DERBY CITY COUNCIL

# STATEMENT OF ACCOUNTS

# 2010 - 2011

**Financial Statements**
**Derby City Council 2010/11**

## Explanatory Foreword

### 1. Introduction

Welcome to Derby City Council's annual Statement of Accounts for 2010/11. The accounts have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2010 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The purpose of this foreword is to provide a summary of the overall financial position and performance of the Council as at 31 March 2011 and explain the most significant financial matters contained within the Accounts. It also explains the Council's financial activity during 2010/11 and the purpose of these financial statements. Where necessary estimates and judgements have been made in preparing these accounts which comply with the Code. Further details of these estimates and judgements are included in Notes 4 and 5 to the Accounts (pages 59-62).

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. Details of the Council's systems of internal control are included within the Annual Governance Statement (page 15).

### 2. Conversion to International Financial Reporting Standards

During 2010/11 the Council completed the mandatory transition of its Accounts to comply with International Financial Reporting Standards (IFRS). These international standards govern the way financial transactions are brought into account and how they are reported. Making the transition has affected both the appearance of the accounts and the Council's financial position.

In making the transition to IFRS the Council has had to revisit and restate the Statement of Accounts it published for 2009/10. The Balance Sheet published at the end of 2008/09 has also been restated. This was necessary in order to present users of the Accounts with meaningful comparative information. A summary of the adjustments made as part of this restatement exercise is included in Note 1 (pages 35-37) to these accounts.

There are many other changes to the appearance of the Accounts including additional, or expanded, disclosure notes. Titles and descriptive terms have also changed. As an example, the Statement of Movement on the General Fund Balance has been replaced by the more comprehensive Movement in Reserves Statement, and Fixed Assets become Property, Plant and Equipment (PPE). A glossary is included at the end of these Accounts to assist readers with these changes and to explain some of the more technical terms used.

From a financial viewpoint, the most significant changes introduced by transition to IFRS include:

- Private Finance Initiative (PFI) schemes: Significant changes to the accounting treatment for PFI schemes were introduced during 2009/10 and were fully implemented for the published 2009/10 accounts. Therefore no further conversion adjustments were required in 2010/11.

- Separation of Property, Plant and Equipment (PPE) assets into significant components: The Code 2010 requires the Council to depreciate separately any component of a PPE asset with a cost that is significant in relation to the total cost of the whole asset. This has led to an increase in the annual depreciation charge of £1.350m.

- Operating and finance leases: Under IFRS, the requirements for lease classification are different to those used in the Council's previous UK GAAP accounts. Following a review of significant leases, this has led to a number of assets leased out by the Council being removed from the Balance Sheet and a number of assets leased in by the Council being recognised in the Balance Sheet for the first time. Note 22 (page 90) to these accounts provides further details of the Council's lease arrangements.

- Definitions of PPE categories: The Code 2010 introduces a new category for PPE assets, Assets Held for Sale, and clarifies the definition of several other asset categories, such as Investment Properties. These changes require significant re-categorisation of Council assets, and have had further impact on the Council's depreciation charges and the timing of revaluations. Further information regarding the re-categorisations of PPE assets is provided in Note 1 to these accounts.

- Treatment of Capital Grants and Contributions: Grants and contributions relating to capital and revenue expenditure are now accounted for on an accruals basis, and recognised immediately in the Comprehensive Income and Expenditure Account, unless they have conditions which have not yet been satisfied. This is a significant change to the accounting treatment for capital grants and contributions which were only previously recognised in the Income and Expenditure Account over the life of the asset and in line with depreciation. The impact of this change is to significantly increase the amount of grant income recognised in the Comprehensive Income and Expenditure Account for the 2009/10 transition period.

- Unused Holiday/Flexi leave entitlements: The conversion to IFRS accounting has given rise to a new requirement to accrue for an untaken employee benefits, such as holiday and flexi-leave entitlements. This accrual recognises the Council's liability for these entitlements with its employees and is offset by a new unusable reserve, the Accumulated Absences Account.

## 3. Explanation of the Statements

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom the core financial statements summarise the Council's finances for 2010/11 (1 April 2010 to 31 March 2011). The core financial statements comprise of:

### a) Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and other unusable reserves.

### b) Comprehensive Income and Expenditure Statement

This statement shows the actual financial performance measured in terms of resources generated and consumed by the Council during 2010/11. It is produced in line with IFRS accounting conventions and therefore the costs shown may be different to the amount to be funded from taxation.

**c) Balance Sheet**

The Balance Sheet shows the value of the assets and liabilities recognised by the Council as at 31 March 2011. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

**d) Cash Flow Statement**

The Cash Flow Statement shows the total movements in cash and cash equivalents of the Council during 2010/11 arising from transactions with third parties for revenue and capital purposes.

**e) Housing Revenue Account**

This is a separate statutory account which summarises all income and expenditure arising from the provision, management and maintenance of Council housing.

**f) Collection Fund**

The Collection Fund statement reflects the Council's statutory requirement to maintain a separate account showing all transactions relating to National Non-Domestic Rates and Council Tax.

**g) Annual Governance Statement**

This statement describes the Council's overall governance framework, including its systems of internal control and reports on the review of the effectiveness of these arrangements, in accordance with the Accounts and Audit Regulations.

**h) Statement of Accounting Policies**

The Council produces figures in the accounts using general principles recommended by CIPFA. They ensure accounts from different public sector organisations are consistent and comparable. This section explains the main policies which the Council has adopted.

**i) Notes to the Core Financial Statements**

These notes aim to assist in understanding by breaking down balances shown in the Comprehensive Income and Expenditures Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement.

## 4. Revenue Income and Expenditure

**a) Financial Performance against Budget**

In March 2010, the Council agreed its original budget for 2010/11 at £214.8m. This resulted in a band-D council tax of £1,127.21, which was an increase of £27.46, or 2.50%, over the equivalent 2009/10 figure.

The following table shows that the Council's actual spending was £211.6m against the latest approved budget of £213.1m. The budget variance of £1.428m represented 0.67% of the Council's 2010/11 budget requirement. This balance has been transferred in full to the Council's budget risk reserve to help address future pressures, subject to any specific amounts being set aside for individual pressures on approval of the Council's revenue outturn position. These figures are based on directorate responsibilities, rather than the total cost of providing services (including charges for support services, using assets, and adjustments to show the true cost of providing pensions to employees), which is used in the Comprehensive Income and Expenditure Account.

**Comparison of Actual Net Spending against Budget for 2010/11:**

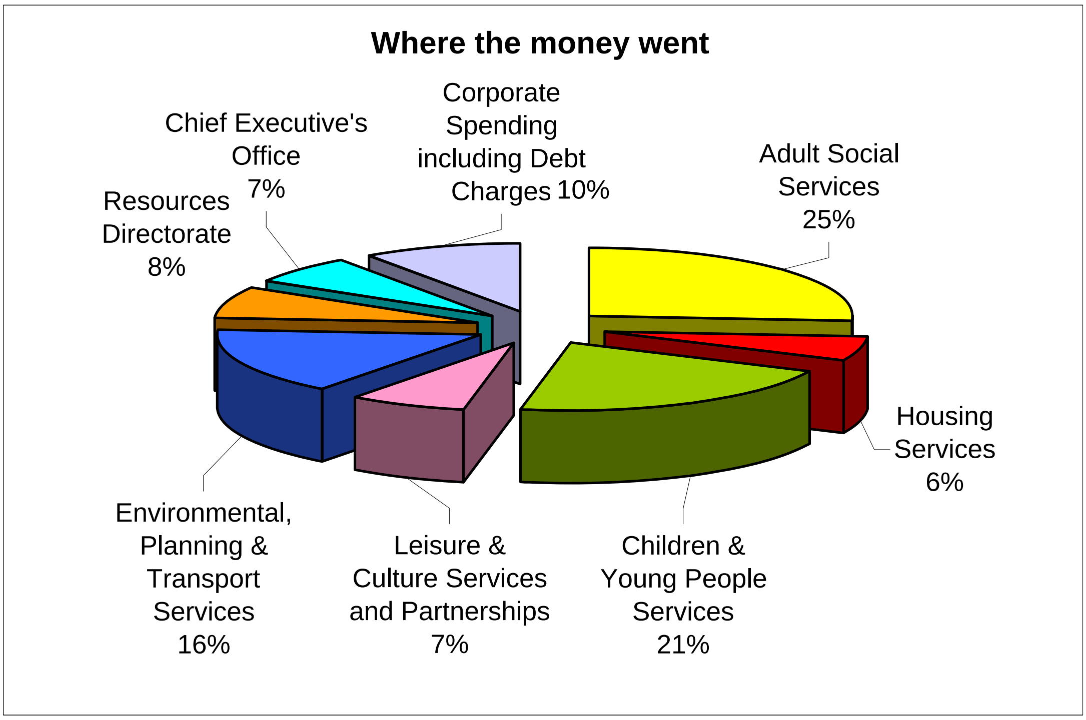
| | **Latest Approved Budget £000** | **Actual £000** | **Final (Under) / Overspend £000** |
|---|---|---|---|
| **Expenditure** | | | |
| Adults, Health and Housing | 68,142 | 67,717 | (425) |
| Chief Executive's Office | 14,305 | 14,023 | (282) |
| Children and Young People | 44,496 | 44,396 | (100) |
| Neighbourhoods | 46,359 | 45,783 | (576) |
| Resources | 15,936 | 15,878 | (58) |
| Corporate Budgets | 21,171 | 17,703 | (3,468) |
| Planned Transfer to Reserves | 2,661 | 2,661 | 0 |
| Transfers to reserves for specific corporate projects | 0 | 3,481 | 3,481 |
| **Net Spending** | **213,070** | **211,642** | **(1,428)** |
| Transfer of Underspend to Reserves | 0 | 1,428 | 1,428 |
| **Budget Requirement** | **213,070** | **213,070** | **0** |

**Reconciliation of Budget Requirement to Comprehensive Income and Expenditure Account for 2010/11:**

| | **£000** |
|---|---|
| Cost of Services per CI&E Account | 371,310 |
| Plus: Other operating expenditure | 11,049 |
| Plus: Taxation and non-specific grant income | 26,742 |
| Less: Deficit on the Provision of Services per CI&E Account | (142,312) |
| Less: Capital grants and contributions (Note 14) | (49,823) |
| Less: PFI grant (Note 14) | (4,906) |
| Plus: Reduction in share of collection fund surplus | 740 |
| **Budget Requirement** | **212,800** |

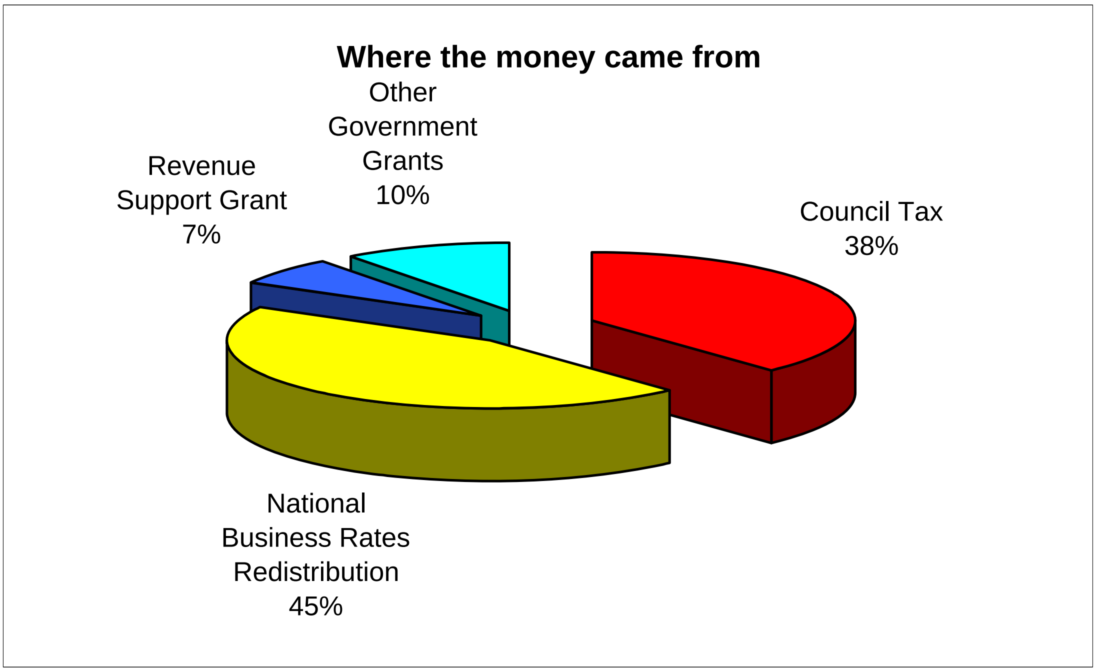
**b) Analysis of Revenue Spending**

During the year the City Council manages and controls spending on services such as schools, social services and leisure facilities through its General Fund. The Council spending on interest payable and similar charges was £15.939m, a £1.517m decrease from 2009/10. A summary of the net cost of running each main service area is shown below:




Further analysis of the Council's revenue spending is provided in Note 8.

This spending is financed from Council Tax, Government Grants, fees and charges, and other income.



### c) Housing Revenue Account

The Housing Revenue Account outturn shows a carried forward deficit of £0.665m, met from the ring-fenced Housing Revenue Account reserve within the Balance Sheet.

### d) Revenue Reserves

The Council's financial policy is to hold general reserves at approximately 2% of the net revenue budget, including school budgets. At 31 March 2011 unallocated general reserves stand at £7.143m (1.95% of net revenue budget, including school budgets). Other revenue reserves available to the general fund total £44.9m and are earmarked for either service or corporate use.

Included within corporate earmarked reserves is a budget risk reserve of £6.8m which is held to allow the Council to respond quickly and effectively to any unforeseen pressures which arise during the year. Specific reserves are also held to fund specific projects included within the Council's budget and priorities, such as the Council's transformation programme and accommodation strategy.

The Council considers the current and future projected levels of reserves and balances held by the Council to be adequate to meet estimated future commitments and address ongoing risks and uncertainties.

## 5. Capital Income and Expenditure

Alongside our day-to-day costs, the Council spends money on capital assets such as buildings, roads, major maintenance, vehicles and ICT. During 2010/11 the Council spent £73.195m on capital schemes.

**Major Areas of Capital Spend in 2010/11:**

| Directorate | Scheme | £'000s |
|---|---|---:|
| Children & Young People | New build, extensions and modernisation of schools and education centres. Devolved capital school grants. | 20,236 |
| Neighbourhoods | Highways and transportation. Improvements to city wide parks and play areas. Refuse vehicles, street cleaning and grounds plant and equipment. | 23,469 |
| Adult Health & Housing | New build and modernisation of Council dwellings. New day facility for adults with autism. | 19,833 |
| Resources | Information and communication technology | 523 |
| Chief Executive's Office | One Derby One Council Accommodation and ICT Transformation Strategy. City centre infrastructure improvements. Planned maintenance works. | 9,134 |
| Total | | 73,195 |

Capital expenditure is financed from one of the following sources:

- Supported borrowing (where the interest costs for the debt are funded by central government grant)
- Unsupported borrowing (where the interest costs for the debt are funded from the Council's revenue budget)
- Grants or contributions from the Government, the European Union or another third party
- Proceeds from the sale of capital assets (capital receipts)
- Contributions from the Comprehensive Income and Expenditure Account

Unapplied capital resources, excluding capital receipts, stand at £25.842m at 31 March 2011. These consist of £19.904m unapplied capital grants, £2.674m developer and other capital contributions and £3.264m earmarked capital reserves. The unapplied capital receipts reserve stands at £5.933m at 31 March 2011.

These resources are earmarked and planned to be used over the next five years to fund the Council's capital programme.

## 6. Borrowing Facilities

In 2010/11 the Council had an authorised limit for external debt of £542.0m that compares to the actual level of debts outstanding at 31 March 2011 of £349.5m.

**Breakdown of Borrowing Figures:**

| | 2009/10<br>£m | 2010/11<br>£m |
|---|---|---|
| Short-Term Borrowing (i.e. due within 1 year) | 7.1 | 0 |
| Long-Term Borrowing | 340.9 | 349.5 |
| Total | 348.0 | 349.5 |

During the year borrowing increased slightly by £1.5m from £348.0m at 31 March 2010 in line with the Council's approved Treasury Management Strategy. All standard external borrowings, except for £20m taken from the Royal Bank of Scotland, are held with the Public Works Loan Board. However, the figures above also include debt managed by Derbyshire County Council on Derby City Council's behalf, and debt deemed to be finance lease liabilities under PFI contracts.

## 7. Significant Liabilities, Provisions, Contingencies and Write Offs / Impairments

The Council has set aside a significant provision of £2.9m at 31 March 2011 for the likely repayment of subsidy from the Council's 2008/09 and 2009/10 Housing Benefit Grants and for the probable repayment of reward funding of the 2010/11 claim. The exact value of any repayment will depend on the results of the Council's external auditor's review and payment is expected to occur during 2011/12.

The Council has recognised a significant impairment of £169m for Council Dwellings in the 2010/11 Statement of Accounts. This reflects a national change in the Existing Use Value for Social Housing (EUVSH) methodology which resulted in a reduction in the Council's adjusting factor from 50% to 34%. This valuation methodology is designed to provide the economic cost to the Government of providing Council housing at less than open market rents. Further details of the impairments to Council assets are included in Note 18.

## 8. Private Finance Initiatives

Private Finance Initiative (PFI) schemes 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:

<u>Operational: Assets included within Council accounts</u>

- 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 Central Government, contributions from each schools delegated budget over the life of the contract and Early Years service.

- 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.

<u>Operational: Assets not included within the accounts</u>

- 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.

<u>In Procurement</u>

- Housing

The Council is involved in negotiations with both a single bidder and the Homes and Communities Agency to provide a minimum of 170 affordable houses in the City under a 30-year PFI contract. These homes will be a mix of new build and refurbishments at three sites: Alvaston, Chaddesden and Spondon. Negotiations have recently been delayed by a Central Government Value for Money review of all PFI projects. However, Derby's scheme has been approved and financial close is now anticipated to be in early 2012.

## 9. Net Pensions Liability

The Council participates in the Derbyshire County Council defined benefit (open) pension fund and the Teachers' pension Fund. During the year there was a decrease in the Council's Net Pension Liability of £77.341m. This meant the Council's net pension liability as at 31 March 2011 was £215.044m. A more detailed analysis of the movement in net pension liability can be found in Note 42. 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 42. 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.

## 10. Impact of Current Economic Climate in 2010/11

Although the recent economic downturn has continued to have an impact on some services provided by the Council in 2010/11, our General Fund and HRA balances both remain above minimum acceptable levels.

The economic environment has made debt collection more challenging during 2010/11, and the Council has continued to focus on its duty to collect debt whilst recognising individual circumstances where relevant. As a result the Council has not observed any major shift in levels of debtors or debt collection rates for general, council tax and business rates debtors.

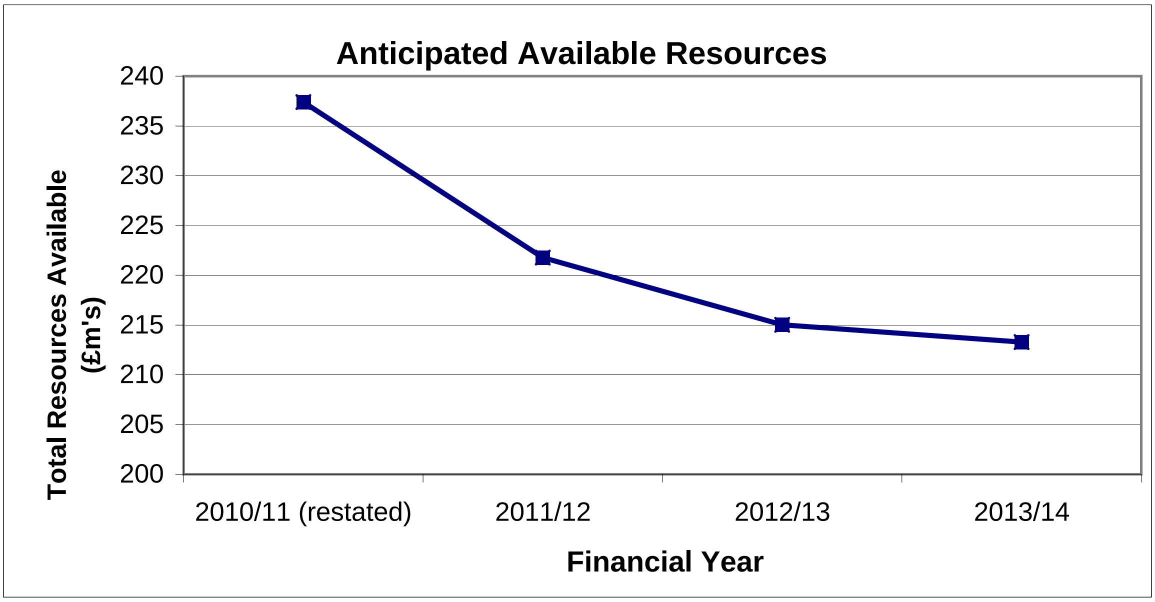
The Council has achieved slightly better than anticipated returns on investment despite the continued low bank interest rates throughout 2010/11, 0.98% compared to the Bank of England Base rate of 0.50%. This is partly due to a few fixed term investments held in the portfolio that were taken out when investment rates were relatively high. Due to setting spending plans on the basis of the anticipated lower investment income the Council has ensured that it continues to meet its commitments and protect the fiduciary interests of the residents of Derby.

