on the Balance Sheet

### **15. Financial Liabilities**

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

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

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

## **STATEMENT OF ACCOUNTING POLICIES**

### **16. Financial Assets**

Financial assets are classified into two types:

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

#### **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made the amount presented in the Balance Sheet is the outstanding principal receivable, and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

#### **Available-for-Sale Assets**

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. Dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

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

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

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

## **STATEMENT OF ACCOUNTING POLICIES**

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

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

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

### **17. Stocks and Work in Progress**

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

### **18. Repurchase of Borrowing**

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

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

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



## **STATEMENT OF ACCOUNTING POLICIES**

### **19. Housing Revenue Account**

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

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

### **20. Overheads and Support Services**

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

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

The following are exceptions to this:

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

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

## **STATEMENT OF ACCOUNTING POLICIES**

### **21. VAT**

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

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

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

### **23. Events after the Balance sheet date**

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

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

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

THE CORE FINANCIAL STATEMENTS

**THE CORE FINANCIAL STATEMENTS**

**THE INCOME AND EXPENDITURE ACCOUNT**

2008/09 Net Expenditure (restated) £000		2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000	Note
(860)	Central Services to the Public	30,666	(29,081)	1,585	
51,034	Cultural, Environmental, Regulatory and Planning Services	81,403	(37,562)	43,841	
75,699	Children and Education Services	309,013	(239,003)	70,010	
17,480	Highways and Transport Services	35,971	(15,479)	20,492	
71,898	Housing	136,385	(135,347)	1,038	
57,303	Adult Social Services	82,796	(27,877)	54,919	
5,439	Corporate and Democratic Core	7,625	(1,564)	6,061	
1,531	Non Distributed Costs	1,908	0	1,908	
<b>279,524</b>	<b>Net Cost of Services</b>	<b>685,767</b>	<b>(485,913)</b>	<b>199,854</b>	1
124	(Gain)/loss on disposal of fixed assets			(26)	
(37)	(Surplus) or deficit of Trading Undertakings not included in Net Cost of Services			(389)	4
20,157	Interest Payable and Similar Charges			17,373	
634	Contribution to Housing Capital Receipts Pool			1,180	
(9,947)	Interest and Investment Income			(1,579)	
11,921	Pensions Interest Cost and Expected Return on Pensions Assets			17,202	30
19	Amortised Premiums and Discounts			(92)	
<b>302,395</b>	<b>Net Operating Expenditure</b>			<b>233,523</b>	
(74,404)	Demand on the Collection Fund			(77,188)	
(30,285)	General Government Grants			(39,423)	11
(774)	Share of previous year collection fund surplus			(762)	
(89,791)	Non-Domestic Rates Redistribution			(86,276)	
<b>107,141</b>	<b>Deficit for the Year</b>			<b>29,874</b>	

## THE CORE FINANCIAL STATEMENTS

### THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

<b>2008/09 (restated) £000</b>		<b>2009/10 £000</b>
107,141	Deficit for the year on the Income and Expenditure Account	29,874
(106,062)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(29,919)
<b>1,079</b>	<b>(Increase)/decrease in General Fund Balance for the Year</b>	<b>(45)</b>
(13,158)	General Fund Balance brought forward	(12,079)
<b>(12,079)</b>	<b>General Fund Balance carried forward</b>	<b>(12,124)</b>
(5,593)	Amount of General Fund Balance held by governors under schemes to finance schools	(5,381)
(6,486)	Amount of General Fund Balance generally available for new expenditure	(6,743)
<b>(12,079)</b>		<b>(12,124)</b>

**THE CORE FINANCIAL STATEMENTS**  
**NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT**  
**ON THE GENERAL FUND BALANCE**

2008/09 Restated £000		2009/10 £000
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
(20,044)	Depreciation and Amortisation of Fixed Assets	(17,284)
(108,329)	Impairment of Tangible Fixed Assets	(32,732)
2,639	Government Grants Deferred amortisation	18,655
(2,068)	Revenue Expenditure Funded from Capital under Statute (REFCS)	(14,519)
(124)	Net Gain / Loss on Sale of HRA Fixed Assets	26
698	Differences between statutory debits/credits and amounts recognised as Income and Expenditure in relation to financial instruments.	(19)
774	Movement in Council Tax	303
(31,616)	Net charges made for retirement benefits in accordance with FRS17	(30,320)
<b>(158,070)</b>		<b>(75,890)</b>
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>	
7,702	Statutory Provision for the Repayment of Debt ( Minimum Revenue Provision)	7,518
2,634	PFI Scheme Principal repayments	2,519
1,819	Share of liability Derbyshire County Council transferred debt	1,762
4	Credit arrangement notional interest	4
2,782	Capital expenditure charged in-year to the General Fund Balance	5,954
(633)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,180)
22,051	Employer's contribution payable to the Pension Fund and retirement benefits payable direct to pensioners	22,940
<b>36,359</b>		<b>39,517</b>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
1,239	Housing Revenue Account balance	907
14,412	Net transfer to / (from) earmarked reserves	5,547
<b>15,651</b>		<b>6,454</b>
<b>(106,062)</b>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<b>(29,919)</b>

## THE CORE FINANCIAL STATEMENTS

### THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

<b>2008/09 Restated £000</b>		<b>2009/10 £000</b>
107,141	Deficit for the year on the Income and Expenditure Account	29,874
44,304	(Surplus)/deficit arising on revaluation of fixed assets	(38,319)
(41,917)	Actuarial (gains) / losses on pension fund assets and liabilities	84,320
(99)	Other (Gains) and Losses	2,955
<b>109,429</b>	<b>Recognised (gains)/losses for the year</b>	<b>78,830</b>
(1,542)	Prior year adjustments	(3,421)
<b>107,887</b>	<b>Total (Gains)/Losses since last Statement of Accounts</b>	<b>75,409</b>

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

<b>2008/09 Restated £000</b>	<b>Other Gains and Losses</b>	<b>2009/10 £000</b>
77	Business Improvement District (BID)	0
0	Restatement of Fixed Assets	2,955
(176)	Gains / Losses on Financial Instruments	0
<b>(99)</b>	<b>Total</b>	<b>2,955</b>

**THE CORE FINANCIAL STATEMENTS**  
**THE BALANCE SHEET**

2008/09 Restated £000		2009/10 £000	Note
	<b>Fixed Assets</b>		
116	Intangible assets	164	17
495,776	Council Dwellings	509,465	14
475,847	Other land and buildings	449,796	14
10,475	Vehicles, plant, furniture and equipment	9,545	14
105,637	Infrastructure assets	112,042	14
14,241	Community assets	14,927	14
15,511	Investment properties	36,800	14
6,636	Assets under construction	22,373	14
18,498	Surplus assets held for disposal	20,335	14
<b>1,142,737</b>	<b>Total Fixed Assets</b>	<b>1,175,447</b>	
22,139	Long term investments	3,360	19
5171	Long term debtors	5,482	20
<b>1,170,047</b>	<b>Total long term assets</b>	<b>1,184,289</b>	
	<b>Current Assets</b>		
1,144	Stocks and works in progress	1,188	21
34,662	Debtors	48,456	22
109,943	Investments	54,011	
2,674	Cash and bank	3,168	
<b>148,423</b>	<b>Total current assets</b>	<b>106,823</b>	
<b>1,318,470</b>	<b>Total Assets</b>	<b>1,291,112</b>	
	<b>Current Liabilities</b>		
(53,400)	Creditors	(62,176)	23
(2,519)	Finance leases falling due within one year	(2,358)	
(8,969)	Bank overdraft	(7,951)	
<b>(64,888)</b>	<b>Total current liabilities</b>	<b>(72,485)</b>	
<b>1,253,582</b>	<b>Total assets less current liabilities</b>	<b>1,218,627</b>	
	<b>Long Term Liabilities</b>		
(335,488)	Long term borrowing	(260,930)	24
(37,412)	Finance leases falling due over one year	(40,608)	
(1,861)	Provisions	(2,755)	27
(93,540)	Government grants deferred	(113,004)	34
(34,164)	Government grants unapplied	(39,269)	
(41,294)	Deferred liabilities	(39,368)	
(200,695)	Net Long Term Liability related to defined benefit pension scheme	(292,395)	30
<b>(744,454)</b>	<b>Total long term liabilities</b>	<b>(788,329)</b>	
<b>509,128</b>	<b>Total assets less liabilities</b>	<b>430,298</b>	

## THE CORE FINANCIAL STATEMENTS

The Balance Sheet Continued....