During 2010/11 the Council carried out a series of revaluations of property, plant and equipment, in line with its rolling programme. This exercise resulted in downward revaluations, excluding Council Dwellings, of £21.6m being recognised against the Net Book Values of Council Assets, although the impact has not been as significant as in previous years (£27.7m impairment in 2009/10). The Council has also recognised a significant impairment of £169m for Council Dwellings at discussed in section 7 above. These impairments are a reflection of the continued impact of the current economic climate on the values of Council assets.

## 11. The Medium Term Financial Plan

The Council's medium term financial plan (MTFP) for 2011/12 to 2013/14 delivers a balanced position after providing for significant funding reductions announced as part of the Comprehensive Spending Review in 2010 and subsequent detailed financial settlement. The plan does, however, include assumptions about anticipated resources from central government and Council Tax, inflation, service demand and the deliverability of planned savings.

The chart below provides a summary of the overall change in the anticipated resources available to the Council over the MTFP period. The 2010/11 figures have been restated to make these directly comparable to the MTFP.




The Council has outlined permanent saving requirements of £57m over three years to address these funding reductions and meet rising costs whilst continuing to maintain priority services and invest for the future. The savings targets of £24.7m in 2011/12, £18.7m in 2012/13 and £13.6m in 2013/14 exclude one-off savings needed to meet redundancy pressures. Savings will be delivered from a combination of the Council's one Derby, one council transformation programme, staff post reductions and changes to services.

The Council will need to carefully monitor delivery of these planned savings throughout the financial year to ensure the MTFP is delivered on target. The Council will also need to examine all service areas to identify where further savings can be made and revise spending plans to reflect any further changes in funding, whilst continuing to deliver priority services.

The Council also has a medium term capital investment programme which totals £276m over the next three years. This includes £32m for the Council's accommodation strategy, a £46m housing improvement programme, £20m for the Local Transport Plan, £12m IT investment to support the Council's transformation programme, £45m to deliver the Council's leisure strategy, £25m for a jointly funded waste disposal plant with Derbyshire County Council and a £66m schools programme.

Roger Kershaw
Strategic Director of Resources
29 June 2011

**Derby City Council**
**Annual Governance Statement - 2010/11**

## 1. Scope of Responsibility

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

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

Derby City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* . A copy of the code is on our website or can be obtained from the Council's Head of Audit and Risk Management. This statement explains how Derby City Council has complied with the code and has bee prepared to meet the requirements of regulation 4 (3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement ("AGS") that accompanies the annual accounts.

## 2. The Council's Governance Framework

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

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

The governance arrangements have been reviewed against the six core principles of effective governance outlined in our Code of Corporate Governance. Derby City Council has been working to its Code of Corporate Governance for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Statement of Accounts.

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

- The Derby Plan 2011-26 (previously called the Sustainable Community Strategy) presents a new vision and set of outcomes for the city. The 'three wishes' campaign carried out in Summer 2010 was the starting point for the drafting process, along with information gathered from community workshops, forums, face-to-face consultation exercises and local evidence on quality of life. It is a high-level plan that brings together the priorities of key partners from the public, private and voluntary sector. In 2026 all people in Derby will enjoy…

  - A thriving sustainable economy
  - Achieving their learning potential
  - Good health and well-being
  - Being safe and feeling safe
  - A strong community
  - An active cultural life

- Supporting the Derby Plan is our Council Plan 2011-14 (previously called the Corporate Plan). This plan is a key document that sets out what key improvements we would like to make and the types of actions that we will take to make them. For the next three years we will be aiming to improve outcomes for local people and customers in the six priority areas. As a Council we will also be concentrating on achieving…
  - o Good-quality services that meet local needs
  - o A skilled and motivated workforce.

- The main way the Council Plan will be delivered is through departmental business plans. Each department has to set objectives for the next three years, to underpin our new outcomes. The departmental objectives and actions will inform the Managing Individual Performance meetings.

- The Council has a responsibility to explain and report regularly on its performance and financial position. It does this through the publication of regular performance and financial information, for example, in 'Your Derby' resident magazine.

- The Derby Plan, Council Plan and our business plans all reflect the new focus on 'outcomes based accountability' so our overall vision and goals are clearer and more meaningful to local people. Progress can be measured against quality of life 'indicators' and service 'performance measures'.

- Performance management became more focused in 2010/11 with the introduction of a corporate scorecard of priority PIs (monitored using our performance system DORIS) with bi-monthly Chief Officer Group sessions to review comparative information and challenge performance. This has led to an improvement in performance, with performance against target rising from 61% to 65% in 2010/11 and a greater proportion of top quartile indicators (based on initial results from the PwC benchmarking club).

- The ‘one Derby, one Council’ transformation programme aims to make the Council more efficient and more effective at serving our customers by ensuring that we work in a more simple, standard and shared way. The governance framework for the programme has been defined and the ‘one Derby, one Council’ Strategic Board provides strategic leadership and direction to the transformation programme.

- Value for money continues to grow in importance. There is a VFM Strategy in place and VFM is reflected in a number of strands of the One Derby One Council transformation programme. Going forward, there is a need to review organisational activity and priorities around VFM work.

- Promoting equality and diversity remains at the heart of what we do, and we were recently awarded an ‘excellent’ rating in the “Equality Framework for Local Government” assessment undertaken in March 2011. We also received an award for being one of the top 100 ‘Stonewall’ companies ,

**2.2 Members and Officers working together to achieve a common purpose with clearly defined functions and roles**

The Council has clearly outlined who is responsible for the discharge of responsibilities within the constitution and has:

- Appointed a Leader of the Council;

- Appointed an Cabinet whose members each have an individual portfolio;

- Statutory officers in place with the skills and resources to fulfil those roles;

- Appointed (on an annual basis) committees to discharge the Council’s functions - regulatory and otherwise;

- A published constitution which sets out the rules on how the Council operates and citizens rights and which contains a scheme of delegation of executive and non-executive functions; rules of procedure; financial and contract procedures; codes and protocols governing both members and officers; and a Members Allowances Scheme. The constitution is reviewed annually to ensure it remains fit for purpose, reflects changes in legislation and the Council.

In July 2010, the Council set up a special Governance Committee, comprising the Leaders and Deputy Leaders of each political group, chaired by the Leader of the Council. The Local Government and Public Involvement in Health Act 2007 requires changes to the executive leadership of Councils. This Committee is responsible for agreeing consultation arrangements and overseeing the process leading to final decisions.

Chief Officer Group has overall responsibility for the maintenance of the governance framework across the Council. A Governance Working Group chaired by the Strategic Director - Resources has responsibility for co-ordinating all work to improve governance arrangements within the Council.

### 2.3 Promoting our Values and Upholding High Standards of Conduct and Behaviour

The Council understands that shared values have a high prominence in well performing public and private sector organisations and are integral to driving the Council's ethos as well as communicating the Council's culture and ambition to its residents, customers and communities.

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

- The Council takes fraud, corruption and maladministration very seriously and in 2010/11 reviewed the following policies which aim to prevent or deal with such occurrences:
  - Anti-Fraud and Corruption Policy and Fraud Response Plan
  - Confidential Reporting Code (Whistleblowing Policy)
  - Anti- Money Laundering Policy
  - Disciplinary and Dismissals Policy

- The Standards Committee is in place in accordance with the requirements of the Local Government Act 2000. It is responsible for promoting and maintaining high standards of conduct by members of the Council. It has eight members, five of whom are independent co-opted members. The Committee is chaired by an independent member. The standards regime for members is to be scrapped; however, the Governance Committee has initiated a review by the Scrutiny Management Commission in 2011/12 of the Council's political management / ethical framework arrangements in the light of the Localism Bill. The remit of the review includes whether the Council should go back to the committee system of constitutional governance, adopt a voluntary code of conduct and retain a local Standards Committee.

- The Corporate Complaints Procedure enables the Council to receive and investigate any complaint made against it, a Member or an employee.

### 2.4 Taking Informed and Transparent Decisions and Managing Risk

Derby City Council has adopted the principles of open government. The Council's governance arrangements ensure that:

- Key and major decisions taken by the Cabinet, subject to limited exemptions, are made in public and that information relating to those decisions is made available to the public;

- The decisions of regulatory committees, subject to limited exemptions, are made in public and that information relating to those decisions is made available to the public;

- Rules and procedures which govern how decisions are made including how appropriate financial, legal and professional advice is provided are regularly reviewed and publicly available;

- Full Council, Cabinet and committee agendas are published in advance and available to the public. Agendas, reports and minutes are made available on the Council's website;

- Key decisions delegated to officers are recorded and, subject to limited exemptions, publicly available; and

- The Council's spending data over £500 is published on the Council's website in accordance with the Government's open data recommendations

**2.5 Effective Management - Capacity and Capability of Members and Officers**

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

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

- The one Derby, one Council programme will reduce and reshape the workforce. The People Strategy was introduced in 2010 to cover a 5 year period and was the Council's vision of its workforce for the future. This was a high level aims and commitments document. However, the pace of change and senior management changes in Human resources has resulted in the Council looking to integrate the People strategy into a much wider Organisational Development Strategy.

- The Council has defined a distinct set of competencies that it expects its managers to follow. There are different levels of competency for each level of management within the Council, some are still being developed. These are detailed in 'competency frameworks'. Each framework lists behaviours that are expected within each of the competencies.

- The Managing Individual performance scheme introduced in April 2010 for all staff ensures performance is managed and development needs for each member of staff are identified and met.

- The Council was re-assessed in January 2011 on its Investors in People accreditation.

**2.6 Engaging with local people and other stakeholders to ensure robust accountability**

The Council has a long history of community engagement and recognises it as being central to the Community Strategy. This is because community engagement is about ensuring that residents can participate in a range of different ways to drive improvements to local services.

- Our planning and decision making processes are designed to include consultation with stakeholders and the submission of views by local people. Every year, together with our partners, we carry out many consultation exercises. These surveys and events enable both us and our partners to gauge understanding of our shared vision and priorities for the city. We have adopted a Community Engagement Strategy with the City and Neighbourhood Partnership (formerly Derby City Partnership) to ensure a co-coordinated approach to community engagement across partner organisations.

- Derby Direct is Derby City Council's contact centre providing a single point of contact to the Council. We are committed to providing the highest standards of customer service. These standards have been developed in consultation with our customers and our employees. They reflect their wishes to provide customers with an efficient and courteous service.

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

- To give local citizens a greater say in local decision making, every ward or neighbourhood has a Forum and Board.

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

- A key area for development within this Principle has been to ensure effective communication mechanisms are in place to enhance the reputation of the Council. We have made improvements to the quality, consistency and effectiveness of internal and external communications. Internally the team briefing cascade system was introduced to increase the effectiveness of messages to staff. The rise of social media is proving to be increasingly influential in providing stories beyond the reach of traditional media. The Communications division is monitoring this using Vocus media management software and reporting issues to COG as appropriate. The most difficult area for the Council is the impact of media coverage on our reputation and our relationship with local media. The way the Council is portrayed by local media has a bearing on the community's perception of the Council. Three stories from 2010/11 demonstrate this:

- Two serious case reviews were published in 2010/11 leading to a degree of local media interest. One in particular received national media coverage. Neither publication can be deemed to have significantly damaged the Council's reputation.

- The judgement from the High Court on a fostering case was favourable for the Council in that it supported the actions taken. However, this resulted in considerable national and international media coverage focused on the religious aspect.

- A high profile and emotive subject, the closure of a number of school kitchens due to health and safety concerns was criticised in the local press. A lack of support from some schools to proposed changes to school meal preparation means this continues to be covered in the press.

The Communications division is working hard to further develop the relationship and have begun induction sessions with the media for new members of staff. In addition, each Media Officer is assigned to a Directorate to enable a continuous flow of news in the most positive way to our local and regional media. This will help to offset any negative media coverage we receive.

- Arrangements for consultation and for gauging local views include the Reach Out panel. Your Derby magazine provides summary information on the Council's vision and priorities and is delivered to every household in Derby 3 times a year.

## 3. Review of Effectiveness

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

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

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

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

- the Standards Committee has met regularly throughout the year to consider and review issues relating to the conduct of Members including referrals from the standards board.

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

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

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

- the Performance and Improvement Team monitor Key Performance Indicators on a quarterly basis and recommend improvements to the performance framework on a regular basis. Progress in delivering the Council Plan and business plans (including KPIs) is tracked using a performance system, DORIS, which is accessible to all staff, members and key partners. Performance Surgeries are held to investigate areas of underperformance and review action plans for improvement.

- the work of the Strategic Risk Group to review the effectiveness of the Council's Risk Management Framework, to identify strategic risks and ensure that actions are being taken to effectively manage the Council's highest risks. Work has continued throughout the year to support the embedding of risk management as a core competency across all corporate and operational services.

- the work of the Controls Review Group which reviews control issues within the key financial systems of the Council.

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

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

- the role of the Governance Working Group in reviewing the Council's own governance arrangements against a best practice framework endorsed by CIPFA/SOLACE to identify areas for improvement.

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

- the opinion of the Head of Audit and Risk Management in his annual report to Audit and Accounts Committee and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.

- an annual report from the Strategic Director - Resources on the effectiveness of internal audit.

- consulting the Audit and Accounts Committee regarding any potential issues it felt could indicate a problem with the control environment.

## 4. Significant Governance Issues 2010/11

Although progress continues to be made to improve areas raised as significant governance issues in previous annual governance statements, there are still issues that continue to impact on the governance of the Council:

The local elections in May 2010 saw no change to the situation of no one party achieving an outright majority although there was a change in administration where the Liberal Democrat administration was been replaced by a Conservative administration. Following the elections in May 2011, Labour has the highest number of seats, but did not obtain an overall majority. An agreement has been reached between the Conservative Group and the Liberal Democrat Group to form a Conservative led coalition administration.

- The 10 year Derwent New Deal for Communities (NDC) programme was due to end at 31 March 2011. An extension has been granted until September 2011 as difficulties have been encountered in delivering a succession plan. Negotiations have been taking place with stakeholders but agreement has not yet been reached and the assets still remain in the ownership of Derwent Delivers limited. A number of key issues still need to be resolved before the programme can be closed and it is unlikely that the September 2011 deadline will be met. The uncertainty and delay in the closure of the programme, coupled with the failure to deliver a substantial, sustainable legacy for the Derwent Community exposes the Council to potential financial risk (clawback of grant) and ongoing reputational risk.

**2010/11:**

The Council felt the impact of the Comprehensive Spending Review with central government funding being significantly reduced to all councils. The Council had to find £27 million saving for 2011/12 in a very tight timescale. This was partly achieved through staffing reductions with as much as possible being through voluntary redundancy.

A key element of the Council's transformation programme is to remove wherever possible, the client/contractor relationships that exist between a number of different parts of the council. The main changes in 2010/11 as part of this process were:

- the transfer of responsibilities and operational services of the repairs and maintenance of Council housing to Derby Homes with effect from 1 June 2010.
- the closure of the Public Buildings Service in the Environmental Services Department and the transfer of staff to Derby Homes Ltd.
- the transfer of the responsibilities for Public Buildings maintenance to the Council's property Service section and the procurement of those services from the private sector in the short term.

In February 2011, a combination of human error and insufficient management controls resulted in the Council's monthly payroll not being run on time. Contingency arrangements had to be put into place to enable payments to be made to employees' bank accounts. Following an investigation, the system controls have been improved.

There have been 5 potential breaches of data protection that the Information Governance Manager has been required to investigate. A further case is currently under investigation and the Council has also received a complaint from the Information Commissioner's office regarding the unlawful disclosure of personal data to third parties. The ICO has stated that it is likely that the Council has complied with the Data protection Act 1998, but we are awaiting formal confirmation of this.

In February 2011, the Office of Surveillance Commissioners reviewed the Council's management of covert surveillance under the Regulation of Investigatory Powers Act (RIPA) 2000. The review concluded that although there were elements of good practice, 2 recommendations made at the last inspection in 2009 remained outstanding and that a lack of training and quality assurance resulted in a poor standard of documentation. The inspection also identified that the authorisation and management of covert human intelligence sources (CHIS) was of a poor standard. There is also no current structure to advise elected members of the use of RIPA and the level of covert activity conducted. An action plan has been put in place to address the recommendations made in the review.

Issues reported to Audit and Accounts Committee:

The Audit and Accounts Committee is the body of members charged with governance. During the year the following significant issues were raised:

o The Committee receives half yearly reports on all non-compliant contracts, together with an explanation as to the reason for it occurring. All contract waivers requested are reported to the Committee for information. The Committee has the option to call in managers to seek further explanations and assurances that the non-compliance issues will be rectified. In 2010/11, two non-compliant contracts were referred to Committee. One of the contracts is currently out to tender and the Committee has asked for updates to outline compliance with procurement procedures to be provided at its meetings.

o The Committee called in managers to request further assurance on the improvements being made to the internal controls around pre-employment checks. Human Resources management outlined the department's progress on recommendations. A system has already been put in place for pre-employment checks on new starters and HR are planning checks on current employees to start in July 2011. This will be completed by March 2012 and Committee will be provided with a quarterly report on the work.

o The audit of risk management highlighted that the control environment required improvement. The audit identified that operational risk registers were omitted from the business plans for 2010/11. All 2011/12 business plans have to include a register detailing the significant risks facing the service and the proposed mitigating actions.

o Regular updates on the Governance Action plan demonstrated that progress was being made in a number of areas, but slippage was occurring in others. The Governance Working Group's key priority for 2011/12 is to drive forward the improvements outlined in the action plan.

Issues reported to Standards Committee

The Standards Committee considers governance issues as part of its work programme. There were no issues raised that require reporting in this statement.

## 5. Certification

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year with the exception of those areas identified in section 4. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

| | |
|---|---|
| Philip Hickson JP | Adam Wilkinson |
| Leader of the Council | Chief Executive |

**Statement of Responsibilities**

**The Authority's Responsibilities:**

The Authority is required:

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

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

(3) To approve the Statement of Accounts.

The Accounts were approved by the Audit and Accounts Committee on 29 September 2011.

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 Code).

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 Code of Practice

The Strategic Director of Resources has s 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: ________________________________________

Roger Kershaw - Strategic Director of Resources

Date: ________________________________________

## Audit Opinion

**TO BE ADDED**

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

All figures relating to 2009/10 have been restated on conversion from UK GAAP to IFRS. An analysis of this restatement is included in Note 1 to these accounts.

| | General Fund Balance £000 | Earmarked General Fund Reserves £000 | Housing Revenue Account £000 | Earmarked HRA Reserves £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Council Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2009** | **(12,079)** | **(51,208)** | **(17,069)** | **(2,604)** | **(11,117)** | **(716)** | **(21,891)** | **(116,684)** | **(559,753)** | **(676,437)** |
| **Movement in reserves during 2009/10** | | | | | | | | | | |
| (Surplus) or deficit on the provision of services | 13,288 | 0 | (20,980) | 0 | 0 | 0 | 0 | **(7,692)** | 0 | **(7,692)** |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 79,560 | **79,560** |
| **Total Comprehensive Income and Expenditure** | **13,288** | **0** | **(20,980)** | **0** | **0** | **0** | **0** | **(7,692)** | **79,560** | **71,868** |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | (15,290) | 0 | 16,271 | 0 | 3,310 | (324) | 3,000 | **6,967** | (6,967) | **0** |
| **Net (Increase)/ Decrease before Transfers to Earmarked Reserves** | **(2,002)** | **0** | **(4,709)** | **0** | **3,310** | **(324)** | **3,000** | **(725)** | **72,593** | **71,868** |
| Transfers (to)/from Earmarked Reserves (Note 33) | 1,957 | (5,328) | 3,802 | (19) | 0 | 0 | 0 | **412** | (412) | **0** |
| **(Increase)/ Decrease in 2009/10** | **(45)** | **(5,328)** | **(907)** | **(19)** | **3,310** | **(324)** | **3,000** | **(313)** | **72,181** | **71,868** |
| **Balance at 31 March 2010 carried forward** | **(12,124)** | **(56,536)** | **(17,976)** | **(2,623)** | **(7,807)** | **(1,040)** | **(18,891)** | **(116,997)** | **(487,572)** | **(604,569)** |

| | General Fund Balance £000 | Earmarked General Fund Reserves £000 | Housing Revenue Account £000 | Earmarked HRA Reserves £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Council Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2010 brought forward** | **(12,124)** | **(56,536)** | **(17,976)** | **(2,623)** | **(7,807)** | **(1,040)** | **(18,891)** | **(116,997)** | **(487,572)** | **(604,569)** |
| | | | | | | | | | | |
| **Movement in Reserves during 2010/11** | | | | | | | | | | |
| (Surplus) or deficit on the provision of services | (28,971) | 0 | 171,283 | 0 | 0 | 0 | 0 | **142,312** | 0 | **142,312** |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | (95,647) | **(95,647)** |
| **Total Comprehensive Income and Expenditure** | **(28,971)** | **0** | **171,283** | **0** | **0** | **0** | **0** | **142,312** | **(95,647)** | **46,665** |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | 33,848 | 0 | (170,669) | 0 | 1,932 | (930) | (3,687) | **(139,506)** | 139,506 | **0** |
| **Net (Increase)/ Decrease before Transfers to Earmarked Reserves** | **4,877** | **0** | **614** | **0** | **1,932** | **(930)** | **(3,687)** | **2,806** | **43,859** | **46,665** |
| Transfers (to)/from Earmarked Reserves (Note 33) | (5,052) | 8,342 | 51 | (101) | (58) | 0 | 0 | **3,182** | (3,182) | **0** |
| **(Increase)/ Decrease in 2010/11** | **(175)** | **8,342** | **665** | **(101)** | **1,874** | **(930)** | **(3,687)** | **5,988** | **40,677** | **46,665** |
| | | | | | | | | | | |
| **Balance at 31 March 2011 carried forward** | **(12,299)** | **(48,194)** | **(17,311)** | **(2,724)** | **(5,933)** | **(1,970)** | **(22,578)** | **(111,009)** | **(446,895)** | **(557,904)** |

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

| 2009/10 (restated under IFRS - Note 1) | | | | 2010/11 | | |
|---|---|---|---|---|---|---|
| **Gross Expenditure £000** | **Gross Income £000** | **Net Expenditure £000** | | **Gross Expenditure £000** | **Gross Income £000** | **Net Expenditure £000** |
| 32,421 | (29,915) | 2,506 | Central services to the public | 35,676 | (24,783) | 10,893 |
| 135,812 | (89,456) | 46,356 | Cultural, environmental, regulatory and planning services | 117,028 | (62,920) | 54,108 |
| 322,864 | (237,480) | 85,384 | Education and children's services | 343,592 | (263,818) | 79,774 |
| 36,426 | (15,501) | 20,925 | Highways and transport services | 36,839 | (17,957) | 18,882 |
| 17,684 | (45,370) | (27,686) | Local authority housing (HRA) | 209,502 | (44,448) | 165,054 |
| 115,426 | (106,056) | 9,370 | Other housing services | 113,609 | (92,574) | 21,035 |
| 83,090 | (27,273) | 55,817 | Adult social care | 94,788 | (36,852) | 57,936 |
| 12,604 | (6,474) | 6,130 | Corporate and democratic core | 14,744 | (6,223) | 8,521 |
| 201 | 0 | 201 | Non distributed costs | 0 | (44,893) | (44,893) |
| **756,528** | **(557,525)** | **199,003** | **Cost of Services** | **965,778** | **(594,468)** | **371,310** |
| | | 1,553 | Other operating expenditure (Note 9) | | | 11,049 |
| | | 32,331 | Financing and investment income and expenditure (Note 10) | | | 26,742 |
| | | (240,579) | Taxation and non-specific grant income (Note 11) | | | (266,789) |
| | | **(7,692)** | **(Surplus) or Deficit on Provision of Services** | | | **142,312** |
| | | (9,135) | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets | | | (54,446) |
| | | 84,320 | Actuarial (gains)/ losses on pension assets/ | | | (41,986) |
| | | 4,375 | Restatement of Fixed Assets | | | 785 |
| | | **79,560** | **Other Comprehensive (Income) and Expenditure** | | | **(95,647)** |
| | | **71,868** | **Total Comprehensive (Income) and Expenditure** | | | **46,665** |

## Balance Sheet

The Balance Sheet summarises the Council's financial position at 31 March each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. As local authorities do not have equity, the bottom half is comprised of reserves that show the disposition of the Council's net worth, falling into two categories; Usable Reserves and Unusable Reserves.

| 1 April 2009 £000 | 31 March 2010 £000 | | Notes | 31 March 2011 £000 |
|---|---|---|---|---|
| Restated under IFRS (note 1) | | | | |
| 1,193,600 | 1,214,495 | Property, Plant & Equipment | 18 | 1,096,407 |
| 2,719 | 2,895 | Investment Property | 19 | 2,932 |
| 116 | 164 | Intangible Assets | 20 | 137 |
| 22,139 | 3,360 | Long Term Investments | 24 | 0 |
| 6,717 | 7,024 | Long Term Debtors | 27b | 8,806 |
| **1,225,291** | **1,227,938** | **Long Terms Assets** | | **1,108,282** |
| 62,868 | 27,920 | Short Term Investments | 24 | 3,767 |
| 2,904 | 5,327 | Assets Held for Sale | 26 | 5,497 |
| 1,144 | 1,188 | Inventories | 28 | 592 |
| 35,849 | 49,506 | Short Term Debtors | 27a | 48,064 |
| 49,749 | 29,259 | Cash and Cash Equivalents | 29 | 66,986 |
| **152,514** | **113,200** | **Current Assets** | | **124,906** |
| (8,969) | (7,951) | Bank Overdrafts | 29 | (8,350) |
| (11,102) | (7,091) | Short Term Borrowing | 24 | 0 |
| (2,519) | (2,358) | Short Term Finance Lease Liabilities | 22/23 | (2,679) |
| (47,453) | (61,527) | Short Term Creditors | 30 | (73,773) |
| (1,126) | (1,970) | Provisions | 32 | (4,034) |
| **(71,169)** | **(80,897)** | **Current Liabilities** | | **(88,836)** |
| (39,844) | (42,669) | Long Term Finance Lease Liabilities | 22/23 | (44,661) |
| (735) | (710) | Provisions | 32 | (627) |
| (335,488) | (260,930) | Long Term Borrowing | 24 | (267,901) |
| (241,859) | (331,641) | Other Long Term Liabilities | 31 | (252,668) |
| (12,273) | (19,722) | Capital Grants Receipts in Advance | 14 | (20,591) |
| **(630,199)** | **(655,672)** | **Long Term Liabilities** | | **(586,448)** |
| **676,437** | **604,569** | **Net Assets** | | **557,904** |
| (116,684) | (116,997) | Usable Reserves | 34 | (111,009) |
| (559,753) | (487,572) | Unusable Reserves | 35 | (446,895) |
| **(676,437)** | **(604,569)** | **Total Reserves** | | **(557,904)** |

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

| **2009/10 (restated) £000** | | **2010/11 £000** |
|---:|---|---:|
| (14,263) | Net (surplus) or deficit on the provision of services | 142,312 |
| (10,793) | Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 45) | (185,851) |
| (7,106) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 46) | (6,087) |
| **(32,162)** | Net cash flows from Operating Activities | **(49,626)** |
| (38,539) | Investing Activities (Note 48) | 1,905 |
| 90,173 | Financing Activities (Note 49) | 10,393 |
| **19,472** | Net (increase) or decrease in cash and cash equivalents | **(37,328)** |
| 40,780 | Cash and cash equivalents at the beginning of the reporting period | 21,308 |
| **21,308** | **Cash and cash equivalents at the end of the reporting period (Note 29)** | **58,636** |

## 1. Explanation of Conversion from UK GAAP to International Financial Reporting Standards

**2008/09 BALANCE SHEET**

| | 2008/09 UK GAAP Accounts £000 | Adjustments for Conversion: Employee Benefits £000 | Cash & Cash Equivs £000 | Govt Grants £000 | PPE £000 | Leases £000 | Other £000 | Restated 2008/09 Accounts for IFRS £000 |
|---|---|---|---|---|---|---|---|---|
| **Long-term Assets** | | | | | | | | |
| Property, Plant and Equipment | 1,127,110 | | | | 65,558 | 944 | (12) | 1,193,600 |
| Investment Property | 15,511 | | | | (12,793) | | 1 | 2,719 |
| Other Long-term Assets | 27,426 | | | | | 1,546 | | 28,972 |
| Total Long-term Assets | 1,170,047 | 0 | 0 | 0 | 52,765 | 2,490 | (11) | 1,225,291 |
| **Current Assets** | | | | | | | | |
| Short-term Investments | 109,943 | | (47,075) | | | | | 62,868 |
| Cash and Cash Equivalents | 2,674 | | 47,075 | | | | | 49,749 |
| Assets Held for Sale | 0 | | | | 2,904 | | | 2,904 |
| Other Current Assets | 36,993 | | | | | | | 36,993 |
| Total Current Assets | 149,610 | 0 | 0 | 0 | 2,904 | 0 | 0 | 152,514 |
| **Current Liabilities** | | | | | | | | |
| Short-term Borrowing | 0 | | | | | | (11,102) | (11,102) |
| Short-term Creditors | (54,645) | (3,910) | | | | | 11,102 | (47,453) |
| Other Current Liabilities | (11,488) | | | | | | (1,126) | (12,614) |
| Total Current Liabilities | (66,133) | (3,910) | 0 | 0 | 0 | 0 | (1,126) | (71,169) |
| **Long-term Liabilities** | | | | | | | | |
| Government Grants Unapplied and Deferred | (127,704) | | | 127,704 | | | | 0 |
| Capital Grants Receipts in Advance | 0 | | | (12,273) | | | | (12,273) |
| Finance Lease Due Over One Year | (37,412) | | | | | (2,432) | | (39,844) |
| Other Long-term Liabilities | (579,338) | | | | | 130 | 1,126 | (578,082) |
| Total Long-term Liabilities | (744,454) | 0 | 0 | 115,431 | 0 | (2,302) | 1,126 | (630,199) |
| **NET ASSETS** | **509,070** | **(3,910)** | **0** | **115,431** | **55,669** | **188** | **(11)** | **676,437** |
| **Usable Reserves** | | | | | | | | |
| Capital Grants Unapplied Reserve | 0 | | | (21,891) | | | | (21,891) |
| Other Usable Reserves | (94,793) | | | | | | | (94,793) |
| **Unusable Reserves** | | | | | | | | |
| Revaluation Reserve | (33,466) | | | | (62,400) | 22 | | (95,844) |
| Capital Adjustment Account | (579,256) | | | (93,540) | 6,731 | 1,316 | 11 | (664,738) |
| Deferred Capital Receipts Reserve | (111) | | | | | (1,526) | | (1,637) |
| Accumulated Absences Account | 0 | 3,910 | | | | | | 3,910 |
| Other Unusable Reserves | 198,556 | | | | | | | 198,556 |
| **TOTAL RESERVES** | **(509,070)** | **3,910** | **0** | **(115,431)** | **(55,669)** | **(188)** | **11** | **(676,437)** |

**2009/10 BALANCE SHEET**

| | | Adjustments for Conversion | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2009/10 UK GAAP Accounts £000 | Employee Benefits £000 | Cash & Cash Equivs £000 | Govt Grants £000 | PPE £000 | Leases £000 | Other £000 | Restated 2009/10 Accounts for IFRS £000 |
| **Long-term Assets** | | | | | | | | |
| Property, Plant and Equipment | 1,136,380 | | | | 77,430 | 696 | (11) | 1,214,495 |
| Investment Property | 38,350 | | | | (35,455) | | | 2,895 |
| Other Long-term Assets | 9,006 | | | | | 1,542 | | 10,548 |
| Total Long-term Assets | 1,183,736 | 0 | 0 | 0 | 41,975 | 2,238 | (11) | 1,227,938 |
| **Current Assets** | | | | | | | | |
| Short-term Investments | 54,011 | | (26,091) | | | | | 27,920 |
| Cash and Cash Equivalents | 3,168 | | 26,091 | | | | | 29,259 |
| Assets Held for Sale | 0 | | | | 5,327 | | | 5,327 |
| Other Current Assets | 50,694 | | | | | | | 50,694 |
| Total Current Assets | 107,873 | 0 | 0 | 0 | 5,327 | 0 | 0 | 113,200 |
| **Current Liabilities** | | | | | | | | |
| Short-term Borrowing | 0 | | | | | | (7,091) | (7,091) |
| Short-term Creditors | (64,077) | (4,541) | | | | | 7,091 | (61,527) |
| Other Current Liabilities | (10,309) | | | | | | (1,970) | (12,279) |
| Total Current Liabilities | (74,386) | (4,541) | 0 | 0 | 0 | 0 | (1,970) | (80,897) |
| **Long-term Liabilities** | | | | | | | | |
| Government Grants Unapplied and Deferred | (151,617) | | | 151,617 | | | | 0 |
| Capital Grants Receipts in Advance | 0 | | | (19,722) | | | | (19,722) |
| Finance Lease Due Over One Year | (40,608) | | | | | (2,061) | | (42,669) |
| Other Long-term Liabilities | (594,851) | | | | | 122 | 1,448 | (593,281) |
| Total Long-term Liabilities | (787,076) | 0 | 0 | 131,895 | 0 | (1,939) | 1,448 | (655,672) |
| **NET ASSETS** | **430,147** | **(4,541)** | **0** | **131,895** | **47,302** | **299** | **(533)** | **604,569** |
| **Usable Reserves** | | | | | | | | |
| Capital Grants Unapplied Reserve | 0 | | | (18,890) | | | | (18,890) |
| Revenue Earmarked Reserves | (53,590) | | | | | | 522 | (53,068) |
| Other Usable Reserves | (45,040) | | | | | | | (45,040) |
| **Unusable Reserves** | | | | | | | | |
| Revaluation Reserve | (60,269) | | | | (41,317) | 22 | | (101,564) |
| Capital Adjustment Account | (561,124) | | | (113,005) | (5,985) | 1,201 | 11 | (678,902) |
| Deferred Capital Receipts Reserve | (96) | | | | | (1,522) | | (1,618) |
| Accumulated Absences Account | 0 | 4,541 | | | | | | 4,541 |
| Other Unusable Reserves | 289,972 | | | | | | | 289,972 |
| **TOTAL RESERVES** | **(430,147)** | **4,541** | **0** | **(131,895)** | **(47,302)** | **(299)** | **533** | **(604,569)** |

**2009/10 INCOME & EXPENDITURE ACCOUNT**

| | 2009/10 UK GAAP Accounts £000 | Employee Benefits £000 | Govt Grants £000 | PPE £000 | Leases £000 | Other £000 | Restated 2009/10 Accounts for IFRS £000 |
|---|---|---|---|---|---|---|---|
| Central services to the public | 717 | 34 | | 1,386 | (154) | 523 | 2,506 |
| Cultural, environmental, regulatory and planning services | 43,163 | (12) | 3,147 | 89 | (31) | | 46,356 |
| Education and children's services | 70,065 | 632 | 10,050 | 4,640 | (3) | | 85,384 |
| Highways and transport services | 20,486 | (1) | 467 | (27) | | | 20,925 |
| Local authority housing (HRA) | (5,389) | 0 | 9,644 | (31,978) | 37 | | (27,686) |
| Other housing services | 6,032 | (4) | (3,611) | 6,942 | 11 | | 9,370 |
| Adult social care | 55,167 | (19) | 720 | (38) | (13) | | 55,817 |
| Corporate and democratic core | 6,080 | 2 | 48 | | | | 6,130 |
| Non distributed costs | 201 | | | | | | 201 |
| **Cost of Services** | **196,522** | **632** | **20,465** | **(18,986)** | **(153)** | **523** | **199,003** |
| Other operating expenditure | 1553 | | | | | | 1,553 |
| Financing and investment income and expenditure | 32904 | | | (615) | 42 | | 32,331 |
| Surplus or deficit of discontinued operations | 0 | | | | | | 0 |
| Taxation and non-specific grant income | (203,649) | | (36,930) | | | | (240,579) |
| **(Surplus) or Deficit on Provision of Services** | **27,330** | **632** | **(16,465)** | **(19,601)** | **(111)** | **523** | **(7,692)** |
| Surplus or deficit or revaluation of Property, Plant and Equipment assets | (36,989) | 0 | 0 | 27,854 | 0 | 0 | (9,135) |
| Actuarial gains/losses on pension assets/liabilities | 84,320 | 0 | 0 | 0 | 0 | 0 | 84,320 |
| Restatement of Fixed Assets | 4,262 | 0 | 0 | 113 | 0 | 0 | 4,375 |
| **Other Comprehensive Income and Expenditure** | **51,593** | **0** | **0** | **27,967** | **0** | **0** | **79,560** |
| **Total Comprehensive Income and Expenditure** | **78,923** | **632** | **(16,465)** | **8,366** | **(111)** | **523** | **71,868** |

## 2. Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a going concern basis.

### ii. 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 particular:

1) Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser; it is probable that economic benefits or service potential with the transaction will flow to the Council; and the amount of revenue can be measured reliably.

2) Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

3) Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

4) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

5) Interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

6) Where revenue 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

## v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## vi. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by a contribution in the General Fund Balance (Minimum Revenue Provision - MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## vii. Employee Benefits

### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council.
An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. untaken flexi leave) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefits. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

## Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

1) The Teacher's Pension Scheme, administered by Capita Teacher's Pensions on behalf of the Department for Education (DfE).

2) The Local Government Pensions Scheme, administered by Derbyshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teacher's scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children and Young People's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teacher's Pensions in the year.

### The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the Derbyshire County Council pension fund attributable to the Council 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 prices, using a discount rate in 2010/11 of 5.5%.

The assets of Derbyshire County Council pension fund attributable to the Council 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 value.

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

1) Current Service Cost - the increases in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

2) Past Service Cost - the increase in liabilities arising from current year decisions whose effect relates to years of service in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

3) 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

4) 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 returns - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

5) Gains and 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 or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

6) 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 Pensions Reserve.

7) Contributions paid to the Derbyshire County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

**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.

## viii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

1) Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.

2) Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## ix. Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or 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 Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustments Account in the Movement in Reserves Statement.

**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 recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement 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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 is credited to the Comprehensive Income and Expenditure Statement 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 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 Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

## x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferrer.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**Area Based Grant**

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

**Business Improvement Districts**

The Council acts as an agent for the Cathedral Quarter Business Improvement District (BID) Company. The only amounts recognised in the Council's Comprehensive Income and Expenditure Statement for the BID scheme are contributions made by the Council and BID levy collection costs and shown within the relevant service line(s) of the Cost of Services section.

## xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licenses) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential be being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceed greater than £10,000) the Capital Receipts Reserve.

## xii. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries associates and jointly controlled entities 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.

## xiii Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using either an average cost or first in first out (FIFO) costing formula, depending on which method is most appropriate.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## xiv. Investment Property

Investment properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services of production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## xv. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of if its interest in the joint venture and income that it earns from the venture.