2008/09 Restated £000		2009/10 £000	Note
	<b>Represented by:</b>		
(33,466)	Revaluation Reserve	(60,959)	33
(579,256)	Capital Adjustment Account	(561,253)	36
(11,117)	Useable Capital Receipts Reserve	(7,807)	35
(111)	Deferred Capital Receipts	(96)	
(4,169)	Capital Earmarked Reserves	(6,093)	
200,695	Pensions Reserve	292,395	30
(6,486)	General Fund Balance	(6,743)	
(17,069)	Housing Revenue Account Balance	(17,976)	
(938)	Collection Fund Adjustment Account	(1,241)	
(716)	Major Repairs Reserve	(1,040)	
(49,701)	Revenue Earmarked reserves	(52,922)	
(1,201)	Financial Instrument Adjustment Account	(1,182)	
(5,593)	Schools Balances	(5,381)	
<b>(509,128)</b>	<b>Total Net Worth</b>	<b>(430,298)</b>	

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



**THE CORE FINANCIAL STATEMENTS**

**THE CASH FLOW STATEMENT**

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

2008/09 £000 Restated		£000	2009/10 £000	Note
	<b>REVENUE ACTIVITIES</b>			
(20,113)	Net Revenue Activities Cash Flow		(48,725)	
	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
	<b>Cash outflows –</b>			
16,555	Interest paid	14,901		
2,165	Interest Element on PFI Finance Leases	2,351		
18,720				
	<b>Cash inflows -</b>			
(9,733)	Interest received	(1,743)		
<b>8,987</b>			<b>15,509</b>	
	<b>CAPITAL ACTIVITIES</b>			
	<b>Cash outflows –</b>			
51,409	Purchase of fixed assets	48,655		
11,794	Revenue expenditure funded from Capital under Statute	18,961		
12,563	Other net capital cash	(16,989)		
	<b>Cash inflows -</b>			
(1,341)	Sales of fixed assets	(1,979)		
(45,395)	Capital grants received	(51,184)		
<b>29,030</b>	<b>Net Capital Activities Cash Flow</b>		<b>(2,536)</b>	
<b>17,904</b>	Net Cash Outflow / (Inflow) before Financing		<b>(35,752)</b>	
	<b>MANAGEMENT OF LIQUID RESOURCES</b>			
(45,361)	Net increase / (decrease) in short term deposits	(55,932)		
666	Net increase / (decrease) in Other Liquid Resources	9,085	<b>(46,847)</b>	
	<b>FINANCING</b>			
	<b>Cash outflows –</b>			
36,195	Repayments of amounts borrowed	88,568		
2,634	Capital Element of PFI Finance Leases	2,519		
	<b>Cash inflows -</b>			
(11,000)	New loans raised	(10,000)		
<b>(16,866)</b>			<b>81,087</b>	
<b>1,038</b>	<b>Net Cash (Inflow) / Outflow = Net (Increase) / Decrease in Cash</b>		<b>(1,512)</b>	

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **1. Expenditure on Services**

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

The 2009/10 Net Cost of Services shows net expenditure of £199.8m compared to £279.5m in 2008/09. This £79.7m reduction in expenditure is largely due to the inclusion in the 2008/09 accounts of a £108.3m impairment charge for the reduction in asset values recognised on the balance sheet following the general downturn in the property markets. The impairment charge included within the 2009/10 accounts is £24.0m, a reduction of £84.3m.

### **2. Prior Period Adjustments**

In accordance with the SORP (2009) the accounting requirements for Private Finance Initiatives are no longer based on the UK Accounting Standard FRS 5, but on International Financial Reporting Standards (IFRIC 12 Service Concession Arrangements). This change in accounting policy has led to PFI properties used to deliver PFI services now being recognised on the Council's Balance Sheet, along with a liability for the financing provided by the PFI operator. Adjustments have been made to the 2008/09 figures within the accounts for the treatment of Private Finance Initiative Schemes Further details of the Council's PFI schemes and the new accounting treatment for these are included in Note 6.

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

Apart from the Council's share of council tax transactions, these accounts only reflect the effects of timing differences between the collection of council tax attributable to major precepting bodies and paying it across to those authorities.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 3. Auditors Fees

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

2008/09 £'000s		2009/10 £'000s
366	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	370
26	Fees payable to the Audit Commission in respect of statutory inspections	19
225	Fees payable to the Audit Commission for the Certification of Grant Claims and Returns	168
<b>617</b>	<b>Total</b>	<b>557</b>

### 4. Trading Services

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 5. Health Act 1999 Pooled Funds

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

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

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

The objectives of the IDCS are to:

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

The pooled budget hosts the grant Aiming High For Disabled Children which became fully operational during 2009/10, however there has been no extra allocation to the IDCS and, therefore, this has not affected the pooled budget.

The Council's contribution to the budget in 2009/10 was £1,183m – 54.93% (£0.971m – 44.36% in 08/09)

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

2008/09 £'000	Integrated Disabled Children's Service	2009/10 £'000
	<b>Income</b>	
(1,016)	Social Services	(1132)
(971)	Central Derby PCT	(971)
(202)	Other income	(51)
<b>(2,189)</b>	<b>Gross income</b>	<b>(2154)</b>
	<b>Expenditure</b>	
1,061	Residential services	1022
373	Community Service Team (Outreach service)	369
189	Disability & Fieldwork social work services	158
611	Management and Administration	643
<b>2,234</b>	<b>Gross Expenditure</b>	<b>2192</b>
<b>45</b>	<b>(Surplus)/deficit for the period</b>	<b>(38)</b>
(104)	(Surplus)/deficit brought forward	59
<b>(59)</b>	<b>(Surplus)/deficit carried forward</b>	<b>21</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6. Obligations under Private Finance Initiative Contracts (PFI)

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

- Housing Inner City Regeneration:

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

- Grouped Schools:

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

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

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

	<b>Repayment of Finance lease (excl finance charges)</b>	<b>Finance charges</b>	<b>Service charges/ prepayments</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Obligations payable in 2010/11	1,703	1,591	2,138
Obligations payable between 2011/12 and 2014/15	6,392	5,512	9,103
Obligations payable between 2015/16 and 2019/20	7,265	5,129	12,719
Obligations payable between 2020/21 and 2024/25	6,776	3,329	14,392
Obligations payable between 2025/26 and 2029/30	6,622	1,618	16,282
Obligations payable between 2030/31 and 2031/32	2,344	161	6,200
<b>Total liabilities at 31 March 2010</b>	<b>31,102</b>	<b>17,340</b>	<b>60,834</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

- Street Lighting:

A 25-year PFI contract was signed in April 2007 with Connecting Roads (Derby), to replace all the life expired lighting units within the city, and to maintain the whole of the lighting of stock for the period of the contract. The first service charge was paid in June 2007. The Core Investment Period of the project is during the first five years of the scheme. Ultimately, the value of contract payments depend on the level of performance of Connecting Roads (Derby), measured against predetermined standards.

The rentals payable in 2009/10 were £3,198,072 (2008/09 £2,924,522) of which £768,708 related to write down of obligations, £670,720 finance costs and the remainder to service charges/prepayments/contingent rent.