## xvi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## xvii. The Council as Lessee

### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied in writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:
- a charge for the acquisition of the interest in the property, plant or equipment applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment assets recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leaded assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

## xviii. The Council as Lessor

### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by Statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## xix. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (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 received, with the exception of:

1. Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.

2. Non Distributed Costs - the cost of discretionary benefits awarded to the employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## xx. Property, Plant and Equipment

Assets that have physical substance and are held for use in production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

In accordance with the Code of Practice 2010, Property, Plant and Equipment assets are only recognised if it is probable that future economic benefits or service potential associated with the item will flow to the Council. The PPE assets of the Council’s Community, Voluntary Controlled and Foundation schools are considered to meet the IFRS definition for recognition and are included in the Council’s balance sheet. As Voluntary Aided and Academy schools are not owned or fully funded by the Council, they are not considered to meet the recognition criteria and are therefore not included in the Council's Balance Sheet.

Where the Council incurs capital spend on or revalues any property, plant and equipment this will be reviewed to determine whether there are any material components. An identifiable component within a main asset (e.g. a lift within a building) will be recognised separately and accounted for like any other piece of property, plant and equipment. The Council will only review material components where the main asset has a gross book value of £3 million or greater. Individual components will only be recognised where they represent a significant proportion (25% or greater) of the main asset.

**Measurement**

Assets are initially measured at cost, comprising:

1. The purchase price
2. Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
3. Where relevant, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Infrastructure, community assets and assets under construction - depreciated historical cost
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUVSH)
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reverse or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.  Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reverse or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is not charged in the year of aquisition but is applied in the year of disposal.

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Valuer (usually 50 years)

- Vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (usually between 3 and 20 years)
- Infrastructure - straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

**Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not be classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can only then 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 General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## xxi. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment 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 property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on is Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. 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.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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 Comprehensive Income and Expenditure Statement.
- Finance cost - an interest charge of 5.21% - 5.31% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

## xxii. Provisions, Contingent Liabilities and Contingents Assets

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate an be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement that anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

**Contingent Liabilities**

A contingent liability arises where an event has taken place that give the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstance where a provision would otherwise be made but either is not probable than an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

**Contingent Assets**

A contingent asset arises where an event has taken place that give the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet, but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## xxiii. Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and do not represent usable resources for the Council - these unusable reserves are explained in the relevant policies.

## xxiv. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions, but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account, then reverses out the amounts charged, so that there is no impact on the level of council tax.

## xxv. Accounting for Local Government Schools

The treatment of land and buildings for each type of school is based on the legal framework underlying each type of school. The Council controls the management and running of community, special and voluntary controlled schools and therefore the land and buildings of those schools are separately shown on the Council's balance sheet. The land and buildings of foundation schools are shown on the balance sheet of the Council as the Council fully funds the school and is responsible for financial reporting. The land and buildings of voluntary aided schools are owned and controlled by the trustees of the schools and are therefore not shown on the Council's balance sheet.

Capital expenditure on community, special, foundation and voluntary controlled schools is added to the balances for those schools. Capital expenditure on voluntary aided schools is treated as "REFCUS" (Revenue from Capital under Statute") expenditure and written off each year to the Comprehensive Income and Expenditure Statement within Education and Children's services.

The Dedicated Schools Grant is allocated between central Council Budget and budgets allocated to individual schools ("delegated school budgets"). Expenditure from central Council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under Education and Children's services.

Individual schools' balances at 31st March 2011 are included in the balance sheet of the Council as any unspent delegated schools budgets remain the property of the Council.

<u>PFI Schemes</u>

The Council has a number of schools subject to PFI contracts. The PFI buildings for community, foundation and voluntary controlled schools are shown on the Council's balance sheet.

The PFI liabilities in respect of all PFI schools remain on the Council's balance sheet as the Council is the party to the contract with the PFI Operator.

## xxvi. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 3. Accounting Standards that have been issued but have not yet been adopted

**FRS 30: Heritage Assets**

The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 introduces a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be fully adopted in the 2011/12 Statement of Accounts.

The Council is required to disclose information relating to the estimated impact of the accounting change on the Statement of Accounts as a result of the adoption of the new standard that has been issued but is not yet required to be adopted by the Council.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. Most of the heritage assets held by the Council are included in the collections of assets and artefacts either exhibited or stored in Council Museums and Art Galleries. The principal collections of heritage assets held by the Council include:

- ceramics and porcelain
- art collection, including Joseph Wright collection
- industrial collection
- archaeological/ethnology collection
- natural history collection
- civic regalia.

The Council keeps detailed records on each asset including insurance valuation information, however, these collections are not currently recognised in the Statement of Accounts as no information is available on the cost of these assets. The Code requires that heritage assets are measured at valuation in the 2011/12 Statement of Accounts (including 2010/11 comparative information).

The Council anticipates that it will be able to recognise the majority of its heritage asset collections on the Balance Sheet from 2011/12 using as its base the detailed insurance valuations held by the Council in respect of these collections. However, where valuations are not available and the cost of obtaining valuations would be disproportionate to the benefits to the users of the Statement of Accounts, the assets will not be recognised on the Balance Sheet, as permitted by the 2011/12 code.

The Council estimates that the value of its heritage assets from its insurance records is £48.9m as at 31 March 2009. It is estimated therefore that the total value of heritage assets to be recognised in the Balance Sheet at 1 April 2011 (subject to new insurance valuations becoming available) will be £48.9 million. This will result in a total revaluation gain recognised in the Revaluation Reserve of £48.9 million.

The Council considers that the heritage assets held by the Council have indeterminate lives and a high residual value. Therefore, the Council does not consider it appropriate to charge depreciation for the assets. There will, therefore, be no change to the depreciation charged in the Statement of Accounts in relation to the Council's heritage assets.

**IFRS 9: Financial Instruments**

The IASB has announced an Exposure Draft which proposes to delay the effective day of IFRS 9 Financial Instruments until periods commencing on or after 1 January 2015. The current version of IFRS 9 has an effective date of 1 January 2013.

## 4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 2, the Council has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of Accounts are:

1) Government Funding:
There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

2) PFI Schemes:
The Council has two PFI schemes in operation which are included within the Statement of Accounts. In both cases, judgements have been made about the nature and timing of future project expenditure given the complexity of both projects. The actual profiling of future project costs may be subject to change due to unforeseen circumstances.

3) Provisions:
The Council has set aside provisions totalling £4.661m in 2010/11. These provisions include amounts for third party public and employee liability claims, identified redundancy and retirement costs, and anticipated repayment of Housing Benefit subsidy following audit. In each case, the Council has estimated the likely liability based on the most up to date information available. Further details of the Council's provisions are included in Note 32.

4) Contingent Liabilities:
The Council has identified four contingent liabilities for the 2010/11 year. In each case, the estimated level of uncertainty means that no transactions have been included within these accounts. Further details are included in Note 43.

5) Leases:
The Council has a number of leases, both as a lessee and lessor, which have been classified within the Accounts as being either finance or operating leases. A number of criteria have been used to form a judgement on the classification of each lease, including assessing whether the net present value of lease payments/rental income amounts to substantially all of the fair value of the leased asset and whether the lease term is for the major part of the economic life of the asset. Further details of the Council's leases are included in Note 22.

6) Investment Properties:
The Council holds a number of fixed assets for investment purposes. These are defined as assets which are held by the Council solely to earn rentals or for capital appreciation or both. If any asset is held for these reasons but also for any additional purpose, then they have not been classified as investments. Assessment of the uses of assets has been carried out by the Council's Valuers. Further details of the Council's investment properties are included in Note 19.

7) Componentisation of Property, Plant and Equipment
The Code of Practice on Local Authority Accounting 2010 requires that the Council depreciates separately any part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item.
In order to identify any such significant components, the Council has made a number of assumptions with regards to materiality and the proportion of the cost of the overall asset made up by the individual components. A materiality threshold of £3m for individual assets, and 25% for significant components were established based on the materiality of potential movement in depreciation.
Council Property Officers have applied professional judgement in determining the components which need to be separated, based on estimated cost and asset lives. Where historic component information is not available, professional judgement has also been applied in forming reasonable assumptions for significance and estimated cost.

8) Valuation of Council Dwellings
The fair value of Council Dwellings are measured to their Existing Use Value as Social Housing (EUV-SH) using the Beacon method. Under this method, the Council's valuers split Council Dwellings into Asset groups of properties which have value-relevant uniting features, such as location, type, number of bedrooms, construction and age. Each Asset Group is then represented by a representative Beacon property , which are valued to EUV-SH in accordance with DCLG guidelines.

9) Residual Values of Property, Plant and Equipment
The residual values of assets classified as PPE are calculated by the Council's valuers by determining the underlying value of the land element of the asset. The fair value of the asset is established as described in IAS 16 with the land and building elements being separately considered. The residual values are calculated by direct comparison to relevant comparable evidence appropriate to the land element of the individual asset.

## 5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumption and estimates. The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| Property, Plant and Equipment - Depreciation | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for the 'Other land & buildings' category would increase by £0.238 million for every year that useful lives had to be reduced. Further details regarding the level of depreciation recognised by the Council is included in Note 18. |
| Property, Plant and Equipment - Valuation | The Council's portfolio of Other Land and Buildings is revalued as part of a 5 year rolling programme. The value of those assets is based upon calculations and estimation techniques employed by the Council's Valuers following the Royal Institute of Chartered Surveyors (RICS) guidance. Changes in asset values are largely influenced by market forces which can be volatile. Therefore it is uncertain that the Council's assets will not see a significant change in value. | Any revaluation of assets either upward or downward would be reflected in the Council's asset base. It is estimated that a 1% change in asset values would result in a change of £5.831 million. |
| Provisions | The Council has made a provision of £2.982 million for the likely repayment of subsidy from the Council's 2008/09 and 2009/10 Housing Benefit Grant and for the probable repayment of reward funding in the 2010/11 Housing Benefit claim. The final value of any repayments will be derived from the results of the external audit of each claim. The audit of the 2010/11 claim is ongoing and therefore the final value of any resulting repayment may vary from the provision made. | An increase/decrease over the forthcoming year of 10% of the 2010/11 claim repayment value would have the effect of increasing or decreasing by £50,000 the provision needed. Whilst this sum is not material in the context of the overall spend of the Council it is an area of particular risk to the Council and will be closely monitored during 2011/12. |

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. | The effects on the Council's pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £26.643 million. However, the assumptions interact in complex ways. During 2010/11 the Council's actuaries advised that the net pensions liability had decreased by £44.754 million as a result of estimates being corrected as a result of experience. |
| Arrears | At 31 March 2011, the Council had a balance of short-term debtors for £58.610 million. The Council has applied an impairment of doubtful debts of £10.546 million based on age of debt and historic experience of rates of recovery. However, in the current economic climate it is not certain that such an allowance would be sufficient. | If collection rates were to deteriorate a 10% increase in the number of bad and doubtful debts would require an additional £1.055 million to be set aside as an allowance. |
| Compensated Absences | The Council has estimated the value of accrued annual leave and flexi leave at 31 March 2011 at £4.284 million. Circumstances may subsequently arise which alter the intended leave period that the employee actually takes. | Excluding the estimated value of accrued annual leave for Teachers, if the levels of annual leave and flexi leave carried forward increased by 10% the Council would require an additional £0.07 million to be set aside as an allowance. |

## 6. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Audit and Accounts Committee on 29 September 2011. Events taking place after this date are not reflected in the financial statements or notes.

The Council is not aware of any events that occurred between the 31 March 2011 and this authorisation date , which would require disclosure.

## 7. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by the statutory provisions as being available to the Council to meet future capital and revenue expenditure.

| 2010/11 | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | **General Fund Balance £000** | **Housing Revenue Account £000** | **Capital Receipts Reserve £000** | **Major Repairs Reserve £000** | **Capital Grants Unapplied £000** | **Movement in Unusable Reserves £000** |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non-current assets | (30,909) | (20,980) | 0 | 0 | 0 | 51,889 |
| Revaluation losses on Property Plant and Equipment | (10,030) | (161,171) | 0 | 0 | 0 | 171,201 |
| Revaluation gains matched to prior years impairments | 93 | 0 | 0 | 0 | 0 | (93) |
| Movements in the market value of Investment Properties | 37 | 0 | 0 | 0 | 0 | (37) |
| Amortisation of intangible assets | (79) | 0 | 0 | 0 | 0 | 79 |
| Capital grants and contributions applied | 31,481 | 1,689 | 0 | 0 | 0 | (33,170) |
| Revenue expenditure funded from capital under statute | (10,245) | 0 | 0 | 0 | 0 | 10,245 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (11,752) | (245) | 0 | 0 | 0 | 11,997 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 11,535 | 0 | 0 | 0 | 0 | (11,535) |
| Capital expenditure charged against the General Fund and HRA balances | 1,637 | 2,801 | 0 | 0 | 0 | (4,438) |
| Adjustments for Transferred Debt | 1,393 | 79 | 0 | 0 | 0 | (1,472) |

| 2010/11 | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | **General Fund Balance £000** | **Housing Revenue Account £000** | **Capital Receipts Reserve £000** | **Major Repairs Reserve £000** | **Capital Grants Unapplied £000** | **Movement in Unusable Reserves £000** |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 13,936 | 164 | 0 | 0 | (14,100) | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | 0 | 0 | 10,413 | (10,413) |
| Adjustment primarily involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 1,809 | 0 | (1,809) | 0 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 3,661 | 0 | 0 | (3,661) |
| Use of Capital Receipts Reserve towards administrative costs of non-current capital receipts pool | (797) | 0 | 797 | 0 | 0 | 0 |
| Transfer from deferred capital receipts reserve upon receipt of cash | 0 | 0 | (717) | 0 | 0 | 717 |
| Adjustments primarily involving the deferred capital receipts reserve | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (59) | 0 | 0 | 0 | 0 | 59 |
| Adjustment primarily involving the Major Repair Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | 0 | 7,101 | 0 | (7,101) | 0 | 0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | 6,171 | 0 | (6,171) |

| 2010/11 | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | **General Fund Balance £000** | **Housing Revenue Account £000** | **Capital Receipts Reserve £000** | **Major Repairs Reserve £000** | **Capital Grants Unapplied £000** | **Movement in Unusable Reserves £000** |
| Adjustment primarily involving the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 937 | (128) | 0 | 0 | 0 | (809) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 13,387 | (512) | 0 | 0 | 0 | (12,875) |
| Employers pensions contributions and direct payments to pensioners payable in the year | 21,957 | 533 | 0 | 0 | 0 | (22,490) |
| Adjustable primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (740) | 0 | 0 | 0 | 0 | 740 |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 257 | 0 | 0 | 0 | 0 | (257) |
| Total Adjustments | 33,848 | (170,669) | 1,932 | (930) | (3,687) | 139,506 |

| 2009/10 Comparative Figures | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | **General Fund Balance £000** | **Housing Revenue Account £000** | **Capital Receipts Reserve £000** | **Major Repairs Reserve £000** | **Capital Grants Unapplied £000** | **Movement in Unusable Reserves £000** |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non-current assets | (38,022) | (10,645) | 0 | 0 | 0 | 48,667 |
| Revaluation losses on Property Plant and Equipment | (6,938) | (7,924) | 0 | 0 | 0 | 14,862 |
| Revaluation gains matched to prior years impairments | 978 | 25,192 | 0 | 0 | 0 | (26,170) |
| Movements in the market value of Investment Properties | 380 | 0 | 0 | 0 | 0 | (380) |
| Amortisation of intangible assets | (91) | 0 | 0 | 0 | 0 | 91 |
| Capital grants and contributions applied | 26,933 | 283 | 0 | 0 | 0 | (27,216) |
| Revenue expenditure funded from capital under statute | (17,541) | (710) | 0 | 0 | 0 | 18,251 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (380) | 7 | 0 | 0 | 0 | 373 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 10,512 | 0 | 0 | 0 | 0 | (10,512) |
| Capital expenditure charged against the General Fund and HRA balances | 4,795 | 1,159 | 0 | 0 | 0 | (5,954) |
| Adjustments for Transferred Debt | 1,442 | 320 | 0 | 0 | 0 | (1,762) |
| Adjustments primarily involving the Capital grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 11,737 | 607 | 0 | 0 | (12,344) | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | 0 | 0 | 15,344 | (15,344) |

| 2009/10 Comparative Figures | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | **General Fund Balance £000** | **Housing Revenue Account £000** | **Capital Receipts Reserve £000** | **Major Repairs Reserve £000** | **Capital Grants Unapplied £000** | **Movement in Unusable Reserves £000** |
| Adjustment primarily involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0 | 0 | (1,914) | 0 | 0 | 1,914 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 4,044 | 0 | 0 | (4,044) |
| Use of Capital Receipts Reserve towards administrative costs of non-current capital receipts pool | (1,180) | 0 | 1,180 | 0 | 0 | 0 |
| Transfer from deferred capital receipts reserve upon receipt of cash | (19) | 0 | 0 | 0 | 0 | 19 |
| Adjustment primarily involving the Major Repair Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | 0 | 7,814 | 0 | (7,814) | 0 | 0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | 7,490 | 0 | (7,490) |
| Adjustment primarily involving the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 24 | (43) | 0 | 0 | 0 | 19 |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47) | (29,998) | (322) | 0 | 0 | 0 | 30,320 |

| 2009/10 Comparative Figures | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | **General Fund Balance £000** | **Housing Revenue Account £000** | **Capital Receipts Reserve £000** | **Major Repairs Reserve £000** | **Capital Grants Unapplied £000** | **Movement in Unusable Reserves £000** |
| Employers pensions contributions and direct payments to pensioners payable in the year | 22,407 | 533 | 0 | 0 | 0 | (22,940) |
| Adjustable primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 303 | 0 | 0 | 0 | 0 | (303) |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (632) | 0 | 0 | 0 | 0 | 632 |
| **Total** | **(15,290)** | **16,271** | **3,310** | **(324)** | **3,000** | **(6,967)** |

## 8. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

1) No charges are made in relation to capital expenditure (whereas depreciation, revaluation amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
2) The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
3) Expenditure on some support services is budgeted for centrally and not charged to directorates

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

| **Directorate Income and Expenditure 2009/10** | **Children and Young People £'000** | **Adults, Health and Housing £'000** | **Neighbour - hoods £'000** | **Chief Executive's Office £'000** | **Resources and Corporate Budgets £'000** | **Total £'000** |
|---|---|---|---|---|---|---|
| Fees, charges &other service income | (41,724) | (32,524) | (98,906) | (31,933) | (19,700) | (224,787) |
| Government Grants | (184,568) | (11,836) | (2,427) | (3,169) | (71,281) | (273,281) |
| **Total income** | (226,292) | (44,360) | (101,333) | (35,102) | (90,981) | (498,068) |
| | | | | | | |
| Employee expenses | 181,489 | 26,642 | 54,078 | 19,536 | 18,682 | 300,427 |
| Other service expenses | 88,522 | 72,807 | 88,959 | 26,535 | 91,821 | 368,644 |
| Support service recharges | 0 | 1 | 1,738 | 1 | 0 | 1,740 |
| **Total expenditure** | 270,011 | 99,450 | 144,775 | 46,072 | 110,503 | 670,811 |
| | | | | | | |
| **Net Expenditure** | 43,719 | 55,090 | 43,442 | 10,970 | 19,522 | 172,743 |

| Directorate Income and Expenditure 2010/11 | Children and Young People £'000 | Adults, Health and Housing £'000 | Neighbour - hoods £'000 | Chief Executive's Office £'000 | Resources and Corporate Budgets £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Fees, charges &other service income | (43,401) | (27,948) | (50,119) | (23,214) | (12,823) | (157,505) |
| Government Grants | (206,554) | (2,759) | (1,221) | (2,190) | (100,885) | (313,609) |
| **Total income** | (249,955) | (30,707) | (51,340) | (25,404) | (113,708) | (471,114) |
| | | | | | | |
| Employee expenses | 187,944 | 27,087 | 38,963 | 15,107 | 21,210 | 290,311 |
| Other service expenses | 106,399 | 71,320 | 57,128 | 23,898 | 122,380 | 381,125 |
| Support service recharges | 8 | 17 | 1,032 | 422 | 0 | 1,479 |
| **Total expenditure** | 294,351 | 98,424 | 97,123 | 39,427 | 143,590 | 672,915 |
| | | | | | | |
| **Net Expenditure** | 44,396 | 67,717 | 45,783 | 14,023 | 29,882 | 201,801 |