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Affordable Housing

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

### 7. Members' Allowances

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

2008/09 0000's		2009/10 0000's
504	<b>Basic Allowance</b>	505
271	<b>Responsibility Allowance</b>	277
2	<b>Dependant Carers Allowance</b>	2
19	<b>Travel &amp; Subsistence Allowance (including Co-optee allowance payments)</b>	15
<b>796</b>	<b>Total</b>	<b>799</b>

### 8. Officers' Remuneration

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. Senior Officer Remunerations

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

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

### 10. Transactions with Related Parties

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



## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **Central Government, Other Local Authorities or Precepting Bodies**

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

### **Subsidiary and Associated Companies**

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

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

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

### **Joint Ventures and Joint Venture Partners**

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

### **Members and Chief Officers**

Council Members make disclosures of their pecuniary and non-pecuniary interests to the Council's Monitoring Officer and have to make declarations on individual committee agenda items. In addition, where Members are nominated by the Council to sit on outside bodies, this is reported to the Council.

During 2009/10 services to the value of £340k were commissioned from companies in which a Member had an interest. This relationship had no bearing on any decision made. Contracts were entered into following full compliance with the Council's procedure rules. In addition, the Council paid grants totalling £555k to voluntary organisations in which two Members had an interest. These grants were made with proper consideration of declarations of interest.

### **Partnership and Accountable Body Arrangements**

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

In addition, Adult Social Services and Children and Education Services include £11,077m income from other Local Authorities, Health Authorities and other partners for the provision of services. This income was not received as part of a pooled budget agreement.

### Contributions to Joint Committees and Joint Bodies

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

## 11. Government Grants

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

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

## 12. Financial Instruments

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

#### Key Risks

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and on implementing restrictions to minimise these risks. The procedures for risk management are set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice.
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing
  - Its maximum and minimum exposures to fixed and variable rates
  - Its maximum and minimum exposures the maturity structure of its debt
  - Its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

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

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

### Credit risk

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Deposits with banks and financial institutions	Amount at 31 March 2010	Historical experience of default	Adjustment for market conditions at 31 March 2010	Estimated maximum exposure to default as at 31 March 2010	Estimated maximum exposure as at 31 March 2009
	£000s	%	%	£000s	£000s
	(a)	(b)	(c)	(a * c)	(a * c)
AAA rated counterparties	17,065	0.00%	0.00%	0	0
AA rated counterparties	28,019	0.03%	0.03%	8	14
A rated counterparties	5,000	0.08%	0.08%	4	387
BBB rated counterparties	5,000	0.24%	0.24%	12	62
Other counterparties	0	42.67%	42.67%	0	2,987
Trade debtors	20,422	4.00%	4.00%	817	945
	<b>75,506</b>			<b>841</b>	<b>4,395</b>

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

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

The Council does not generally allow credit for its trade debtors, such that £6,866m of the £20.422m balance, as at 31 March 2010, is past its due date for payment.

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Liquidity risk

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

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

### Refinancing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

<b>31/03/09</b> <b>£000</b>		<b>31/03/10</b> <b>£000</b>
11,102	Less than one year	7,064
7,091	Between one and two years	28
41	Between two and ten years	10,033
9,004	Between ten and fifteen years	0
316,100	More than fifteen years	248,311
<b>343,338</b>	<b>Total</b>	<b>265,436</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The maturity analysis of financial assets is as follows:

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

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

### Market Risk

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

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Technical Finance team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. Note that the risk of interest rate loss is partially mitigated by Housing Revenue Account subsidy grant payable on financing costs.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

### b) Financial Instruments Gains and Losses

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

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

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

### c) Financial Instruments Balances

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

In the table above the principal amount figures represent the actual value of the loan, not arising from any adjustments. The amortised cost figures represent the principal amount of the loan or receivable, plus any interest accruing as at 31 March 2010.

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

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

The fair values calculated are as follows:

Financial Liabilities	31 March 2009		31 March 2010	
	Carrying amount (restated) £000	Fair value (restated) £000	Carrying amount £000	Fair value £000
PWLB debt	346,590	374,080	268,021	281,250
Trade creditors	24,882	24,882	36,358	36,358
<b>Total financial liabilities</b>	<b>371,472</b>	<b>398,962</b>	<b>304,379</b>	<b>317,608</b>

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

Financial Assets	31 March 2009		31 March 2010	
	Carrying amount £000	Fair value (restated) £000	Carrying amount £000	Fair value £000
Money market investments < 1 yr	109,943	109,943	54,011	54,011
Money market investments > 1 yr	22,139	22,986	3,360	3,203
Trade debtors	19,412	19,412	20,422	20,422
<b>Total Loans and receivables</b>	<b>151,494</b>	<b>152,341</b>	<b>77,793</b>	<b>77,636</b>

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

difference between actual rates and those used for the purposes of this note will be negligible.

### **13. Commitments under Operating Leases**

Operating lease rentals paid in the year amounted to £1,664m (General Fund). As at 31 March 2010, the Council had a commitment to meet the following payments under existing operating leases:

<b>Financial Year</b>	<b>Lands and Buildings £000</b>	<b>Plant and Equipment £000</b>	<b>Total £000</b>
Due to expire within 1 Year	182	386	568
Due to expire within 2 – 5 years	411	115	526
Due to expire over 5 Years	269	0	269
<b>Total</b>	<b>862</b>	<b>501</b>	<b>1,363</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. Tangible Fixed Assets

#### a) Movement in fixed assets 2009/10

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

	Operational Assets					Non Operational Assets			Total £000
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Investment Properties	Surplus Properties	Construction & Work in Progress	
	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Cost or valuation</b>									
<b>At 1 April 2009 (restated)</b>	707,913	562,954	27,649	124,340	14,455	26,500	22,851	6,636	1,493,298
Restatement of Opening Balances	(135,566)	(79,426)	(10,980)	(142)	(170)	7,665	4,181	0	(214,438)
Additions	10,479	10,989	2,468	11,839	1,374	1,074	191	18,560	56,974
Revaluations	(54,186)	8,348	0	0	0	2,366	(261)	0	(43,733)
Impairments	(7,279)	(23,325)	0	0	0	(656)	(3,030)	0	(34,290)
Reclassifications	28	2,086	0	13	670	0	26	(2,823)	0
Disposals	(1,579)	0	0	0	0	(8)	(435)	0	(2,022)
<b>As at 31 March 2010</b>	<b>519,810</b>	<b>481,626</b>	<b>19,137</b>	<b>136,050</b>	<b>16,329</b>	<b>36,941</b>	<b>23,523</b>	<b>22,373</b>	<b>1,255,789</b>
<b>Depreciation and impairments</b>									
At 1 April 2009	(212,137)	(87,107)	(17,174)	(18,703)	(214)	(10,989)	(4,353)	0	(350,677)
Restatement of Opening Balance	132,794	57,552	10,954	0	185	10,838	(842)	0	211,481
Depreciation charge for 2009/10	(10,364)	(8,066)	(3,256)	(3,320)	0	0	0	0	(25,006)
Depreciation/impairment on disposals	19	0	0	0	0	0	101	0	120
Reclassifications	(10)	10	0	0	0	0	0	0	0
Impairments	0	0	(116)	(1,985)	(1,373)	0	0	0	(3,474)
Depreciation Adjustments on Revaluations	42	5,187	0	0	0	0	0	0	5,229
Impairment Adjustments on revaluation	79,311	594	0	0	0	10	1,906	0	81,821
<b>As at 31 March 2010</b>	<b>(10,345)</b>	<b>(31,830)</b>	<b>(9,592)</b>	<b>(24,008)</b>	<b>(1,402)</b>	<b>(141)</b>	<b>(3,188)</b>	<b>0</b>	<b>(80,506)</b>
<b>Balance Sheet amount as at 31 March 2010</b>	<b>509,465</b>	<b>449,796</b>	<b>9,545</b>	<b>112,042</b>	<b>14,927</b>	<b>36,800</b>	<b>20,335</b>	<b>22,373</b>	<b>1,175,283</b>
Balance Sheet amounts at 1 April 2009 (restated)	495,776	475,847	10,475	105,637	14,241	15,511	18,498	6,636	1,142,621