**Reconciliation of Directorate, Income and Expenditure to Cost of Service in the Comprehensive Income and Expenditure Statement**

The reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| | 2009/10 £'000 | 2010/11 £'000 |
|---|---|---|
| Net expenditure in the Directorate Analysis | 172,743 | 201,801 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis (including HRA) | 26,260 | 169,509 |
| **Cost of Services in Comprehensive Income and Expenditure** | **199,003** | **371,310** |

**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

| 2009/10 | Directorate Analysis £000 | Amounts not reported to management for decision making £000 | Allocation of Recharges £000 | Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|---|---|---|---|---|---|---|
| Fees, charges &other service income | (224,787) | (32,183) | (25,915) | **(282,885)** | 0 | **(282,885)** |
| Interest and Investment Income | 0 | 0 | 0 | **0** | (2,327) | **(2,327)** |
| Redistribution of Non-Domestic Rates | 0 | 0 | 0 | **0** | (86,276) | **(86,276)** |
| Income from Council Tax | 0 | 0 | 0 | **0** | (77,950) | **(77,950)** |
| Government Grants and Contributions | (273,281) | (1,359) | 0 | **(274,640)** | (76,353) | **(350,993)** |
| **Total income** | (498,068) | (33,542) | (25,915) | **(557,525)** | (242,906) | **(800,431)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Employee expenses | 300,427 | (8,395) | 101 | **292,133** | 17,202 | **309,335** |
| Other service expenses | 368,644 | 8,560 | 25,814 | **403,018** | 0 | **403,018** |
| Support service recharges | 1,740 | 2,116 | 0 | **3,856** | 0 | **3,856** |
| Depreciation, amortisation and impairment | 0 | 57,521 | 0 | **57,521** | 0 | **57,521** |
| Interest payments | 0 | 0 | 0 | **0** | 17,456 | **17,456** |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | **0** | 1,180 | **1,180** |
| Gain or Loss on Disposal of Fixed Assets | 0 | 0 | 0 | **0** | 373 | **373** |
| **Total expenditure** | 670,811 | 59,802 | 25,915 | **756,528** | 36,211 | **792,739** |
| **Surplus/ deficit on provision of services** | 172,743 | 26,260 | 0 | **199,003** | (206,695) | **(7,692)** |

| 2010/11 | Directorate Analysis £000 | Amounts not reported to management for decision making £000 | Allocation of Recharges £000 | Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|---|---|---|---|---|---|---|
| Fees, charges &other service income | (157,505) | (91,549) | (31,608) | **(280,662)** | 0 | **(280,662)** |
| Interest and Investment Income | 0 | 0 | 0 | **0** | (2,006) | **(2,006)** |
| Redistribution of Non-Domestic Rates | 0 | 0 | 0 | **0** | (95,746) | **(95,746)** |
| Income from Council Tax | 0 | 0 | 0 | **0** | (80,658) | **(80,658)** |
| Government Grants and Contributions | (313,609) | (197) | 0 | **(313,806)** | (90,385) | **(404,191)** |
| **Total income** | (471,114) | (91,746) | (31,608) | **(594,468)** | (268,795) | **(863,263)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Employee expenses | 290,311 | (1,523) | 126 | **288,914** | 12,809 | **301,723** |
| Other service expenses | 381,125 | 30,095 | 31,482 | **442,702** | 0 | **442,702** |
| Support service recharges | 1,479 | 0 | 0 | **1,479** | 0 | **1,479** |
| Depreciation, amortisation and impairment | 0 | 232,683 | 0 | **232,683** | 0 | **232,683** |
| Interest payments | 0 | 0 | 0 | **0** | 15,939 | **15,939** |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | **0** | 797 | **797** |
| Gain or Loss on Disposal of Fixed Assets | 0 | 0 | 0 | **0** | 10,252 | **10,252** |
| **Total expenditure** | 672,915 | 261,255 | 31,608 | **965,778** | 39,797 | **1,005,575** |
| **Surplus or deficit on the provision of services** | 201,801 | 169,509 | 0 | **371,310** | (228,998) | **142,312** |

## 9. Other Operating Expenditure

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 1,180 | Payments to the Government Housing Capital Receipts Pool | 797 |
| 373 | Losses on the disposal of non-current assets | 10,252 |
| **1,553** | **Total** | **11,049** |

## 10. Financing and Investment Income and Expenditure

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 17,456 | Interest payable and similar charges | 15,939 |
| 17,202 | Pensions interest cost and expected return on pensions assets | 12,809 |
| (2,001) | Interest receivable and similar income | (811) |
| (234) | Income and expenditure in relation to investment properties and changes in their fair value | (222) |
| (92) | Other investment income | (973) |
| **32,331** | **Total** | **26,742** |

## 11. Taxation and Non-Specific Grant Income

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (77,188) | Council tax income | (80,161) |
| (762) | Share of prior year Collection Fund Surplus | (497) |
| (86,276) | Non domestic rates | (95,746) |
| (39,424) | Non-ringfenced government grants | (40,832) |
| (36,929) | Capital grants and contributions | (49,553) |
| **(240,579)** | **Total** | **(266,789)** |

## 12. Accounting for Local Government Schools

The Council has the following maintained schools:

| | Community | Voluntary Controlled | Voluntary Aided | Foundation | Academy | Special | **Total** |
|---|---|---|---|---|---|---|---|
| Number of schools, (including nursery schools and excluding PFI schools) | 71 | 1 | 11 | 8 | 2 | 7 | 100 |
| Value of land and buildings at 31st March 2011 | £209.2m | £1.1m | £5.6m | £79.3m | £26.6m | £18.6m | £340.4m |
| Number of schools subject to PFI contracts | 2 | 2 | 0 | 1 | 0 | 0 | 5 |
| Value of land and buildings at 31st March 2011 | £19m | £6m | 0 | £31m | 0 | 0 | £56m |

The treatment of land and buildings for each type of school is based on the legal framework underlying each type of school. The Council controls the management and running of community and voluntary controlled schools and therefore the land and buildings of those schools are separately shown on the Council's balance sheet. The land and buildings of foundation schools are shown on the balance sheet of the Council as the Council fully funds the school and is responsible for financial reporting. The land and buildings of voluntary aided schools are owned and controlled by the trustees of the schools and are therefore not shown on the Council's balance sheet.

Capital expenditure on community, special, foundation and voluntary controlled schools is added to the balances for those schools as reported in Note 17a. Capital expenditure on voluntary aided schools is treated as Revenue Expenediture Funded from Capital under Statute and written off each year to the Comprehensive Income and Expenditure Statement within Education and Children's services.

Dedicated Schools Grant ("DSG")is credited to the Comprehensive Income and Expenditure Statement within Taxation and non-specific Income based on amounts due from the Department The DSG is allocated between central Council Budget and budgets allocated to individual schools ("delegated school budgets"). Expenditure from central Council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under Education and Children's services. Further details regarding the Council's DSG allocation are provided in Note 13.

Individual schools' balances at 31st March 2011 are included in the balance sheet of the Council under the heading Usable Reserves.

PFI Schemes

The Council has 5 schools subject to PFI contracts. The buildings for community, foundation and voluntary controlled schools are shown on the Council's balance sheet with the related liability. The PFI liabilities in respect of all PFI schools remains on the Council's balance sheet as the Council is the party to the contract with the PFI Operator.

## 13. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. Details of the deployment of DSG receivable for 2009/10 and 2010/11 are as follows:

| Schools Budget Funded by Dedicated Schools Grant | | | |
|---|---|---|---|
| | **Central Expenditure £000** | **Individual Schools Budget £000** | **Total £000** |
| Final DSG for 2009/10 | | | (147,844) |
| Brought forward from 2008/09 | | | 340 |
| Agreed budget distribution in 2009/10 | (12,492) | (135,012) | (147,504) |
| Actual central expenditure | 12,345 | | 12,345 |
| Actual ISB deployed to schools | | 135,012 | 135,012 |
| Carried forward to 2010/11 | (147) | | (147) |
| | | | |
| Final DSG for 2010/11 | | | (152,016) |
| Brought forward from 2009/10 | | | (147) |
| Agreed budget distribution in 2010/11 | (12,583) | (139,580) | (152,163) |
| Actual central expenditure | 11,246 | | 11,246 |
| Actual ISB deployed to schools | | 139,580 | 139,580 |
| Carried forward to 2011/12 | (1,337) | | (1,337) |

## 14. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| **Credited to Taxation and Non Specific Grant Income** | | |
| Area Based Grant | 14,626 | 22,023 |
| Revenue Support Grant | 19,914 | 13,903 |
| PFI Grant | 4,884 | 4,906 |
| Capital Grants | 36,929 | 49,553 |
| **Total** | **76,353** | **90,385** |
| | | |
| **Credited to Services** | | |
| Arms Length Management Organisation (ALMO) | 1,359 | 0 |
| Housing Benefit Subsidy | 45,512 | 44,162 |
| Housing Benefit Administration | 2,410 | 2,243 |
| Council Tax Benefit | 17,105 | 18,142 |
| Rent Rebate - Housing Benefit | 27,012 | 29,352 |
| Social Care | 1,326 | 1,844 |
| Early Years and Sure Start | 8,158 | 9,812 |
| YPLA & Learning and Skills | 11,201 | 23,531 |
| Standards Fund | 27,111 | 30,131 |
| Single Programme (EMDA) | 3,391 | 1,920 |
| Dedicated Schools Grant | 147,825 | 152,016 |
| New Deal for Communities | 1,520 | 603 |
| Supporting People Programme* | 11,449 | 0 |
| LPSA 2 Reward Grant | 823 | 0 |
| Growth Point | 353 | 337 |
| Further Education Funding Council | 1,266 | 1,668 |
| Youth Justice Board | 1,187 | 771 |
| Street Lighting PFI | 1,419 | 1,261 |
| Arts Council | 1,005 | 807 |
| Other Neighbourhood Revenue Grants | 4,400 | 6,516 |
| Other Children and Young People Revenue Grants | 2,174 | 1,266 |
| Other Adults, Health & Housing Revenue Grants | 248 | 1,417 |
| Other Resources Grants | 0 | 221 |
| **Total** | **318,254** | **328,020** |

* The Supporting People grant is part of the Council's Area Based Grant and was unringfenced for 2010/11. This has therefore been included within Area Based Grant in 2010/11.

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that had not been met at the Balance Sheet date which may require the monies or property to be returned to the giver. The balances at the year-end are:

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| **Capital Grants Receipts in Advance** | | |
| Children & Young People (CYP) Grants | 423 | 1,108 |
| CYP Primary Capital Programme Grant | 1,471 | 5,387 |
| CYP Extended Schools Capital Grant | 449 | 111 |
| Housing Revenue Account (HRA) Grants | 111 | 210 |
| HRA HCA New Build Grant | 1,028 | 202 |
| Housing General Fund (HGF) Grants | 196 | 196 |
| HGF Gypsy & Traveller Site Grant | 1,399 | 1,208 |
| HGF HI4M - ODPM Grant | 464 | 322 |
| Neighbourhoods Grants | 33 | 517 |
| DoT Connecting Derby Grant | 3,056 | 1,267 |
| DoT LTMS0026 S31 Grant | 768 | 0 |
| Miscellaneous / Partnership Urban II Grant | 5 | 0 |
| School's Devolved Contributions | 1,782 | 2,069 |
| Section 106 contributions | 8,537 | 7,994 |
| | | |
| **Total** | **19,722** | **20,591** |

## 15. Trading Operations

The Council has established eight trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of those units are as follows:

| | 2008/09 £000 | 2009/10 £000 | 2010/11 £000 |
|---|---|---|---|
| **Building** | | | |
| Turnover | (16,067) | (16,111) | (2,656) |
| Expenditure | 15,920 | 16,646 | 3,094 |
| (Surplus)/Deficit | (147) | 535 | 438 |
| **Building Cleaning / Caretaking** | | | |
| Turnover | (2,944) | (2,741) | (2,427) |
| Expenditure | 2,980 | 2,962 | 2,467 |
| Deficit | 36 | 221 | 40 |
| **Catering** | | | |
| Turnover | (5,308) | (5,681) | (5,274) |
| Expenditure | 5,723 | 5,829 | 5,224 |
| (Surplus)/Deficit | 415 | 148 | (50) |
| **Waste Management** | | | |
| Turnover | (6,528) | (7,031) | (6,179) |
| Expenditure | 6,414 | 6,830 | 6,336 |
| (Surplus)/Deficit | (114) | (201) | 157 |
| **Grounds Maintenance** | | | |
| Turnover | (3,673) | (4,223) | (3,633) |
| Expenditure | 3,605 | 3,983 | 3,338 |
| (Surplus) | (68) | (240) | (295) |
| **Other Cleaning (Gullies)** | | | |
| Turnover | (3,676) | (3,998) | (4,312) |
| Expenditure | 3,724 | 3,911 | 4,076 |
| (Surplus)/Deficit | 48 | (87) | (236) |
| **Golf** | | | |
| Turnover | (492) | (481) | (461) |
| Expenditure | 513 | 516 | 548 |
| Deficit | 21 | 35 | 87 |
| **Sports and Leisure Management** | | | |
| Turnover | (4,414) | (4,565) | (4,298) |
| Expenditure | 4,417 | 4,428 | 4,356 |
| (Surplus)/Deficit | 3 | (137) | 58 |

Cumulative surplus over last three financial years:

| | 2008/09 £000 | 2009/10 £000 | 2010/11 £000 |
|---|---|---|---|
| Turnover | (43,102) | (44,831) | (29,240) |
| Expenditure | 43,296 | 45,105 | 29,439 |
| FRS17/IAS19 Pensions Adjustment | (231) | (663) | (61) |
| Surplus | (37) | (389) | 138 |

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public (e.g. waste management), whilst others are support services to the Council's services to the public (e.g. catering). The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations.

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| Net surplus on trading operations | 389 | 138 |
| Services to the public included in Expenditure of Continuing Operations | (956) | (329) |
| Support services recharged to Expenditure of Continuing Operations | 567 | 467 |
| Net Surplus credited to other operating expenditure | 0 | 276 |

## 16. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by Grant Thornton, the Council's external auditors:

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year | 370 | 413 |
| Fees payable to the Audit Commission in respect of statutory inspections | 19 | 0 |
| Fees payable to Grant Thornton for the certification of grant claims and returns for the year | 168 | 147 |
| Refund from Audit Commission in respect of IFRS transformation | 0 | (34) |
| **Total** | **557** | **526** |

## 17. Pooled Budgets

The Council has entered into a pooled budget arrangement with NHS 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 acts as the host partner. Income and expenditure for the 2010/11 financial year was as follows:

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| **Funding provided to the pooled budget:** | | |
| Derby City Council | (1,132) | (1,123) |
| Derby City PCT | (971) | (971) |
| Other Income | (51) | (52) |
| | **(2,154)** | **(2,146)** |
| **Expenditure met from the pooled budget:** | | |
| Residential Services | 1,022 | 1,031 |
| Community Service Team (Outreach service) | 369 | 346 |
| Disability and Fieldwork Social Work services | 158 | 150 |
| | | |
| Management and Administration | 643 | 592 |
| | **2,192** | **2,119** |
| Net deficit/(surplus) arising on the pooled budget during the year | **38** | **(27)** |
| | | |
| Council share of the net surplus arising on the pooled budget | **21** | **(26)** |

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 objective 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 of 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

## 18. Property, Plant and Equipment

### a) Movements on Balances

| Movements in 2009/10: | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets under Construction £000 | Total Property, Plant & Equipment £000 | PFI Assets Included in Property, Plant & Equipment £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | |
| **At 1 April 2009** | **705,734** | **639,093** | **32,378** | **124,340** | **14,455** | **22,026** | **6,636** | **1,544,662** | **84,579** |
| Restatement of Opening Balances | (135,566) | (58,670) | (10,453) | (142) | 53 | (139) | 0 | **(204,917)** | 0 |
| Recategorisations | 28 | 2,325 | 0 | 13 | 820 | (144) | (2,823) | **219** | 531 |
| Additions | 10,479 | 10,989 | 2,468 | 11,839 | 1,374 | 191 | 19,536 | **56,876** | 6,010 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (54,186) | 0 | 0 | 0 | 0 | 175 | 0 | **(54,011)** | 0 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (6,679) | (16,781) | 0 | 0 | 0 | (4,269) | 0 | **(27,729)** | (1,785) |
| Derecognition - disposals | (0) | 0 | 0 | 0 | 0 | 0 | 0 | **(0)** | 0 |
| Assets reclassed (to)/from Held for Sale | (1,245) | (345) | 0 | 0 | 0 | (3,856) | 0 | **(5,446)** | 0 |
| | | | | | | | | | |
| **At 31 March 2010** | **518,565** | **576,611** | **24,393** | **136,050** | **16,702** | **13,984** | **23,349** | **1,309,654** | **89,335** |

| Movements in 2009/10: | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets under Construction £000 | Total Property, Plant & Equipment £000 | PFI Assets Included in Property, Plant & Equipment £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Accumulated Depreciation and Impairment** | | | | | | | | | |
| **At 1 April 2009** | **(212,099)** | **(96,085)** | **(19,710)** | **(18,689)** | **(214)** | **(4,265)** | **0** | **(351,062)** | **(2,426)** |
| Restatement of Opening Balances | 132,793 | 59,221 | 10,508 | 0 | 179 | (341) | 0 | **202,360** | 0 |
| Depreciation charge | (10,320) | (15,200) | (3,594) | (3,320) | 0 | 0 | 0 | **(32,434)** | (1,350) |
| Depreciation written out to the Revaluation Reserve | 42 | 5,243 | 0 | 0 | 0 | 0 | 0 | **5,285** | 2,270 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 79,311 | 621 | 0 | 0 | 0 | 2,657 | 0 | **82,589** | 0 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | (116) | (1,929) | (487) | 0 | 0 | **(2,532)** | 0 |
| Derecognition - disposals | 49 | 0 | 0 | 0 | 0 | 11 | 0 | **60** | 0 |
| Other movements in depreciation and impairment | (10) | 12 | 0 | 0 | 0 | 573 | 0 | **575** | 0 |
| **At 31 March 2010** | **(10,234)** | **(46,188)** | **(12,912)** | **(23,938)** | **(522)** | **(1,365)** | **0** | **(95,159)** | **(1,506)** |
| **Net Book Value** | | | | | | | | | |
| **At 31 March 2010** | **508,331** | **530,423** | **11,481** | **112,112** | **16,180** | **12,619** | **23,349** | **1,214,495** | **87,829** |
| **At 1 April 2009** | **493,635** | **543,008** | **12,668** | **105,651** | **14,241** | **17,761** | **6,636** | **1,193,600** | **82,153** |

| Movements in 2010/11: | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets under Construction £000 | Total Property, Plant & Equipment £000 | PFI Assets Included in Property, Plant & Equipment £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost of Valuation** | | | | | | | | | |
| **at 1 April 2010** | **518,565** | **576,611** | **24,393** | **136,050** | **16,702** | **13,984** | **23,349** | **1,309,654** | **89,335** |
| Restatement of Opening Balances | (35,185) | (23,599) | 57,545 | 0 | 0 | 0 | 0 | **(1,239)** | 0 |
| Recategorisations | 0 | 4,945 | (249) | 1,185 | 676 | 0 | (6,806) | **(249)** | 0 |
| additions | 14,017 | 12,082 | 2,798 | 12,599 | 1,915 | 15 | 22,808 | **66,234** | 5,805 |
| donations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 |
| revaluation increases/(decreases) recognised in the Revaluation Reserve | 0 | 45,110 | 0 | 0 | 0 | 105 | 0 | **45,215** | 0 |
| revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (181,853) | (21,680) | (505) | 0 | 0 | (305) | 0 | **(204,343)** | 5,595 |
| derecognition - disposals | 0 | 0 | (128) | 0 | 0 | (937) | 0 | **(1,065)** | 0 |
| derecognition - other | 0 | (10,369) | 0 | 0 | 0 | 0 | 0 | **(10,369)** | 0 |
| assets reclassified (to)/from Held for Sale | 0 | 0 | 0 | 0 | 0 | (2,161) | 0 | **(2,161)** | 0 |
| Other movements in cost or valuation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 |
| **At 31 March 2011** | **315,544** | **583,100** | **83,854** | **149,834** | **19,293** | **10,701** | **39,351** | **1,201,677** | **100,735** |

| Movements in 2010/11: | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets under Construction £000 | Total Property, Plant & Equipment £000 | PFI Assets Included in Property, Plant & Equipment £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Accumulated Depreciation and Impairment** | | | | | | | | | |
| **at 1 April 2010** | **(10,234)** | **(46,188)** | **(12,912)** | **(23,938)** | **(522)** | **(1,365)** | **0** | **(95,159)** | **(1,506)** |
| Restatement of Opening Balances | 0 | 65 | 0 | 0 | 0 | 0 | 0 | **65** | 0 |
| depreciation charge | (6,443) | (18,102) | (7,762) | (3,328) | 0 | 0 | 0 | **(35,635)** | (1,522) |
| depreciation written out to the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 |
| depreciation written out to the Surplus/Deficit on the Provision of Services | 10,320 | 13,107 | 0 | 0 | 0 | 0 | 0 | **23,427** | 346 |
| impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 |
| impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | (87) | 550 | (41) | (28) | 0 | 0 | 0 | **394** | 0 |
| derecognition - disposals | 0 | 1,300 | 128 | 0 | 0 | 0 | 0 | **1,428** | 0 |
| derecognition - other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 |
| Other movements in depreciation and impairment | 0 | 0 | 210 | 0 | 0 | 0 | 0 | **210** | 0 |
| **At 31 March 2011** | **(6,444)** | **(49,268)** | **(20,377)** | **(27,294)** | **(522)** | **(1,365)** | **0** | **(105,270)** | **(2,682)** |
| **Net Book Value** | | | | | | | | | |
| **At 31 March 2011** | **309,100** | **533,832** | **63,477** | **122,540** | **18,771** | **9,336** | **39,351** | **1,096,407** | **98,053** |
| **At 1 April 2010** | **508,331** | **530,423** | **11,481** | **112,112** | **16,180** | **12,619** | **23,349** | **1,214,495** | **87,829** |