## NOTES TO THE CORE FINANCIAL STATEMENTS

Nature of asset holding	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Investment Properties	Surplus Properties	Construction & Work in Progress	Total
Owned	509,465	377,099	9,545	96,910	14,927	36,800	20,335	22,373	1,087,454
Finance Lease	0	0	0	0	0	0	0	0	0
PFI	0	72,697	0	15,132	0	0	0	0	87,829
<b>Total</b>	<b>509,465</b>	<b>449,796</b>	<b>9,545</b>	<b>112,042</b>	<b>14,927</b>	<b>36,800</b>	<b>20,335</b>	<b>22,373</b>	<b>1,175,283</b>

In 2009/10 the Council decided to set up separate accumulated impairment accounts, rather than including this within the asset values on the balance sheet. The Council also used this opportunity to review the existing split between asset value and accumulated depreciation recorded for each asset. This resulted in a different apportionment between gross book value and accumulated depreciation and impairment for clarity. These movements have been included within the restatement of opening balances figures within Note 18, although these did not have any actual impact on the balance sheet values for each asset.

### b) Tangible fixed asset valuation

The freehold and leasehold assets that comprise the Authority's fixed asset portfolio have been valued as at 1 April 2008 by the Council's Chief Estates Officer, S J Meynell, ARICS. The valuations detailed below are in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors (RICS), except that buildings were not inspected where this was either impracticable or considered by the Valuer to be unnecessary for the purpose of valuation. Static plant and machinery is included within the valuation of buildings.

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

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

Buildings regarded by the Council as operational have been valued at open market value for existing use or, where there was insufficient evidence of market transactions for that use, at the depreciated replacement cost.

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### c) Depreciation

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

Asset Category	Depreciation provision at 1 April 2009 £000	Restatement of Opening Balances £000	Reclassifications £000	Depreciation Adjustments on Revaluations £000	Depreciation Charge for 09/10 £000	Depreciation on Disposals £000	Depreciation provision at 31 March 2010 £000
Council Dwellings	(94,719)	94,687	(10)	42	(10,364)	19	(10,345)
Other Land and Buildings	(52,025)	29,963	10	5,187	(8,066)	0	(24,931)
Investment Properties	(46)	46	0	0	0	0	0
Community Assets	(185)	185	0	0	0	0	0
Infrastructure Assets	(18,660)	0	0	0	(3,320)	0	(21,981)
Vehicles Plant & Equipment	(17,174)	10,954	0	0	(3,256)	0	(9,475)
<b>TOTAL</b>	<b>(182,809)</b>	<b>135,835</b>	<b>0</b>	<b>5,229</b>	<b>(25,006)</b>	<b>19</b>	<b>(66,732)</b>

### d) Impairment

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

As well as impairment losses incurred from in year capital expenditure, impairment also occurs through the annual revaluation process. Impairment losses due to revaluations total £17.861m and have been accounted for as part of the rolling programme of revaluations.

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### Summary of Impairment Charges

Asset Category	Impairment Charge recognised against Cost / Valuation £'000s	Associated Write Off of Brought Forward Accumulated Depreciation and Impairment £'000s	Accumulating Impairment Charge for 2009/10 £'000s	Total Impairment Charge for 2009/10 £'000s	Impairment Funded from Revaluation Reserve £'000s	Impairment Charged to Income and Expenditure Account £'000s
Council Dwellings	(7,279)	0	0	(7,279)	6,679	600
Other Land & Buildings	(23,325)	3,358	0	(19,967)	1,949	18,018
Vehicles, Plant & Equipment	0	0	(116)	(116)	0	116
Infrastructure Assets	0	0	(1,985)	(1,985)	0	1,985
Community Assets	0	0	(1,373)	(1,373)	0	1,373
Investment Properties	(656)	10	0	(646)	0	646
Surplus Properties	(3,030)	1,408	0	(1,622)	402	1,220
<b>Total</b>	<b>(34,290)</b>	<b>4,776</b>	<b>(3,474)</b>	<b>(32,988)</b>	<b>9,030</b>	<b>23,958</b>

### Analysis of Movement in Accumulating Impairment

Asset Category	Accumulated Impairment at 1 April 2009 £'000s	Restatement of Opening Balances £'000s	Impairment Adjustments on Revaluations £'000s	Accumulating Impairment Charge for 2009/10 £'000s	Impairment on Disposals £'000s	Accumulated Impairment at 31 March 2010 £'000s
Council Dwellings	(117,418)	38,107	79,311	0	0	0
Other Land & Buildings	(35,082)	27,589	594	0	0	(6,899)
Vehicles, Plant & Equipment	0	0	0	(116)	0	(116)
Infrastructure Assets	(43)	0	0	(1,985)	0	(2,028)
Community Assets	(29)	0	0	(1,373)	0	(1,402)
Investment Properties	(10,943)	10,792	10	0	0	(141)
Surplus Properties	(4,353)	(842)	1,906	0	101	(3,188)
<b>Total</b>	<b>(167,868)</b>	<b>75,646</b>	<b>81,821</b>	<b>(3,474)</b>	<b>101</b>	<b>(13,774)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### e) Private finance initiative contracts

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

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

### 15. Financing of Capital Expenditure

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### 16. Commitments under Capital Contracts

The Council has ongoing commitments on capital schemes totalling £17.035m. These are summarised by Directorate below.

	20010/11 £000
Children and Young Peoples Services	840
Housing – Private Sector	4,664
Regeneration and Community Services	8,909
Corporate and Adult Social Services	1,273
Environmental Services	4,539
<b>Total</b>	<b>20,225</b>

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

- The Children & Young People's capital programme includes the new Multi Use Games Area and changing rooms at St Benedict's Catholic School and Performing Arts college, £1.108m, the New Children's Home "Shine"- autistic unit at Mickleover, £1.034m, Pitch Roof Covering replacement & Fire Risk Assessment Work at Dale Primary School, £0.500m, Phased replacement of windows & lintels at Brackensdale Junior School, £0.494m and two classroom extension at Chellaston Infants School, £0.490m.  
A programme of fire precaution works, following fire risk assessments, is being undertaken across the City's schools, £1.048m.
- Expenditure on Phase 3 Children's Centres: Stonehill/Babington Children's Centre (Normanton) £0.401m, Chellaston Children's Centre, £0.680m, Oakwood Children's Centre £0.484m and Chaddesden Children's Centre, £0.240m.
- Mackworth Community Centre refurbishment expenditure was £0.563m. £3.979m was spent on condition and modernisation projects in a range of schools.

### 17 Intangible Fixed Assets

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. Analysis of Net Assets Employed

<b>31 March 2009</b> <b>£000</b>	<b>Net Assets Employed</b>	<b>31 March 2010</b> <b>£000</b>
200,173	General Fund	107,508
329,125	Housing Revenue Account	345,984
(20,171)	Trading Operations	(23,194)
<b>509,128</b>	<b>Total</b>	<b>430,298</b>

### 19. Long Term Investment

Long term investments of £3m, with Barclays Bank PLC and Lloyds TSB PLC, were entered into during June and July 2008 which mature (including 07/08 long term investment with Chelsea Building Society) with interest between 2 June 2010 and 1 July 2011.

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

### 20. Long Term Debtors

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 21. Stocks and Work in Progress

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

#### Derby Integrated Community Equipment Services (DICES)

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

### 22. Debtors

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

31 March 2009 (restated) £000		31 March 2010 £000
	<b>Amounts falling due within one year</b>	
14,040	Government Departments	26,479
3,026	Other local authorities	2,321
7,933	Council taxpayers	7,566
878	Housing rents	1,188
19,412	Sundry debtors	20,422
<b>45,289</b>		<b>57,976</b>
(10,627)	Provision for bad and doubtful debts	(9,520)
<b>34,662</b>	<b>Total</b>	<b>48,456</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. Creditors

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

31 March 2009 (restated) £000		31 March 2010 £000
11,102	PWLB Borrowing with less than one year to maturity	7,091
10,592	Government Departments	12,739
6,560	Other local authorities	5,883
264	Council taxpayers	105
24,882	Sundry creditors	36,358
<b>53,400</b>	<b>Total</b>	<b>62,176</b>

### 24. Long Term Borrowing

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 25. Deferred Capital Receipts

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

### 26. Deferred Liabilities/Credits

31 March 2009 £000		31 March 2010 £000
<b>39,933</b>	<b>Deferred Liabilities</b>	<b>38,335</b>
	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.	
1,231	Loans transferred from neighbouring authorities in 1968	911
130	Other	122
<b>41,294</b>	<b>TOTAL</b>	<b>39,368</b>

### 27. Provisions

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

2008/09 £000		2009/10 £000
	<b>Provision for uninsured risks</b>	
597	Balance at 1 April	582
481	Provision made in year	616
(496)	Provision used in year	(495)
<b>582</b>	<b>Balance at 31 March</b>	<b>703</b>
	<b>Provision for future pension payments</b>	
788	Balance at 1 April	780
(8)	Provision used in year	(45)
<b>780</b>	<b>Balance at 31 March</b>	<b>735</b>
	<b>Other provisions</b>	
526	Balance at 1 April	499
136	Provision made in year	1,295
(163)	Provision written back in year	(477)
<b>499</b>	<b>Balance at 31 March</b>	<b>1,317</b>
<b>1861</b>	<b>TOTAL PROVISIONS AT 31 MARCH</b>	<b>2,755</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Provisions for Uninsured Risks

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

	<b>2008/09</b>
	<b>£000</b>
To cover third party public and employee liability claims	703
<b>Total Provisions for Uninsured Risks</b>	<b>703</b>

### Provisions for Future Pension Payments

The Council has a provision in place for continued funding of liabilities for former DCT (passenger transport) employees' pension. This provision relates to the Council's on-going pension liability for former employees of the Council when it provided a public transport service. The payments are made to Derbyshire County Council Superannuation fund.

	<b>2008/09</b>
	<b>£000</b>
Provision to enable continued funding of liabilities for former DCT (passenger transport) employees' pension	735
<b>Total Provisions for Future Pension Payments</b>	<b>735</b>

### Other Provisions

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

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

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

	<b>2008/09</b>
	<b>£000</b>
Housing Benefits Provision	477
Senior Officer Restructure Costs Provision	680
Single Status Provision	160
<b>Total Other Provisions</b>	<b>1,317</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28. Contingent Assets and Liabilities

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

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

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

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

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

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

### 29. Deployment of Dedicated Schools Grants

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Over and under-spends on the two elements are required to be accounted for separately.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### 30. Pension Disclosures

#### a) Net Long Term Liability related to Council Pension Scheme

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

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

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

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

The Council pays employers' contributions into the Pension Fund that provides its members with defined benefits relating to pay and service. The contributions are based



## NOTES TO THE CORE FINANCIAL STATEMENTS

on rates determined by the fund's professionally qualified actuaries based on triennial valuations.

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

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

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Assets held by the fund as a whole are £2.238m valued at fair value as at 31 December 2009 (£1.907m at 31 December 2008). The proportion of assets held with expected rates of return is shown below:

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

### b) Teachers Pension Scheme

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Teachers' Pension Scheme 2008/09 £000		Teachers' Pension Scheme 2009/10 £000
1,333	<b>Net Operating Expenditure</b> <ul style="list-style-type: none"> <li>• Interest cost</li> </ul>	1,321
1,333	<b>Amounts to be met from Government Grants and Local Taxation</b> <ul style="list-style-type: none"> <li>• Movement on pensions reserve</li> </ul>	1,321
1,469	<b>Actual amount charged against Council tax for pensions in the year:</b> <ul style="list-style-type: none"> <li>• Employers' contributions payable in respect of added years</li> </ul>	1,532

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

The main financial assumptions used by the actuary are:

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

### C) Scheme History

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 31 Movements on Reserves

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

Reserve	Balance at 31 March 2009 (restated) £000	Gains or (Losses) During the Year £000	Transfers to/(from) Other Reserves £000	Balance at 31 March 2010 £000	Purpose of Reserve
Revaluation Reserve	(33,466)	249	(27,742)	(60,959)	See Note 33 below
Capital Adjustment Account	(579,256)	(18,569)	36,572	(561,253)	See Note 36 below
Usable Capital Receipts Reserve	(11,117)	(1,970)	5,280	(7,807)	See Note 35 below
Deferred Capital Receipts	(111)	15	0	(96)	
Capital Earmarked Reserves	(4,169)	(2,334)	410	(6,093)	These are reserves held for specific capital purposes
Pensions Reserve (Restated)	200,695	91,700	0	292,395	See Note 30
General Fund Balance	(6,486)	0	(257)	(6,743)	See Statement of Movement on General Fund Balance
Housing Revenue Account Balance	(17,069)	(907)	0	(17,976)	See HRA Statements
Collection Fund Balance	(938)	(303)	0	(1,241)	See Collection Fund Statements
Revenue Earmarked Reserves	(49,701)	(3,221)	0	(52,922)	These are reserves held for specific revenue purposes
Major Repairs Reserves	(716)	(324)	0	(1,040)	See HRA note
Financial Instruments Adjustment Account	(1,201)	19	0	(1,182)	See Note 32
Schools Balances	(5,593)	212	0	(5,381)	These balances are held by schools under Local Management of Schools arrangements, including Foundation Schools.
<b>TOTAL</b>	<b>(509,128)</b>	<b>(64,567)</b>	<b>(14,263)</b>	<b>(430,298)</b>	



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 32. Financial Instrument Adjustment Account

<b>31 March 2009 £000</b>		<b>31 March 2010 £000</b>
2,050	PWLB Premiums	2,167
(3,247)	PWLB Discounts	(3,348)
(4)	Premium amortisation adjustment	0
<b>(1,201)</b>		<b>(1,181)</b>

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

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

### 33. Revaluation Reserve

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

<b>2008/09 £000</b>		<b>2009/10 £000</b>
<b>(75,379)</b>	Balance at 31 March 2009	<b>(33,466)</b>
<b>0</b>	Restatement of Opening Balance	<b>1,769</b>
<b>164</b>	Reclassifications	<b>0</b>
<b>(24,157)</b>	Revaluation of Fixed Assets	<b>(38,541)</b>
<b>872</b>	Historic cost depreciation adjustment	<b>119</b>
<b>419</b>	Disposals – write down of revaluation gains	<b>130</b>
<b>0</b>	Impairments – write down of revaluation gains charged directly to Revaluation Reserve	<b>257</b>
<b>64,615</b>	Impairments – write down of revaluation gains recharged from Capital Adjustment Account	<b>8,773</b>
<b>(33,466)</b>	<b>Balance at 31 March 2010</b>	<b>(60,959)</b>

The revaluations include revaluation increases of £25.167m relating to Council dwellings, £10.771m relating to buildings and land, £2.365m relating to investment assets and £0.237m relating to surplus properties.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**34. Deferred Government Grants/Contributions**

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

**35. Usable Capital Receipts Reserve**

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 36. Capital Adjustment Account