**b) Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:
Council Dwellings - 50 years
Other Land and Buildings - 50 years
Vehicles, Plant, Furniture & Equipment 3 - 20 years
Infrastructure - 40 years

**c) Capital Commitments**

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £8.177m. Similar commitments at 31 March 2010 were £20.477m. The major commitments are summarised by directorate:

| Directorate | 2011/12 £000 |
|---|---|
| Children and Young People | 2,359 |
| Adults, Health and Housing | 743 |
| Neighbourhoods | 2,374 |
| Resources | 624 |
| Chief Executive's Office | 2,077 |
| **Total** | 8,177 |

**d) Revaluation**

The Council carries out a rolling programme for its Property, Plant and Equipment assets which are measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveryors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list price adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

1) Rolling Programme of Valuations - Our rolling programme of asset valuations comprises the valuation of 20% of the asset register on an annual basis. The rolling programme of valuations now applies to the assets classified as Property Plant and Equipment as specified in IAS 16. All assets have been valued at Fair Value as described in the RICS Guidance Notes. The Property Plant and Equipment assets have been valued at Fair Value (Existing Use Value). The effective date for these valuations is 1st April 2010.

2) Housing Revenue Account - The assets held in the Housing Revenue Account, which include the residential properties let to Housing Associations and the Shared Ownership residential properties, have been valued using the guidance from DCLG as described in the Guidance for Valuers 2010. The adjustment factor applicable for the East Midlands as contained within this guidance is 34% and this has been applied to the relevant asset valuations.

3) De minimus - The de minimus level adopted for the 2010/11 revaluation is £50,000. All assets have been valued but a valuation report has not been produced for those assets with a Fair Value below £50,000.

| | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets under Construction £000 | **Total Property, Plant & Equipment £000** |
|---|---|---|---|---|---|---|---|---|
| **Carried at Historical Cost** | 0 | 0 | 83,854 | 149,834 | 19,293 | 90 | 39,351 | 292,422 |
| **Valued at Fair Value as at:** | | | | | | | | |
| 31/03/2007 and earlier | 0 | 38,913 | 0 | 0 | 0 | 0 | 0 | 38,913 |
| 31 March 2008 | 0 | 44,978 | 0 | 0 | 0 | 0 | 0 | 44,978 |
| 31 March 2009 | 0 | 136,440 | 0 | 0 | 0 | 0 | 0 | 136,440 |
| 31 March 2010 | 0 | 92,393 | 0 | 0 | 0 | 10,611 | 0 | 103,004 |
| 31 March 2011 | 315,544 | 270,376 | 0 | 0 | 0 | 0 | 0 | 585,920 |
| **Total cost or Valuation** | 315,544 | 583,100 | 83,854 | 149,834 | 19,293 | 10,701 | 39,351 | 1,201,677 |

## 19. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| Rental income from investment property | (236) | (225) |
| Direct operating expenses arising from investment property | 2 | 3 |
| **Net (gain)/loss** | **(234)** | **(222)** |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| Balance at start of the year | 2,719 | 2,895 |
| Restatement of opening balances | (196) | 0 |
| Net gain/losses from fair value adjustments | 372 | 37 |
| Transfers to Assets Held for Sale | 0 | 0 |
| **Balance at the end of the year** | **2,895** | **2,932** |

## 20. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets relates to purchased software licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Authority are all 3 years.

The movement on Intangible Asset balances during the year is as follows:

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| Balance at start of year | | |
| Gross Carrying Amounts | 312 | 451 |
| Accumulated Amortisation | (196) | (287) |
| Net Carrying Amount at Start of Year | 116 | 164 |
| Restatements | 0 | 14 |
| Recategorisations | 0 | 38 |
| Additions - Purchases | 139 | 0 |
| Amortisation for the Year | (91) | (79) |
| Balance at end of year | | |
| Gross Carrying Amounts | 451 | 503 |
| Accumulated Amortisation | (287) | (366) |
| Net Carrying Amount at end of year | 164 | 137 |

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £79,000 charged to revenue in 2010/11 was charged to the IT Administration cost centre and then absorbed as an overhead across the relevant service headings in the Net Expenditure of Services:

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| Cultural, environmental, regulatory and planning services | 0 | 7 |
| Education and Children's services | 0 | 9 |
| Corporate and Democratic Core | 91 | 63 |
| Total Amortisation for the Year | 91 | 79 |

## 21. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in CFR is analysed in the second part of this note.

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| **Opening Capital Financing Requirement** | **(427,661)** | **(440,375)** |
| | | |
| Capital Investment: | | |
| Property, Plant and Equipment | (56,876) | (68,381) |
| Investment Properties | 0 | 0 |
| Intangible Assets | (139) | 0 |
| Revenue Expenditure Funded from Capital Under Statute | (18,251) | (10,386) |
| | | |
| Sources of finance: | | |
| Capital Receipts | 4,044 | 3,661 |
| Government grants and other contributions | 42,560 | 43,583 |
| | | |
| Sums set aside from revenue: | | |
| Direct revenue contributions | 6,625 | 4,832 |
| Minimum Revenue Provision | 10,512 | 11,535 |
| | | |
| **Closing capital financing requirement** | **(439,186)** | **(455,531)** |

| **Explanation of movements in year** | | |
|---|---|---|
| Increase in underlying need to borrowing (supported by government financial assistance) | 3,139 | 2,970 |
| Increase in underlying need to borrowing (unsupported by government financial assistance) | 2,831 | 6,614 |
| Assets acquired under finance leases | 0 | 0 |
| Assets acquired under PFI/PPP contracts | 5,555 | 5,572 |
| **Increase/(decrease) in capital financing requirement** | **11,525** | **15,156** |

## 22. Leases

**Authority as Lessee**

Finance Leases

The Council acquired the Eagle Centre Market, shops and Playhouse under finance leases. It has also acquired a number of vehicles and other items of equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| Other Land and Buildings | 8,558 | 7,923 |
| Vehicles, Plant, Furniture and Equipment | 1,931 | 1,028 |
| **Total** | **10,489** | **8,951** |

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| Finance lease liabilities (net present value of minimum lease payments): | | |
| Current | 919 | 502 |
| Non-current | 1,142 | 659 |
| Finance costs payable in future years | 457 | 376 |
| **Minimum lease payments** | **2,518** | **1,537** |

The minimum lease payments will be payable over the following periods:

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|---|---|---|---|
| | 31/03/2010 £000 | 31/03/2011 £000 | 31/03/2010 £000 | 31/03/2011 £000 |
| Not later then one year | 1,003 | 560 | 919 | 502 |
| Later than one year and not later than five years | 1,137 | 630 | 979 | 501 |
| Later than five years | 378 | 347 | 163 | 158 |
| | 2,518 | 1,537 | 2,061 | 1,161 |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. These amounts cannot currently be quantified, as they are dependent on future movements in market conditions and interest rates.

The Council has sub-let the Derby Playhouse held under these finance leases. At 31 March 2011 the minimum payments expected to be received from this sub-lease was £460,800 (2009/10 £468,000).

Operating Leases

The total future minimum lease payments due under non-cancellable leases in future years are:

| | 31/03/2010 £000 | 31/03/2011 £000 |
|---|---|---|
| No later than one year | 752 | 548 |
| Later than one year and not later than five years | 2,146 | 1,922 |
| Later than five years | 1,639 | 1,309 |
| **Total** | **4,537** | **3,779** |

The expenditure charged to Cost of Services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

| | 31/03/2010 £000 | 31/03/2011 £000 |
|---|---|---|
| Minimum lease payments | 923 | 551 |
| Contingent rents | 0 | 0 |
| Sublease payments receivable | 0 | 0 |
| **Total** | 923 | 551 |

**Council as Lessor**

Finance Leases

The Council has a gross investment in a number of finance leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the assets when the leases come to an end. The minimum lease payments comprise settlement of the long-term debtors for the interests in the assets acquired by the lessees and finance income that will be earned by the Council in future years whilst the debtors remain outstanding. The gross investment is made up of the following amounts:

| | 31/03/2010 £000 | 31/03/2011 £000 |
|---|---|---|
| Finance lease debtors (net present value of minimum lease payments: | | |
| Current | 4 | 4 |
| Non-current | 1,618 | 1,613 |
| Unearned finance income | 2,903 | 2,864 |
| Unguaranteed residual value of property | (80) | (80) |
| **Gross investment in the lease** | **4,445** | **4,401** |

The gross investment in the leases and the minimum lease payments will be received over the following periods:

| | Gross Investment in the Lease | | Minimum Lease Payments | |
|---|---|---|---|---|
| | 31/03/2010 £000 | 31/03/2011 £000 | 31/03/2010 £000 | 31/03/2011 £000 |
| Not later then one year | 44 | 44 | 4 | 4 |
| Later than one year and | 177 | 177 | 18 | 18 |
| Later than five years | 4,224 | 4,180 | 1,520 | 1,515 |
| **Total** | **4,445** | **4,401** | **1,542** | **1,537** |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. These amounts have proven to be unquantifiable.

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

The future minimum lease payments receivable under non-cancellable in future years are:

| | 31/03/2010 £000 | 31/03/2011 £000 |
|---|---|---|
| No later than one year | 1,614 | 1,070 |
| Later than one year and not later than five years | 3,691 | 3,289 |
| Later than five years | 20,223 | 19,426 |
| **Total** | **25,528** | **23,785** |

The minimum lease payments receivable do not include rents are contingent on events taking place after the lease was entered into, such as adjustment following rent reviews. These amounts have proven to be unquantifiable.

## 23. Private Finance Initiatives and Similar Contracts

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

Housing Inner City Regeneration

30-year contract with Home Housing Association, which commenced in January 2001. Gross service charge payments of £0.424m are anticipated in 2011/12. Future cash payments between 2012/13 and the end of the contract are expected to be approximately £9.737m.

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 a variation made to the contract in November 2007 to design, build, finance and operate two additional support units and a Children's 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 were £5,432,000 in 2010/11 (£5,482,000 in 2009/10) of which £1,703,000 related to write down of obligations (i.e. repayment of principal), £1,591,000 interest costs and the remainder to service charges/prepayments.

Outstanding obligations to make payments under the Grouped Schools PFI finance lease at 31 March 2011, accounted for as part of long-term liabilities, are as follows:

| | Payment for Services £000 | Reimbursement of Capital Expenditure £000 | Interest £000 | Total £000 |
|---|---|---|---|---|
| Payable in 2011/12 | 2,127 | 1,658 | 1,504 | 5,289 |
| Payable within two to five years | 9,052 | 6,242 | 5,188 | 20,482 |
| Payable within six to ten years | 12,647 | 7,140 | 4,758 | 24,545 |
| Payable within eleven to fifteen years | 14,309 | 6,719 | 2,983 | 24,011 |
| Payable within sixteen to twenty years | 16,190 | 6,631 | 1,279 | 24,100 |
| Payable within twenty one years | 2,614 | 1,009 | 39 | 3,662 |
| **Total** | **56,939** | **29,399** | **15,751** | **102,089** |

The above amounts will be partially subject to indexation (RPIx).

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The balance outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| Balance outstanding at start of year | 32,853 | 31,102 |
| Payments during the year | (1,751) | (1,703) |
| **Balance outstanding at year end** | 31,102 | 29,399 |

Street Lighting

A 25-year PFI contract was signed in April 2007 with Connect Roads (Derby), to replace all the life expired lighting units within the city, and to maintain the whole of the lighting 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 Connect Roads (Derby), measured against predetermined standards.

The rentals payable in 2010/11 were £3,659,000 (2009/10: £3,198,000), of which £655,000 related to write down of obligations, £926,000 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 2011, accounted for as part of long-term liabilities, are as follows:

| | Payment for Services £000 | Reimbursement of Capital Expenditure £000 | Interest £000 | Total £000 |
|---|---|---|---|---|
| Payable in 2011/12 | 2,111 | 558 | 1,162 | 3,831 |
| Payable within two to five years | 8,860 | 2,744 | 4,479 | 16,083 |
| Payable within six to ten years | 11,076 | 4,334 | 4,695 | 20,105 |
| Payable within eleven to fifteen years | 11,076 | 5,614 | 3,415 | 20,105 |
| Payable within sixteen to twenty years | 11,076 | 7,271 | 1,758 | 20,105 |
| Payable within twenty one to twenty two years | 2,732 | 2,110 | 118 | 4,960 |
| **Total** | **46,931** | **22,631** | **15,627** | **85,189** |

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 2011 is £16,781m (£11,864m in 2009/10).

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

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| Balance outstanding at start of year | 7,078 | 11,864 |
| Payments during the year | (769) | (655) |
| Capital expenditure incurred in the year | 5,555 | 5,572 |
| Other movements | 0 | 0 |
| **Balance outstanding at year end** | **11,864** | **16,781** |

Affordable Housing

The Council is involved in negotiations with both a single bidder and the Homes and Communities Agency to provide a minimum of 170 affordable houses in the City under a 30-year PFI contract. These homes will be a mix of new build and refurbishments at three sites: Alvaston, Chaddesden and Spondon. Negotiations have recently been delayed by a central government Value for Money review of all PFI projects. However, Derby's scheme has been approved and financial close is now anticipated to be in early 2012.

**24. Financial Instruments**

**Categories of Financial Instruments**
The following categories of financial instrument are carried in the Balance Sheet:

| | Long - term | | | Current | | |
|---|---|---|---|---|---|---|
| | 31/03/09 £000 | 31/03/10 £000 | 31/03/11 £000 | 31/03/09 £000 | 31/03/10 £000 | 31/03/11 £000 |
| **Investments** | | | | | | |
| Loans and receivables | 22,139 | 3,360 | 0 | 62,868 | 27,920 | 3,767 |
| Available-for sale financial assets | 0 | 0 | 0 | 2,824 | 1,237 | 0 |
| **Total investments** | 22,139 | 3,360 | 0 | 65,692 | 29,157 | 3,767 |
| | | | | | | |
| **Debtors** | | | | | | |
| Loans and receivables | 0 | 0 | 0 | 11,064 | 11,341 | 14,382 |
| **Total Debtors** | 0 | 0 | 0 | 11,064 | 11,341 | 14,382 |
| | | | | | | |
| **Borrowings** | | | | | | |
| Financial liabilities at amortised cost | (335,488) | (260,930) | (267,901) | (11,102) | (7,091) | 0 |
| **Total borrowings** | (335,488) | (260,930) | (267,901) | (11,102) | (7,091) | 0 |
| | | | | | | |
| **Other Long Term Liabilities** | | | | | | |
| PFI and finance lease liabilities | (39,844) | (42,669) | (44,661) | (2,519) | (2,358) | (2,679) |
| **Total other long term liabilities** | 38,844 | (42,669) | (44,661) | (2,519) | (2,358) | (2,679) |
| | | | | | | |
| **Creditors** | | | | | | |
| Financial liabilities carried at contract amount | 0 | 0 | 0 | (24,756) | (36,001) | (43,772) |
| **Total creditors** | 0 | 0 | 0 | (24,756) | (36,001) | (43,772) |

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.

**Income, Expense, Gains and Losses**

| | 2009/10 | | | 2010/11 | | |
|---|---|---|---|---|---|---|
| | Financial Liabilities: measured at amortised cost £000 | Financial Assets: Loans and receivables £000 | **Total £000** | Financial Liabilities measured at amortised cost £000 | Financial Assets: Loans and receivables £000 | **Total £000** |
| Interest expense | (7,312) | 0 | **(7,312)** | (5,350) | 0 | **(5,350)** |
| **Total expense** | (7,312) | 0 | **(7,312)** | (5,350) | 0 | **(5,350)** |
| Interest Income | 0 | 1,579 | **1,579** | 0 | 771 | **771** |
| **Total income** | 0 | 1,579 | **1,579** | **0** | 771 | **771** |
| **Net gain/(loss)** | **(7,312)** | **1,579** | **(5,733)** | **(5,350)** | **771** | **(4,579)** |

These amounts represent the net cost of the Council's loans (liabilities) and investments (assets) over the course of 2010/11. The Council holds no financial assets that could be subject to regular revaluation.

**Fair Values of Assets and Liabilities**

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

- estimated ranges of interest rates at 31 March 2010 of 2.01% to 6.75% for loans from the PWLB, based on the new lending rates for equivalent loans at that date.
- 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
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment impairment is recognised
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

| | **31 March 2009** | | **31 March 2010** | | **31 March 2011** | |
|---|---|---|---|---|---|---|
| | **Carrying amount £000** | **Fair value £000** | **Carrying amount £000** | **Fair value £000** | **Carrying amount £000** | **Fair value £000** |
| **Financial Liabilities** | | | | | | |
| Long Term (PWLB debt) | (335,488) | (362,978) | (260,930) | (274,159) | (267,901) | (291,557) |
| Short Term (PWLB debt) | (11,102) | (11,102) | (7,091) | (7,091) | 0 | 0 |
| Short-term creditors | (24,756) | (24,756) | (36,001) | (36,001) | (43,772) | (43,772) |
| **Total** | **(371,346)** | **(398,836)** | **(304,022)** | **(317,251)** | **(311,673)** | **(335,329)** |

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders below current market rates.

| | 31 March 2009 | | 31 March 2010 | | 31 March 2011 | |
|---|---|---|---|---|---|---|
| | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 |
| **Assets** | | | | | | |
| Loans and receivables | 11,064 | 11,064 | 11,341 | 11,341 | 14,382 | 14,382 |
| Money market investments < 1 yr | 62,868 | 62,868 | 27,920 | 27,920 | 3,767 | 3,767 |
| Money market investments > 1 yr | 22,139 | 22,986 | 3,360 | 3,203 | 0 | 0 |
| **Total** | **96,071** | **96,918** | **42,621** | **42,464** | **18,149** | **18,149** |

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

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

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

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

## 25. Nature and Extent of Risks arising from Financial Instruments

The Council activities expose it to a variety of financial risks:

- 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 disadvantages interest rates or terms;
- Commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. 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. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and the investment of surplus cash. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice
- its maximum and minimum exposures to fixed and variable rates
- its maximum and minimum exposures to maturity structure of its debt.
- its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

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

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

### Credit Risk

### Loans and Receivables

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds or Banks and Building

Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy.

A limit of £15m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £10m in total can be invested for a period longer than one year. The Council has no historical experience of counterparty default.