2008/09 (restated) £000		2009/10 £000
(689,072)	<b>Balance at 1 April</b>	(579,256)
1,119	Restatements	(1,769)
	<b>Capital financing from:</b>	
(3,515)	Capital receipts	(4,044)
(7,343)	Major repairs allowance	(7,490)
(3,393)	Other revenue and revenue reserves	(6,625)
(809)	Capital reserves	(410)
	<b>Transfers from Movement on General Fund Balance</b>	
(7,702)	Minimum revenue provision	(7,518)
(2,635)	Minimum reserve provision PFI	(2,519)
(4)	Outstanding credit arrangement	(4)
(84)	Capital receipts set aside in year	(56)
(2,639)	Government Grants Amortised to revenue	(2,753)
(9,726)	REFCS grants amortised to revenue	(15,876)
(38)	Government Grants amortised to Revenue to offset de-minimis expenditure	(26)
11,630	Revenue Expenditure Funded from Capital under Statute (REFCS)	18,961
(28,903)	Government Grants amortised to Revenue to offset impairments	(4,442)
(1,820)	Transferred Debt	(1,762)
(872)	Historic Cost depreciation adjustment	(119)
14,978	Depreciation charged to Revenue (non HRA)	14,593
201,847	Impairment	32,732
	<b>Other Movements</b>	
653	De-minimis expenditure written down	671
12,794	Depreciation HRA charged to Revenue	10,505
1,312	Disposals	1,902
(64,615)	Impairment charged to Revaluation Reserve	(8,773)
0	Restatement of Fixed Assets	2,955
(419)	Disposal gains – write down from Revaluation Reserve	(130)
(579,256)	<b>Balance at 31 March</b>	(561,253)

The 'Restatement' balance in 2008/09 corrects the value of the depreciation and impairment previously charged to the revaluation reserve. An equal and opposite restatement has been made to this reserve.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 37. Trust Funds

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

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

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

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

### 38. Subsidiary / Associate Companies

#### Derby Homes Limited

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

### Connexions Derbyshire Limited

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

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

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

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

### 39. Post Balance Sheet Events

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2008/09 £000		2009/10 £000
(305)	Net (surplus) - I&E / General Fund	(257)
1,384	Net (increase)/decrease in Schools' balances	212
(1,239)	Net (surplus) / deficit - Housing Revenue Account	(907)
(386)	Net (surplus) / deficit - Major Repairs Reserve	(324)
77	Net (surplus)/deficit – BID Revenue Account	0
(774)	Net (surplus) / deficit – Collection Fund	(303)
(798)	(Decrease)/Increase in debtors	13,794
(1,101)	(Decrease)/Increase in stock and work in progress	44
(10,377)	(Increase) / decrease in creditors	(8,776)
50	(Increase) / Decrease in provisions	(894)
92	(Increase) / Decrease in available for sale reserves	0
(779)	(Increase) / Decrease in Financial Instruments Adjustment Account	19
(10,175)	(Increase) / Decrease in earmarked reserves	(3,851)
	<i>Adjustment for non-cash transactions:</i>	
5,895	Capital activities	(18,877)
	<i>Adjustment for movements in financing:</i>	
7,976	Short term borrowings	(4,011)
	<i>Adjustment for movements in liquid resources:</i>	
256	Council Tax	(467)
(922)	NNDR	(8,618)
	<i>Less:</i>	
(8,987)	Servicing of finance items	(15,509)
<b>(20,113)</b>	<b>Revenue Activities Net Cash outflow</b>	<b>(48,725)</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**41. Reconciliation to Cash Related Balance Sheet Movements**

<b>Balance 31 March 2009 (restated) £000</b>	<b>Movement 2008/09 (restated) £000</b>		<b>Balance 31 March 2010 £000</b>	<b>Movement 2009/10 £000</b>
<b>2,674</b>	<b>(146)</b>	Cash in hand	<b>3,168</b>	<b>494</b>
<b>(8,969)</b>	<b>(892)</b>	Bank overdraft	<b>(7,951)</b>	<b>1,018</b>
<b>(6,295)</b>	<b>(1,038)</b>	<b>Net Cash Increase/(Decrease) = net cash inflow / (outflow)</b>	<b>(4,783)</b>	<b>1,512</b>
<b>109,943</b>	<b>(45,361)</b>	Short Term Investments	<b>54,011</b>	<b>(55,932)</b>
<b>(346,590)</b>	<b>25,195</b>	Borrowings	<b>(268,021)</b>	<b>78,569</b>
<b>(39,931)</b>	<b>2,634</b>	Capital Element of PFI Finance Leases	<b>(37,412)</b>	<b>2,519</b>
<b>(76,578)</b>	<b>(17,532)</b>	<b>Net (Increase) / Decrease in Investments and Borrowings</b>	<b>(251,422)</b>	<b>25,156</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 42. Revenue and Capital Grants

The following capital grants are included:

	Received in 2008/09 £000	Received in 2009/10 £000
Regional Housing Pot	4,490	3,470
Schools capital grants	12,531	12,904
Disabled Facilities grant	681	669
Urban II capital grant	424	98
Objective 2 capital grant	517	322
New Deal for Communities	103	0
Lottery Capital	3,653	1,867
Transport Supplementary Grant	918	13,746
ODPM	2,768	240
DEFRA	183	449
Sure Start	1,792	1,401
Derby & Derbyshire Economic Partnership (DDEP)	4,896	0
GEST	1,032	223
Learning & Skills Council	1,713	637
Play Pathfinder	0	389
Home Office	94	103
CLG – Gypsy and Traveller Funding	1,416	0
Growth Point	2,590	3,099
East Midlands Development Agency grant (EMDA)	0	1,225
Department of Health	325	1,818
LPSA	512	955
Other capital grants	1,437	1,711
Youth Capital Fund	0	572
S106	1,423	773
Contributions	1,897	4,513
	<b>45,395</b>	<b>51,184</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

The following revenue grants from central government are included:

	Received in 2008/09 £000	Received in 2009/10 £000
Arms Length Management Organisation (ALMO) Subsidy	1,701	1,578
Housing Benefit Subsidy	31,962	44,149
Council Tax Benefit Grant	15,018	17,168
Rent Rebate – Housing Benefit	26,172	27,881
Social Care	850	1,393
Early Years and Sure Start	6,069	8,173
Learning and Skills	10,404	12,397
Standards Fund	23,623	27,112
Urban II	315	636
Objective 2	287	1,503
Single Regeneration Budget (SRB) grant	242	0
Single Programme (EMDA)	0	1,994
Dedicated Schools Grant	142,955	147,844
Revenue Support Grant	12,500	19,914
New Deal for Communities	1,798	1,006
Supporting People Programme	10,556	10,556
LPSA2 Reward Grant	0	824
Area Based Grant	15,264	14,625
Other Regeneration and Community Services Revenue Grants	6,434	7,230
Other Children & Young People Revenue Grants	2,293	2,443
Other Corporate & Adult Social Services Revenue Grants	1,681	1,868
Other Housing Grants	637	402
Other Environmental Services Revenue Grants	311	834
Other Resources Revenue Grants	2,055	2,410
	<b>313,127</b>	<b>353,940</b>

## THE HOUSING REVENUE ACCOUNT

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

2008/09 £000	HRA Income and Expenditure Account	2009/10 £000
	<b>Income</b>	
(40,413)	Dwelling rents (Gross)	(41,907)
(411)	Non dwelling rents (Gross)	(415)
(1,312)	Charges for Services and facilities	(1,326)
(239)	Contributions towards expenditure	(242)
(1,828)	Housing Revenue Account subsidy receivable	(1,359)
0	Decrease in bad debt provision	(121)
<b>(44,203)</b>		<b>(45,370)</b>
	<b>Expenditure</b>	
10,042	Repairs and Maintenance	9,973
14,213	Supervision and Management	14,572
85,823	Depreciation and impairments of fixed assets	18,705
0	Write down of Revenue Expenditure Funded from Capital under Statute	710
95	Debt Management costs	100
421	Increase in bad debt provision	0
<b>110,594</b>		<b>44,060</b>
66,391	<b>Sub Total: Net cost of HRA Services as included in the whole authority income and expenditure account</b>	(1,310)
86	HRA services share of Corporate and Democratic Core	79
<b>66,477</b>	<b>Net Cost of Services</b>	<b>(1,231)</b>
125	Gain or loss on sale of HRA fixed assets	(26)
8,617	Interest payable and similar charges	7,637
152	Amortisation of premiums and discounts	(42)
(743)	Interest and Investment income	(88)
<b>74,628</b>	<b>(Surplus) / Deficit for the year on HRA services</b>	<b>6,250</b>

## STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

<b>2008/09 £000</b>	<b>Statement of Movement on the Housing Revenue Account Balance</b>	<b>2009/10 £000</b>
	<b>Increase or decrease in the Housing Revenue Account Balance comprising:</b>	
74,628	(Surplus) or deficit for the year on the HRA income and expenditure Account	6,250
(75,867)	<b>Net additional amount required by statute to be debited or (credited) to the HRA balance for the year</b>	(7,157)
<b>(1,239)</b>	<b>(Increase) or decrease in the Housing Revenue Account</b>	<b>(907)</b>
<b>(15,830)</b>	<b>Housing Revenue Account balance brought forward</b>	<b>(17,069)</b>
<b>(17,069)</b>	<b>Housing Revenue Account balance carried forward</b>	<b>(17,976)</b>

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

<b>2008/09 (restated) £000</b>	<b>Note to the Statement of movement on the HRA Balance</b>	<b>2009/10 £000</b>
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year</b>	
(73,029)	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements:	(8,906)
(125)	Gain or loss on sale of HRA fixed assets	26
<b>(73,154)</b>		<b>(8,880)</b>
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year</b>	
(5,066)	Transfer to/(from) Major Repairs Reserve (Note 6)	(2,691)
(334)	Transfers to/(from) Housing Repairs Account	(38)
(30)	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	210
99	HRA share of Minimum Revenue Provision	320
1,443	Capital expenditure funded by the HRA	4,104
(1,011)	Appropriations from Reserves	(316)
2,186	Appropriations to Reserves	134
<b>(2,713)</b>		<b>1,723</b>
<b>(75,867)</b>	<b>Net additional amount required by statute to be debited or (credited) to the HRA balance for the year</b>	<b>(7,157)</b>

## NOTES TO HOUSING REVENUE ACCOUNT

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

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

### Operational/Non Operational Assets

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

#### a. Operational Assets

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

#### b. Non Operational Assets

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

### 2. Council Dwellings Vacant Possession Value

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

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

## NOTES TO HOUSING REVENUE ACCOUNT

### 3. Major Repairs Reserve

The movements on the Major Repairs Reserve are shown below:

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

### 4. Housing Repairs Account

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

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

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

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

## NOTES TO HOUSING REVENUE ACCOUNT

### b. Summary of Capital Receipts

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

### 6. Depreciation

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

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

There are no non-operational assets within the HRA.

### 7. Impairment

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

Impairment also occurs through the annual revaluation process, resulting impairment in 2009/10 of £2.138m (£119.3m in 2008/09).

The HRA impairment charges are summarised below:

## NOTES TO HOUSING REVENUE ACCOUNT

Asset Category	Impairment Charge recognised against Cost / Valuation	Associated Write Off of Brought Forward Accumulated Depreciation and Impairment	Total Impairment Charge for 2009/10	Impairment Funded Indirectly from Revaluation Reserve	Impairment Charged to HRA Income & Expenditure Account
Council Dwellings	(7,279)	0	(7,279)	6,679	600
Investment Properties	(66)	0	(66)	0	66
Surplus Properties	(1,930)	1,075	(855)	105	750
<b>Total</b>	<b>(9,275)</b>	<b>1,075</b>	<b>(8,200)</b>	<b>6,784</b>	<b>1,416</b>

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

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

### 9. Analysis of HRA Subsidy

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

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

2008/09 £000		2009/10 £000
<b>1,753</b>	<b>Amount of rent arrears</b>	<b>1,252</b>
<b>1,912</b>	<b>Aggregate Balance sheet provision in respect of uncollectible debts</b>	<b>1,511</b>
	<b>Analysed as follows:</b>	
1,428	Weekly Rents	1,046
132	Housing Benefit overpayments	116
352	Other Debts	349

These figures are reflected in the Income and Expenditure Account.

*Derby City Council Statement of Accounts 2009/2010*



## THE COLLECTION FUND

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

2008/09 £'000		Notes	2009/10 £'000
	<b>INCOME AND EXPENDITURE ACCOUNT</b>		
	<b>Income</b>		
(75,859)	Council Tax		(78,190)
(82,488)	Business Rates	2	(81,473)
(15,322)	Council Tax Benefit		(16,893)
<b>(173,669)</b>	<b>TOTAL INCOME</b>		<b>(176,556)</b>
	<b>Expenditure</b>		
	<b>Precepts and Demands</b>		
74,404	Derby City Council		77,188
10,369	Derbyshire Police Authority		11,323
4,399	Fire Precept		4,599
	<b>Business Rates</b>		
80,369	Payment to National Pool		77,640
325	Costs of Collection		325
	<b>Provision for bad and doubtful debts</b>		
1,049	Council Tax		1,050
1,794	Business Rates		3,508
	<b>Transfer of previous years estimated surplus</b>		
0	Derby City Council		459
0	Derbyshire Police Authority		27
0	Derbyshire Fire Authority		64
<b>172,709</b>	<b>TOTAL EXPENDITURE</b>		<b>176,183</b>
(960)	(SURPLUS) / DEFICIT FOR THE YEAR		(373)
(164)	(SURPLUS) / DEFICIT AT THE BEGINNING OF YEAR		(1,124)
<b>(1,124)</b>	<b>(SURPLUS) / DEFICIT AT END OF THE YEAR</b>		<b>(1,497)</b>
	<b>Share of Collection Fund surplus</b>		
<b>(938)</b>	Derby City Council		<b>(1,241)</b>
<b>(131)</b>	Derbyshire Police Authority		<b>(182)</b>
<b>(55)</b>	Derbyshire Fire Precept		<b>(74)</b>
<b>(1,124)</b>	<b>(SURPLUS) / DEFICIT AT END OF THE YEAR</b>		<b>(1,497)</b>

## NOTES TO THE COLLECTION FUND

### 1. Council Tax

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

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

### 2. Income from Business Ratepayers

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

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

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

## **GROUP ACCOUNTS**

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

### **INTRODUCTION**

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

### **INCLUSION WITHIN THE GROUP ACCOUNTS**

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

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

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

Connexions Derbyshire Limited is a limited company jointly owned by the Derby City Council and Derbyshire County Council. It was incorporated on 01 April 2008.

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

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

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

## **GROUP ACCOUNTS**

### **Subsidiary**

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

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

### **Associate**

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

## GROUP INCOME AND EXPENDITURE ACCOUNT

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

2008/09 Net Expenditure (restated) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure 2009/10 £000
(860)	Central Services to the Public	30,666	(29,081)	1,585
51,034	Cultural, Environmental and Planning Services	81,403	(37,562)	43,841
75,699	Children and Education Services	309,013	(239,003)	70,010
17,480	Highways, Roads and Transport Services	35,971	(15,479)	20,492
70,449	Housing	151,402	(150,680)	722
57,303	Adult Social Services	82,796	(27,877)	54,919
5,439	Corporate and Democratic Core	7,625	(1,564)	6,061
1,531	Non Distributed Costs	1,908	0	1,908
<b>278,075</b>	<b>Net Cost of Services</b>	<b>700,784</b>	<b>(501,246)</b>	<b>199,538</b>
124	(Gain)/loss on disposal of fixed assets			(26)
(37)	(Surpluses)/ Deficits on Trading Undertakings not included in Net Cost of Services			(389)
20,157	Interest Payable and Similar Charges			17,373
634	Contribution of Housing Capital Receipts to Government Pool			1,180
(9,947)	Interest and Investment Income			(1,579)
0	Taxation of Subsidiary Company			5
13,277	Pensions Interest Cost and Expected Return on Pensions Assets			17,731
19	Amortised Premiums and Discounts			(92)
<b>302,302</b>	<b>Net Operating Expenditure</b>			<b>233,741</b>
(74,404)	Demand on the Collection Fund			(77,188)
(774)	Share of Previous Year Collection Fund Surplus			(762)
303	Share of Connexions Derbyshire Ltd (Surplus) / Deficit			104
(30,285)	General Government Grants			(39,423)
(89,791)	Non-Domestic Rates Redistribution			(86,276)
<b>107,351</b>	<b>Deficit for the Year</b>			<b>30,196</b>