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

| Deposits with banks and financial institutions | Amount at 31 March 2011 £000 | Market historical experience of default % | Adjustment for market conditions at 31 March 2011 | Estimated maximum exposure to default as at 31 March 2011 £000 | Estimated maximum exposure to default as at 31 March 2010 £000 |
|---|---|---|---|---|---|
| | (a) | (b) | (c) | (a * c) | |
| AAA rated counterparties | 46,510 | 0.00% | 0.00% | 0 | 0 |
| AA rated counterparties | 5,000 | 0.04% | 0.04% | 2 | 8 |
| A rated counterparties | 16,034 | 0.09% | 0.09% | 14 | 4 |
| BBB rated counterparties | 0 | 0.24% | 0.24% | 0 | 12 |
| Trade Debtors | 14,382 | 4.00% | 4.00% | 575 | 791 |
| **Total** | **81,926** | | | **592** | **815** |

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2010-11, approved by Full Council on 19/02/2010.

Throughout 2010/11 the minimum criteria for new investments has been a long term rating of A (Fitch) and a short term rating of F1 (Fitch).

The table below summarises the nominal value of the Council's investment portfolio at 31st March 2011, including cash equivalent and confirms that all investments were made in line with the Council's approved credit rating criteria:

| Counterparty | Credit Rating Criteria Met When Investment Placed? | Credit Rating Criteria Met on 31 March 2011? | Balance Invested as at 31 March 2011 £000s | | | Total £000s |
|---|---|---|---|---|---|---|
| | | | Up to 1 month £000 | Between 1 and 6 months £000 | Between 6 and 12 months £000 | |
| Banks UK | Yes | Yes | 1,000 | 3,000 | 0 | 4,000 |
| Building Societies - UK | Yes | Yes | 1,000 | 1,000 | 0 | 2,000 |
| Other Local Authorities | Yes | Yes | 5,000 | 2,000 | 0 | 7,000 |
| Money Market Funds | Yes | Yes | 39,510 | 0 | 0 | 39,510 |
| Call Accounts | Yes | Yes | 15,034 | 0 | 0 | 15,034 |
| **Total** | | | **61,544** | **6,000** | **0** | **67,544** |

The Council does not generally allow credit for its trade debtors, such that £4.988m of the £14.382m balance, as at 31 March 2011, is past its due date for payment. The past due amount can be analysed by age as follows:

| | 2008/09 £000 | 2009/10 £000 | 2010/11 £000 |
|---|---|---|---|
| Less than 3 months | 6,918 | 2,787 | 1,672 |
| Three to six months | 140 | 74 | 219 |
| Six months to one year | 1,015 | 1,290 | 992 |
| More than one year | 2,883 | 2,715 | 2,105 |
| | **10,956** | **6,866** | **4,988** |

**Liquidity Risk**

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

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

The maturity analysis of financial liabilities is as follows:

| | 2008/09<br>£000 | 2009/10<br>£000 | 2010/11<br>£000 |
|---|---|---|---|
| **Less than one year** | 11,102 | 7,091 | 0 |
| Between one and two years | 7,091 | 0 | 0 |
| Between two and five years | 34 | 30 | 20,000 |
| Between five and ten years | 5 | 10,003 | 10,000 |
| More than ten years | 325,105 | 248,311 | 235,295 |
| | 343,337 | 265,435 | 265,295 |

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, so normal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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 Council monitor market and forecast interest rates within the year to adjust exposures accordingly. 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.

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

| | £000 |
|---|---|
| Increase in interest payable on variable rate borrowings | 0 |
| Increase in interest receivable on variable rate investments | (528) |
| Increase in government grant receivable for financing costs | 0 |
| **Impact on Surplus of Deficit on the Provision of Services** | **(528)** |
| Share of overall impact debited to the HRA | 0 |
| | |
| Decrease in fair value of fixed rate investment assets | 0 |
| Impact on Other Comprehensive Income and Expenditure | (528) |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) | 0 |

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**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 and thus has no exposure to loss arising from movements in exchange rates.

## 26. Assets Held for Sale

| | Current | |
|---|---|---|
| | **2009/10 £000** | **2010/11 £000** |
| **Balance outstanding at start of year** | 2,904 | 5,327 |
| Assets newly classified as held for | | |
| Property, plant and equipment | 5,446 | 2,161 |
| Intangible assets | 0 | 0 |
| Restatement of opening balance | 50 | 0 |
| Revaluation gains | 0 | 0 |
| Impairment losses | (180) | 0 |
| Assets sold | (2,893) | (1,991) |
| **Balance outstanding at year-end** | **5,327** | **5,497** |

## 27. Debtors

### 27a. Current Debtors

| | **31 March 2009 £000** | **31 March 2010 £000** | **31 March 2011 £000** |
|---|---|---|---|
| Central government bodies | 15,216 | 26,223 | 21,360 |
| Other local authorities | 3,021 | 2,605 | 1,966 |
| NHS Bodies | 3,030 | 4,804 | 5,507 |
| Council Taxpayers | 3,404 | 4,391 | 4,623 |
| Housing Rents | 114 | 142 | 226 |
| Sundry Debtors | 11,064 | 11,341 | 14,382 |
| **Total** | **35,849** | **49,506** | **48,064** |

### 27b. Non-Current Debtors

| | **31 March 2009 £000** | **31 March 2010 £000** | **31 March 2011 £000** |
|---|---|---|---|
| Mortgages for sale of Council Housing | 80 | 68 | 55 |
| Derbyshire County Council 1974 Transferred Funds | 3,884 | 3,728 | 3,579 |
| Car Loans to Employees | 36 | 15 | 7 |
| Other Loans | 38 | 33 | 138 |
| PFI Prepayments | 1,133 | 1,638 | 2,145 |
| Finance Lease Receivables | 1,546 | 1,542 | 1,538 |
| Deferred Capital Receipts | 0 | 0 | 1,344 |
| **Total** | **6,717** | **7,024** | **8,806** |

## 28. Inventories

| | Consumable Stores | | Maintenance Materials | | Client Services Work in Progress | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2009/10 £000 | 2010/11 £000 | 2009/10 £000 | 2010/ 11 £000 | 2009/10 £000 | 2010/11 £000 | 2009/ 10 £000 | 2010/ 11 £000 |
| **Balance outstanding at start of year** | 338 | 231 | 449 | 388 | 357 | 569 | **1,144** | **1,188** |
| Purchases | 523 | 414 | 25 | 235 | 569 | 0 | **1,117** | **649** |
| Recognised as an expense in the year | (629) | (436) | (86) | (153) | (357) | (569) | **(1,072)** | **(1,158)** |
| Written off balances | (1) | 0 | 0 | (87) | 0 | 0 | **(1)** | **(87)** |
| **Balance outstanding at year end** | 231 | 209 | 388 | 383 | 569 | 0 | **1,188** | **592** |

## 29. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

| | 31 March 2009 £000 | 31 March 2010 £000 | 31 March 2011 £000 |
|---|---|---|---|
| Cash held by the Council | 113 | (3) | 64 |
| Bank current accounts | 2,561 | 3,171 | 2,308 |
| Short-term deposits with building societies | 47,075 | 26,091 | 64,614 |
| Sub Total | 49,749 | 29,259 | 66,986 |
| Bank Overdrafts | (8,969) | (7,951) | (8,350) |
| **Total Cash and Cash Equivalents** | **40,780** | **21,308** | **58,636** |

## 30. Creditors

| | 31 March 2009 £000 | 31 March 2010 £000 | 31 March 2011 £000 |
|---|---|---|---|
| Central government bodies | (11,405) | (11,012) | (15,944) |
| Other local authorities | (6,558) | (5,883) | (7,467) |
| NHS Bodies | (560) | (2,792) | (1,097) |
| Council Taxpayers | (264) | (1,298) | (1,209) |
| Short-term Employee Benefits | (3,910) | (4,541) | (4,284) |
| Sundry Creditors | (24,756) | (36,001) | (43,772) |
| **Total** | **(47,453)** | **(61,527)** | **(73,773)** |

## 31. Other Long Term Liabilities

| | 31 March 2009 £000 | 31 March 2010 £000 | 31 March 2011 £000 |
|---|---|---|---|
| Share of liability for the payment of a proportion of the County Council's debt charges on becoming a Unitary Authority on 1 April 1997 | 39,933 | 38,335 | 36,792 |
| Loans transferred from neighbouring authorities in 1968 | 1,231 | 911 | 832 |
| Net Pensions Liability (Note 42) | 200,695 | 292,395 | 215,044 |
| **Total Deferred Liabilities** | **241,859** | **331,641** | **252,668** |

## 32. Provisions

### Provisions for Uninsured Risks

The Council has a number of outstanding uninsured claims that are due to be settled during 2011/12. The provision represents an estimate of the amounts, which the Council will have to pay for claims arising before 31 March 2011, but where the exact amount and the date of payment are uncertain.

### Provisions for Future Pension Payments

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

### Other Provisions

Housing Benefits Provision – The Council has set aside a provision at 31 March 2011 for the likely repayment of subsidy from the Council's 2008/09 and 2009/10 Housing Benefit Grant and for the probable repayment of reward funding in the 2010/11 Housing Benefit claim. Payment is due to occur during 2011/12.

Single Status Provision – The Council is currently in negotiations with two groups of claimants who lodged Equal Pay claims and which are currently either at grievance or tribunal stage. The current estimated cost of settlement is £142,000. Any settlement is expected to be made in 2011/12.

Redundancy Cost Provision – The Council carried out a number of directorate restructures during 2010/11 which gave rise to a significant number of redundancies and early retirements. A small number of the individuals affected are not scheduled to leave the Council until 2011/12 and a provision has therefore been established to meet these expected payments.

| | Provision for uninsured risks | | Provision for future pension payments | | Other provisions | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **Current £000** | **Non-Current £000** | **Current £000** | **Non-Current £000** | **Current £000** | **Non-Current £000** | **Current £000** | **Non-Current £000** |
| **Balance at 1 April 2009** | 582 | 0 | 45 | 735 | 499 | 0 | 1,126 | 735 |
| Additional provisions made in 2009/10 | 616 | 0 | 0 | 0 | 1,296 | 0 | 1,912 | 0 |
| Transfer to Current Provisions | 0 | 0 | 25 | (25) | 0 | 0 | 25 | (25) |
| Amounts used in 2009/10 | (495) | 0 | (45) | 0 | (312) | 0 | (852) | 0 |
| Provision written back in year | (74) | 0 | 0 | 0 | (167) | 0 | (241) | 0 |
| **Balance at 31 March 2010** | **629** | **0** | **25** | **710** | **1,316** | **0** | **1,970** | **710** |
| | | | | | | | | |
| **Balance at 1 April 2010** | **629** | **0** | **25** | **710** | **1,316** | **0** | **1,970** | **710** |
| Additional provisions made in 2010/11 | 531 | 0 | 0 | 0 | 2,749 | 0 | **3,280** | **0** |
| Transfer to Current Provisions | 0 | 0 | 83 | (83) | 0 | 0 | **83** | **(83)** |
| Amounts used in 2010/11 | (541) | 0 | (61) | 0 | (523) | 0 | **(1,125)** | **0** |
| Provision written back in year | 0 | 0 | 0 | 0 | (174) | 0 | **(174)** | **0** |
| **Balance at 31 March 2011** | **619** | **0** | **47** | **627** | **3,368** | **0** | **4,034** | **627** |

## 33. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2009/10.

| | Balance at 1 April 2009 £000 | Transfers out 2009/10 £000 | Transfers In 2009/10 £000 | Movement between earmarked reserves 2009/10 £000 | Balance at 31 March 2010 £000 | Transfers Out 2010/11 £000 | Transfers In 2010/11 £000 | Movement between earmarked reserves 2010/11 £000 | Balance at 31 March 2011 £000 |
|---|---|---|---|---|---|---|---|---|---|
| **General Fund** | | | | | | | | | |
| Unallocated General Fund Balance | (6,486) | 0 | (257) | 0 | (6,743) | 0 | (400) | 0 | (7,143) |
| Balances held by schools under a scheme of delegation | (5,593) | 212 | 0 | 0 | (5,381) | 225 | 0 | 0 | (5,156) |
| **TOTAL** | **(12,079)** | **212** | **(257)** | **0** | **(12,124)** | **225** | **(400)** | **0** | **(12,299)** |
| **Revenue Earmarked Reserves** | | | | | | | | | |
| Waste Strategy Corporate Reserve | (761) | 10 | (1,323) | 0 | (2,074) | 1,368 | (737) | | (1,443) |
| Supporting People Corporate Reserve | (1,522) | 0 | 0 | (1,501) | (3,023) | 245 | 0 | 0 | (2,778) |
| Trading Services Reserve | (1,000) | 0 | 0 | 0 | (1,000) | 0 | 0 | 0 | (1,000) |
| Budget Risk Reserve | (7,932) | 60 | (4,339) | 6,324 | (5,887) | 1,459 | (2,156) | (203) | (6,787) |
| Job Evaluation Reserve | (3,954) | 142 | (933) | (287) | (5,032) | 5,032 | (950) | 0 | (950) |
| LABGI Defined Corporate Reserve | (1,194) | 25 | 0 | (747) | (1,916) | 21 | 0 | 0 | (1,895) |
| Treasury Management Reserve | (3,557) | 15 | 0 | 1,925 | (1,617) | 600 | 0 | 0 | (1,017) |
| Building Schools For The Future Reserve | (1,763) | 0 | 0 | 622 | (1,141) | 0 | 0 | 203 | (938) |
| Transformation Corporate Reserve | 0 | 405 | 0 | (4,245) | (3,840) | 3,019 | (754) | 0 | (1,575) |

| | Balance at 1 April 2009 £000 | Transfers out 2009/10 £000 | Transfers In 2009/10 £000 | Movement between earmarked reserves 2009/10 £000 | Balance at 31 March 2010 £000 | Transfers Out 2010/11 £000 | Transfers In 2010/11 £000 | Movement between earmarked reserves 2010/11 £000 | Balance at 31 March 2011 £000 |
|---|---|---|---|---|---|---|---|---|---|
| Older Peoples Strategy Corporate Reserve | 0 | 0 | 0 | (1,470) | (1,470) | 133 | 0 | 0 | (1,337) |
| Partnership Reserves | (612) | 231 | (628) | (301) | (1,310) | 640 | 0 | 0 | (670) |
| PFI Reserves | (9,831) | 950 | (2,793) | 0 | (11,674) | 136 | (1,402) | 0 | (12,940) |
| Other Service Reserves | (8,531) | 3,639 | (2,139) | 431 | (6,600) | 2,466 | (3,001) | 0 | (7,135) |
| Other Corporate Reserves | (6,382) | 4,398 | (1,124) | (751) | (3,859) | 1,860 | (2,466) | 0 | (4,465) |
| **TOTAL** | **(47,039)** | **9,875** | **(13,279)** | **0** | **(50,443)** | **16,979** | **(11,466)** | **0** | **(44,930)** |
| **Capital Earmarked Reserves** | | | | | | | | | |
| Earmarked Capital Reserves | (4,169) | 91 | (2,015) | 0 | (6,093) | 8,341 | (5,512) | 0 | (3,264) |
| **Total** | **(4,169)** | **91** | **(2,015)** | **0** | **(6,093)** | **8,341** | **(5,512)** | **0** | **(3,264)** |
| **HRA** | | | | | | | | | |
| Housing Revenue Account | (17,069) | 2,000 | (2,907) | 0 | (17,976) | 1,097 | (432) | 0 | (17,311) |
| Other Earmarked HRA Reserves | (2,604) | 53 | (72) | 0 | (2,623) | 10,705 | (10,806) | 0 | (2,724) |
| **Total** | **(19,673)** | **2,053** | **(2,979)** | **0** | **(20,599)** | **11,802** | **(11,238)** | **0** | **(20,035)** |

## 34. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 7.

## 35. Unusable Reserves

| 31 March 2009 £000 | 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|---|
| (95,844) | (101,565) | Revaluation Reserve | (156,775) |
| (664,737) | (678,902) | Capital Adjustment Account | (504,016) |
| (1,201) | (1,182) | Financial Instruments Adjustment Account | (1,990) |
| 200,695 | 292,395 | Pensions Reserve | 215,044 |
| (1,637) | (1,617) | Deferred Capital Receipts Reserve | (2,941) |
| (938) | (1,241) | Collection Fund Adjustment Account | (501) |
| 3,910 | 4,541 | Accumulated Absences Account | 4,284 |
| **(559,752)** | **(487,571)** | **Total Unusable Reserves** | **(446,895)** |

## 35a. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

| 2009/10 £'000 | | | 2010/11 £'000 | |
|---|---|---|---|---|
| | **(95,844)** | **Balance at 1 April** | | **(101,565)** |
| (9,135) | | Upward revaluation of assets | (74,193) | |
| 1,944 | | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 16,604 | |
| | (7,191) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | (57,589) |
| 1,142 | | Restatement of opening balance | 6 | |
| 69 | | Difference between fair value depreciation and historical cost depreciation | 72 | |
| 259 | | Accumulated gains on assets sold or scrapped | 201 | |
| 0 | | Adjustment for deferred sale proceeds on sale of assets | 2,100 | |
| | 1,470 | Amount written off to the Capital Adjustment Account | | 2,379 |
| | **(101,565)** | **Balance at 31 March** | | **(156,775)** |

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

## 35b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement with reconcilling postings from the Revaluation Income and Expenditure Statement. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **(664,738)** | **Balance at 1 April** | **(678,903)** |
| 3,231 | Opening Balance restatement | 784 |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| 32,435 | Charges for depreciation of non-current assets | 35,635 |
| 14,288 | Charges for impairment of non-current assets | 19,851 |
| 14,862 | Revaluation losses on Property, Plant and Equipment | 170,745 |
| (26,170) | Revaluation gains matched to prior year impairments | (93) |
| (380) | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | (37) |
| 91 | Amortisation of intangible assets | 79 |
| 18,251 | Revenue expenditure funded from capital under statute | 10,245 |
| 373 | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive and Expenditure Statement | 11,997 |
| | | |
| (328) | Adjusting amounts written off of the Revaluation Reserve | (273) |
| | | |

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| Capital financing applied in the year: | | |
| (2,130) | Use of the capital receipts reserve to finance new capital expenditure | (3,661) |
| (7,490) | Use of the Major Repairs Reserve to finance new capital expenditure | (6,171) |
| (410) | Use of other earmarked reserves | (3,189) |
| (27,216) | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (33,170) |
| (15,344) | Application of grants to capital financing from the Capital Grants Unapplied Account | (10,413) |
| (10,512) | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | (11,535) |
| (1,762) | Transferred Debt | (1,472) |
| (5,954) | Capital expenditure charged against the General Fund and HRA balances | (4,437) |
| **(678,903)** | **Capital Adjustment Account Balance at 31 March** | **(504,016)** |

## 35c. Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **(1,201)** | **Balance at 1 April** | **(1,182)** |
| 48 | Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement | 164 |
| (29) | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | (972) |
| 19 | Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (808) |
| **(1,182)** | **Balance at 31 March** | **1,990** |

## 35d. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside by the time the benefits come to be paid.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **200,695** | **Balance at 1 April** | **292,395** |
| 84,320 | Actuarial gains or losses on pensions assets and liabilities | (41,986) |
| 7,380 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (35,365) |
| **292,395** | **Balance at 31 March** | **215,044** |

## 35e. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **(1,637)** | **Balance at 1 April** | **(1,617)** |
| 0 | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (2,041) |
| 20 | Transfer to the Capital Receipts Reserve upon receipt of cash | 717 |
| **(1,617)** | **Balance at 31 March** | **(2,941)** |

## 35f. Collection Fund Adjustment Account

The Collection Fund Adjustment manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **(938)** | **Balance at 1 April** | **(1,241)** |
| (303) | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 740 |
| **(1,241)** | **Balance at 31 March** | **(501)** |

## 35g. Accumulated Absences Accounts

The Accumulated Absences absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general Fund Balance is neutralised by transfers to or from the Account.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| **3,910** | **Balance at 1 April** | **4,541** |
| (3,910) | Settlement or cancellation of accrual made at the end of the preceding year | (4,541) |
| 4,541 | Amounts accrued at the end of the current year | 4,284 |
| 631 | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 257 |
| **4,541** | **Balance at 31 March** | **4,284** |

## 36. Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

**Central Government**

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 8 on reporting for resources allocation decisions.