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

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

<b>2008/09 (restated) £000</b>		<b>2009/10 £000</b>
<b>107,141</b>	Derby City Deficit	<b>29,874</b>
<b>(93)</b>	Derby Homes Ltd (Surplus)/Deficit	<b>218</b>
<b>303</b>	Connexions Derbyshire Ltd (Surplus)/Deficit	<b>104</b>
<b>107,351</b>	<b>Group Deficit for the Year</b>	<b>30,196</b>

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

<b>2008/09 (restated) £000</b>		<b>2009/10 £000</b>
<b>107,351</b>	Deficit for the year on the Income and Expenditure Account	<b>30,196</b>
<b>44,301</b>	Deficit arising on revaluation of fixed assets	<b>(38,319)</b>
<b>(44,576)</b>	Actuarial (gains) / losses on pension fund assets and liabilities	<b>89,762</b>
<b>1,448</b>	Share of Actuarial (gains) / losses for Connexions Derbyshire Ltd	<b>2,997</b>
<b>(99)</b>	Any other gains and losses	<b>2,955</b>
<b>108,425</b>	<b>Recognised (Gains)/Losses for the year</b>	<b>87,591</b>
<b>(1,542)</b>	Prior year adjustments	<b>(3,421)</b>
<b>106,883</b>	<b>Total (Gains)/Losses since last Statement of Accounts</b>	<b>84,170</b>

## GROUP BALANCE SHEET

2008/09 (Restated)		2009/10
	<b>Fixed Assets</b>	
530	Intangible fixed assets	501
495,776	Council Dwellings	509,465
475,847	Other land and buildings	449,796
10,544	Vehicles, plant, furniture and equipment	9,570
105,637	Infrastructure assets	112,041
14,241	Community assets	14,927
16,180	Investment properties	37,611
6,636	Assets under construction	22,373
18,498	Surplus assets held for disposal	20,335
<b>1,143,889</b>	<b>Total Fixed Assets</b>	<b>1,176,619</b>
22,139	Long term investments	3,360
5,171	Long term debtors	5,482
<b>1,171,199</b>	<b>Total long term assets</b>	<b>1,185,461</b>
	<b>Current Assets</b>	
1,144	Stocks and works in progress	1,188
33,213	Debtors	48,033
109,943	Investments	54,011
2,677	Cash and bank	3,172
<b>146,977</b>	<b>Total current assets</b>	<b>106,404</b>
<b>1,318,176</b>	<b>Total Assets</b>	<b>1,291,865</b>
	<b>Current Liabilities</b>	
(50,458)	Creditors	(60,146)
(2,519)	PFI Finance Lease < 1 Year	(2,357)
(8,969)	Bank overdraft	(7,951)
<b>(61,946)</b>	<b>Total current liabilities</b>	<b>(70,454)</b>
<b>1,256,230</b>	<b>Total assets less current liabilities</b>	<b>1,221,411</b>
	<b>Long Term Liabilities</b>	
(335,488)	Long term borrowing	(260,930)
(1,861)	Provisions	(2,755)
(94,209)	Government grants deferred	(113,775)
(34,164)	Government grants unapplied	(39,269)
(41,294)	Deferred liabilities	(39,368)
(37,412)	PFI Finance Lease > 1 Year	(40,608)
(206,352)	Net Long Term Liability related to defined benefit pension scheme	(303,746)
(3,065)	Share of net liabilities from Connexions Derbyshire Ltd	(6,166)
<b>(753,845)</b>	<b>Total long term liabilities</b>	<b>(806,617)</b>
<b>502,385</b>	<b>Total assets less liabilities</b>	<b>414,794</b>



## GROUP BALANCE SHEET

Balance Sheet continued...

2008/09 (Restated)		2009/10
	<b>Represented by:</b>	
(33,466)	Revaluation Reserve	(60,959)
(579,256)	Capital Adjustment Account	(561,254)
(11,117)	Useable Capital Receipts Reserve	(7,807)
(111)	Deferred Capital Receipts	(95)
(4,169)	Capital Earmarked Reserves	(6,093)
206,352	Pensions Reserve	303,746
(6,486)	General Fund Balance	(6,743)
(1,979)	Derby Homes Profit and Loss Account	(2,013)
(17,068)	Housing Revenue Account Balance	(17,976)
3,065	Interest in Connexions Derbyshire Ltd	6,166
(938)	Collection Fund Balance	(1,244)
(716)	Major Repairs Reserve	(1,040)
(49,702)	Revenue Earmarked reserves	(52,919)
(1,201)	Financial Instrument Adjustment Account	(1,182)
(5,593)	Schools Balances	(5,381)
<b>(502,385)</b>	<b>Total Net Worth</b>	<b>(414,794)</b>

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

## GROUP CASH FLOW

2008/09		£000	2009/10 £000
(20,467)	<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>		(48,902)
	Returns on investments and servicing of finance:		
16,555	Interest paid	14,901	
2,165	Interest Element on PFI Finance Leases	2,351	
(9,733)	Interest received	(1,743)	
8,987			15,509
0	Taxation		5
	Capital Expenditure and Financial Investment:		
51,763	Purchase of fixed assets	48,826	
12,463	Purchase of Long-term investments	19,063	
(1,341)	Sales of fixed assets	(1,979)	
(46,064)	Capital grants received	(51,286)	
12,563	Other capital cash payments	(16,989)	
29,384			(2,365)
<b>17,904</b>	<b>Net Cash Inflow before Financing</b>		<b>(35,753)</b>
	<b>Management of Liquid Resources:</b>		
(45,361)	Net increase/decrease in short-term deposits	(55,932)	
666	Other Movement in Liquid Resources	9,085	
			(46,847)
	<b>Financing:</b>		
36,195	Repayments of amounts borrowed	88,568	
2,634	Capital Element on PFI Finance Leases	2,519	
(11,000)	New loans raised	(10,000)	
			81,087
<b>1,038</b>	<b>Net (Increase) / Decrease In Cash</b>		<b>(1,513)</b>

## GLOSSARY

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

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

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

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

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

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

**AGS:** Annual Governance Statement.

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

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

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

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

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

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

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

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

## GLOSSARY

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

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

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

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

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

**Capital Financing Requirement:** Reflects the Authorities level of debt relating to capital expenditure.

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

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

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

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

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

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

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

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

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

## **GLOSSARY**

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

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

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

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

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

**CPA:** Comprehensive Performance Assessment.

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

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

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

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

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

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

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

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

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

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

## **GLOSSARY**

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

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

**DWP:** Department for Work and Pensions.

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

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

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

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

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

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

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

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

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

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

**Government Support / Grants:** Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of

## **GLOSSARY**

cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**Housing Benefits:** A system of financial assistance to individuals towards certain housing costs administered by Local Authorities and subsidised by Central Government.

**Housing Revenue Account (HRA):** A separate account to the General Fund, which includes the expenditure and income arising from the provision of housing accommodation by the Authority. The HRA is ring-fenced: no cross subsidy is allowed between the HRA and the General Fund.

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

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

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

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

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

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

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

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

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

## GLOSSARY

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

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

**Major Repairs Allowance (MRA):** The MRA is an element of housing subsidy, and represents the capital cost of keeping the HRA dwellings stock in its current condition. It largely replaces credit approvals as a means of financing HRA capital expenditure.

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

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

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

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

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

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

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

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

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

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



## **GLOSSARY**

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

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

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

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

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

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

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

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

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

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

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