**Members and Chief Officers**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2010/11 is shown in Note 38. 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 accordance with section 117 of the Local Government Act 1972. In addition, where Members are nominated by the Council to sit on outside bodies, this is reported to the Council.

During 2010/11 services to the value of £596,000 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 £332,000 to voluntary organisations in which two Members had an interest. These grants were made with proper consideration of declarations of interest.

**Other Public Bodies (subject to common control by central government)**

The Council has a pooled budget arrangement with NHS Derby City for the provision of an integrated disabled children's service. Transactions and balances outstanding are detailed in Note 17.

**Subsidiary and Associated Companies**

The Council has included £0.327m income (£0.589m in 2009/10) 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 £2.5m 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.

**Partnership and Accountable Body Arrangements**

The Derwent Community Team Management Team manages the Derwent New Deal for Communities Programme that commenced in 2001. Transactions totalling £0.603k (£1.0m in 2009/10) 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.

**Contribution to Joint Committees and Joint Bodies**

The City Council contributes to Derbyshire County Council towards the cost of the Coroners, Emergency planning and Concessionary Fare Services.

## 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.

| 2009/10 £000 | Aggregate Revenue Account | 2010/11 £000 |
|---|---|---|
| 1,408 | Opening balance 1 April | 1,042 |
| 130 | Income during the year | 103 |
| **1,538** | Total Funds available in the year | **1,145** |
| (496) | Expenditure during the year | (344) |
| **1,042** | **Closing balance 31 March** | **801** |

| 2009/10 Balance Restated £000 | The funds are represented by: | 2010/11 Balance £000 |
|---|---|---|
| | **Investments** | |
| 30 | COIF Charity Funds | 30 |
| 3 | Treasury Stock | 3 |
| 134 | National Savings Investment Funds | 144 |
| 875 | Cash | 624 |
| **1,042** | **Total Assets** | **801** |
| **40** | **Number of Funds** | **27** |

## 38. Members' Allowances

The Council paid the following amounts to Members of the Council during the year:

| | 2009/10 £'000 | 2010/11 £'000 |
|---|---|---|
| Allowances | 784 | 785 |
| Expenses | 15 | 14 |
| **Total** | **799** | **799** |

## 39. Officers' Remuneration

The remuneration paid to the Council senior employees is as follows:

| | | Salary, Fees and Allowances £ | Expenses Allowances £ | Pension Contribution £ | Total £ |
|---|---|---|---|---|---|
| A. Wilkinson (Chief Executive) - started 27/07/09 | 2010/11 | 160,159 | 159 | 28,480 | 188,798 |
| | 2009/10 | 108,817 | 526 | 19,369 | 128,712 |
| R. Cowlishaw (Chief Executive) - to 26/07/09 | 2010/11 | 0 | 0 | 0 | 0 |
| | 2009/10 | 48,719 | 214 | 8,616 | 57,549 |
| Director of Corporate & Adult Services Left - 31/08/2010 | 2010/11 | 53,418 | 5 | 9,214 | 62,637 |
| | 2009/10 | 127,929 | 261 | 22,533 | 150,723 |
| Director of Regeneration and Community Left - 30/04/2010 | 2010/11 | 10,108 | 0 | 1,764 | 11,872 |
| | 2009/10 | 120,228 | 148 | 21,162 | 141,538 |
| Strategic Director of Environmental Services | 2010/11 | 117,794 | 0 | 20,681 | 138,475 |
| | 2009/10 | 114,654 | 1,770 | 20,202 | 136,626 |
| Strategic Director of Adult ,Health and Housing. Started 19/04/2010 | 2010/11 | 107,914 | 6 | 19,191 | 127,111 |
| | 2009/10 | 0 | 0 | 0 | 0 |
| Strategic Director of Resources. Left 03/10/2010 | 2010/11 | 60,676 | 6 | 10,507 | 71,189 |
| | 2009/10 | 114,391 | 377 | 20,202 | 134,970 |
| Strategic Director of Resources. Started 09/2010, Left 01/2011 | 2010/11 | 72,067 | 0 | 0 | 72,067 |
| | 2009/10 | 0 | 0 | 0 | 0 |
| Strategic Director of Resources. Started 17/01/2011 | 2010/11 | 24,609 | 158 | 4,380 | 29,147 |
| | 2009/10 | 0 | 0 | 0 | 0 |

| | | | | | |
|---|---|---|---|---|---|
| Strategic Director of Children and Young People. Left 30/04/2010 | 2010/11 | 10,278 | 13 | 1,764 | 12,055 |
| | 2009/10 | 120,054 | 687 | 21,162 | 141,903 |
| Strategic Director of Children and Young People. Started 01/04/2010, Left 31/10/2010 | 2010/11 | 111,853 | 0 | 12,345 | 124,198 |
| | 2009/10 | 0 | 0 | 0 | 0 |
| Strategic Director of Children and Young People. Started 13/09/2010, Left 11/02/2011 | 2010/11 | 70,241 | 0 | 0 | 70,241 |
| | 2009/10 | 0 | 0 | 0 | 0 |
| Strategic Director of Children and Young People. Started 14/02/2011 | 2010/11 | 22,173 | 0 | 0 | 22,173 |
| | 2009/10 | 0 | 0 | 0 | 0 |
| | **2010/11** | **821,290** | **347** | **108,326** | **929,963** |
| **TOTAL** | **2009/10** | **754,792** | **3,983** | **133,246** | **892,021** |

| Remuneration Band | 2009/10 Number of employees | 2010/11 Number of employees |
|---|---|---|
| £50,000 - £54,999 | 88 | 86 |
| £55,000 - £59,000 | 56 | 58 |
| £60,000 - £64,000 | 23 | 41 |
| £65,000 - £69,000 | 9 | 28 |
| £70,000 - £74,999 | 8 | 19 |
| £75,000 - £79,000 | 14 | 11 |
| £80,000 - £84,999 | 9 | 11 |
| £85,000 - £89,999 | 1 | 7 |
| £90,000 - £94,999 | 0 | 3 |
| £95,000 - £99,999 | 1 | 4 |
| £100,000 - £104,999 | 0 | 10 |
| £105,000 - £109,999 | 1 | 2 |
| £110,000 - £114,999 | 2 | 3 |
| £115,000 - £119,999 | 2 | 2 |
| £120,000 - £124,999 | 2 | 0 |
| £125,000 - £129,999 | 1 | 0 |
| £130,000 - £134,999 | 0 | 0 |
| £135,000 - £139,999 | 0 | 0 |
| £140,000 - £144,999 | 0 | 1 |
| £145,000 - £149,999 | 0 | 0 |
| £150,000 - £154,999 | 0 | 1 |
| £155,000 - £159,999 | 0 | 0 |
| £160,000 - £164,999 | 0 | 1 |
| **Total** | **217** | **288** |

## 40. Termination Benefits

In December 2010 the Council received its financial settlement from Central Government for the next two years, 2011/12 and 2012/13. This resulted in a significant reduction to Council funding, and similar reductions have been assumed for 2013/14. As a result, the Council carried out a Council-wide voluntary redundancy programme which resulted in 430 employees leaving the organisation during 2010/11, including the 12 employees identified as part of the Senior Officer restructure during 2009/10.

The associated costs of this redundancy programme consisted of £5,449,000 redundancy payments, £729,000 in payments in lieu of notice and £2,676,000 pension shortfall costs. The Council has funded these costs through a combination of provisions, use of specific reserves set aside for this purpose and the temporary release of earmarked revenue reserves. The repayment of relevant reserves over the next 4 years has been built into the Council's Medium term Financial Plan.

In 2009/10, the Council carried out a restructure of Senior Officers, with a reduction of 29 posts. The Senior Officer restructure was approved in February 2010, although not formally implemented until May 2010. A provision of £680,000 for the associated termination costs for 12 affected employees who had requested voluntary redundancy or voluntary early retirement was included in the 2009/10 accounts.

## 41. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to indentify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2010/11 the Council paid £12.062m to Teachers' Pensions in respect of teachers' retirement benefits representing 14.1% of pensionable pay. The figures for 2009/10 were £12.593m and 14.1%.

There were no contributions remaining payable at the year-end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 42.

## 42. Defined Benefit Pension Schemes

**Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future

The Council participates in two post employment schemes:

1) The Local Government Pension Scheme, administered locally by Derbyshire County Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
2) Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liability, and cash has to be generated to meet actual pensions payments as they eventually fall due.

**Transactions Relating to Post-employment Benefits**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge which is required to be made against council tax is based on the cash payable in the year, so the real cost of post employment. retirement is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves during the year.

| | **Local Government Pension Scheme** | | **Discretionary Benefits** | |
|---|---|---|---|---|
| | **2009/10 £000** | **2010/11 £000** | **2009/10 £000** | **2010/11 £000** |
| **Comprehensive Income and Expenditure Statement** | | | | |
| Cost of Services: | | | | |
| Current service cost | 12,917 | 20,161 | 0 | 0 |
| Past service cost | 6 | (42,677) | 0 | (1,249) |
| Settlements and curtailments | 195 | (1,919) | 0 | 0 |
| Financing and Investment Income and Expenditure: | | | | |
| Interest cost | 37,453 | 41,446 | 1,321 | 1,207 |
| Expected return on scheme assets | (21,572) | (29,844) | 0 | 0 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 28,999 | (12,833) | 1,321 | (42) |

| | Local Government Pension Scheme | | Discretionary Benefits | |
|---|---|---|---|---|
| | 2009/10 £000 | 2010/11 £000 | 2009/10 £000 | 2010/11 £000 |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement: | | | | |
| Actuarial gains and losses | 80,770 | (42,264) | 3,550 | 278 |
| **Total Post Employment Benefit Charged to the Comprehensive and Expenditure Statement** | 109,769 | (55,097) | 4,871 | 236 |
| | | | | |
| **Movement in Reserves Statement** | | | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | (7,591) | (8,135) | 211 | 1,564 |
| | | | | |
| **Actual amount charged against the General Fund Balance for pensions in the year:** | | | | |
| Employers' contributions payable to scheme | (21,408) | (20,968) | | |
| Retirement benefits payable to pensioners | | | (1,532) | (1,522) |

The cumulative amount of actual gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a gain of £41.986m

**Assets and Liabilities in Relation to Post-employment Benefits**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

| | Funded Liabilities: Local Government Pension Scheme | | Unfunded Liabilities: Discretionary Benefits | |
|---|---|---|---|---|
| | 2009/10 £000 | 2010/11 £000 | 2009/10 £000 | 2010/11 £000 |
| Opening balance at 1 April | (525,280) | (747,337) | (19,369) | (22,708) |
| Current service cost | (12,917) | (20,161) | 0 | 0 |
| Interest cost | (37,453) | (41,446) | (1,321) | (1,207) |
| Contributions by scheme participants | (7,232) | (7,021) | 0 | 0 |
| Actuarial gains and losses | (179,953) | 51,130 | (3,550) | (278) |
| Benefits paid | 15,699 | 19,122 | 1,532 | 1,522 |
| Past services costs | (6) | 42,677 | 0 | 1,249 |
| Curtailments | (195) | (74) | 0 | 0 |
| Settlements | 0 | 13,571 | 0 | 0 |
| **Closing balance at 31 March** | **(747,337)** | **(689,539)** | **(22,708)** | **(21,422)** |

**Reconciliation of fair value of the scheme (plan) assets**

| | Local Government Pension Scheme | |
|---|---|---|
| | 2009/10 £000 | 2010/11 £000 |
| Opening balance at 1 April | 343,954 | 477,650 |
| Expected rate of return | 21,572 | 29,844 |
| Actual gains and losses | 99,183 | (8,866) |
| Employer contributions | 21,408 | 20,968 |
| Contributions by scheme participants | 7,232 | 7,021 |
| Benefits paid | (15,699) | (19,122) |
| Settlement | 0 | (11,578) |
| | | |
| **Closing balance at 31 March** | **477,650** | **495,917** |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year 2010/11 was £35,399,000 (£120,755,000 in 2009/10).

**Scheme History**

| | 2006/07 Restated £000 | 2007/08 Restated £000 | 2008/09 £000 | 2009/10 £000 | 2010/11 £000 |
|---|---|---|---|---|---|
| **Present value of liabilities** | | | | | |
| Local Government Pension Scheme | (572,852) | (612,575) | (525,280) | (747,337) | (689,539) |
| Discretionary Benefits | (20,194) | (22,580) | (19,369) | (22,708) | (21,422) |
| Fair value of assets in the Local Government Pension Scheme | 413,786 | 402,108 | 343,954 | 477,650 | 495,917 |
| | | | | | |
| **Surplus/(deficit) in the scheme** | | | | | |
| Local Government Pension Scheme | (159,066) | (210,467) | (181,326) | (269,687) | (193,622) |
| Discretionary Benefits | (20,194) | (22,580) | (19,369) | (22,708) | (21,422) |
| **Total** | **(179,260)** | **(233,047)** | **(200,695)** | **(292,395)** | **(215,044)** |

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £710,961 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net pensions deficit balance of £215,044m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

(i) The deficit on the local government scheme will be made good by increased contributions over the remaining working life of benefits (i.e. before payments fall due), as assessed by the scheme actuary

(ii) Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £19,996m. Expected contributions for the Discretionary benefits scheme in the year to 31 March 2012 are £11.897m.

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actual basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the Council being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actual have been:

| | **Local Government Pension Scheme** | | **Discretionary Benefits** | |
|---|---|---|---|---|
| | **2009/10 £000** | **2010/11 £000** | **2009/10 £000** | **2010/11 £000** |
| *Long-term expected rate of return on assets in the scheme:* | | | | |
| Equity Investments | 7.5% | 7.5% | | |
| Government Bonds | 4.5% | 4.4% | | |
| Other Bonds | 5.2% | 5.1% | | |
| Property | 6.5% | 6.5% | | |
| Cash | 0.5% | 0.5% | | |
| Other | 7.5% | 7.5% | | |
| | | | | |
| Mortality assumptions: | | | | |
| Longevity at 65 for current pensioners: | | | | |
| Men | 21.2 | 21.7 | 21.2 | 21.7 |
| Women | 24.1 | 24.3 | 24.1 | 24.3 |
| Longevity at 65 for future pensioners: | | | | |
| Men | 22.2 | 23.1 | | |
| Women | 25.0 | 25.9 | | |
| | | | | |
| Rate of inflation RPI | 3.3% | 3.4% | 3.2% | 3.3% |
| Rate of inflation CPI | 2.8% | 2.9% | | |

| | | | | |
|---|---|---|---|---|
| Rate of increase in salaries | 4.8% | 4.7% | 3.2% | 2.8% |
| Rate of increase in pensions | 3.3% | 2.9% | 3.2% | 2.8% |
| Rate of discounting scheme liabilities | 5.6% | 5.5% | 5.5% | 5.4% |
| Take-up of option to covert annual pension into retirement lump sum | 50.0% | 50.0% | | |

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of

| | 31 March 2010 % | 31 March 2011 % |
|---|---|---|
| Equity Investments | 68.0% | 68.5% |
| Government Bonds | 14.6% | 6.8% |
| Other Bonds | 5.8% | 5.6% |
| Property | 5.1% | 5.1% |
| Cash | 5.8% | 6.3% |
| Other | 0.7% | 7.7% |
| | 100.0% | 100.0% |

**History of Experience Gains and Losses**

The actual gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

| | 2006/07 Restated % | 2007/08 Restated % | 2008/09 % | 2009/10 % | 2010/11 % |
|---|---|---|---|---|---|
| Differences between the expected and actual return on assets | 0.3 | 13.2 | 28.9 | 20.8 | 1.8 |
| Experience gains and losses on liabilities | 0.0 | 4.2 | 0.0 | 0.0 | 7.8 |

## 43. Contingent Liabilities

At 31 March 2011, the Council had six material contingent liabilities.

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 £0.5m in 2011/12 is maintained in the revenue budget increasing to £2.5m from 2014/15 together with a corporate reserve by 2014/15 of £4m. This will be considered further as the implementation of single status progresses and more is known about the likely timing and financial impact.

The physical impact of opening the new roads following completion of the Council's Connecting Derby project presents a possibility that the Council could receive claims for compensation. The financial effect and anticipated timing of any claims cannot be reliably estimated at this time and will be closely monitored during 2011/12.

The Derwent NDC Programme ended on the 31/03/11 and a total of £40m has been spent on regenerating the Derwent area of Derby during the ten year programme. Potential clawback of the grant by the Department for Communities and Local Government (CLG) remains in place on Derby City Council (as the Accountable Body for the NDC) until CLG choose to remove it. This could depend on the success of the current exit strategy. Although it is difficult to estimate the level of any potential clawback if the exit strategy fails the amount, if any, may depend on mitigating factors such as being able to demonstrate that all reasonable steps were taken to put in place a viable Succession Strategy for the Derwent NDC. The timing of any such clawback cannot currently be reliably determined.

The Council is currently in legal dispute with one of its contractors regarding the provision of improvements works to the properties of private homeowners under the decent homes standard. Any financial impact of this dispute cannot be reliably quantified at this time and will be closely monitored during 2011/12.

Following the finalisation of the 2008/09 and 2009/10 Benefit Subsidy claims with the Department for Works and Pensions, a £3m provision has been established in the accounts for expected repayments of subsidy for both claims and for the probable repayment of reward funding in the 2010/11 Housing Benefit claim. At this stage, a provision for reward funding in the 2010/11 Housing Benefit claim has been set aside, however, no provision has been made for any repayment of other elements of subsidy relating to the 2010/11 Benefit Subsidy claim, as this has not yet been finalised and cannot be quantified.

The Council faces significant budget pressures for the 2012/13 financial year, and as a result, needs to make staffing reductions of up to 500 full time equivalents. The Council is committed to maximising the number of people leaving the Council by voluntary redundancy (VR) rather than compulsory redundancy and has made an enhanced VR package available to employees who agree to leave on or before 31st December 2011. The actual costs associated with redundancies will depend on employee uptake of VR and therefore cannot be reliably quantified at this time.

## 44. Contingent Assets

The Council does not have any contingent assets in 2010/11 (nil in 2009/10).

## 45. Cash Flow Statement - Adjustments for Non-Cash Movements

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (25,955) | Depreciation and amortisation | (35,714) |
| (4,924) | Impairment and downward valuations | (188,372) |
| (1,258) | (Increase)/decrease in impairment for provision for bad debt | (684) |
| (14,076) | (Increase)/decrease in creditors | (11,553) |
| 14,916 | Increase/(decrease) in debtors | (1,959) |
| 44 | Increase/(decrease) in Stock | (596) |
| (820) | (Increase)/decrease in Provisions | (1,981) |
| (7,380) | Pension liability | 35,365 |
| 28,660 | Other non-cash items charged to the net Surplus or Deficit on the Provision of Services | 19,643 |
| **(10,793)** | **Total Non-Cash Movements** | **(185,851)** |

## 46. Adjustments for items that are investing or financing activities

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 1,979 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 1,809 |
| (9,085) | Other items that are investing and financing activities | (7,896) |
| **(7,106)** | **Total adjustments for items that are investing and financing** | **(6,087)** |

## 47. Operating Activities

The cash flows for operating activities include the following items:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (2,759) | Interest Received | (3,084) |
| 17,252 | Interest Paid | 14,445 |
| **14,493** | | **11,361** |

## 48. Cash Flow Statement - Investing Activities

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 49,631 | Purchase of property, plant and equipment, investment property and intangible assets | 68,381 |
| 16,904 | Other payments for investing activities | 10,386 |
| (1,979) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (1,809) |
| (103,095) | Other receipts from investing activities | (75,053) |
| (38,539) | **Net Cash Flows from Investing activities** | 1,905 |

## 49. Cash Flow Statement - Financing Activities

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (10,000) | Cash receipts of short-and long-term borrowing | (20,000) |
| 9,085 | Other receipts from financing activities | 7,896 |
| 2,519 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts | 2,357 |
| 88,569 | Repayments of short- and long-term borrowing | 20,140 |
| **90,173** | **Net cash flows from financing** | **10,393** |

## HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

| HRA Income and Expenditure Statement | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| **Expenditure** | | |
| Repairs and Maintenance | 9,973 | 11,037 |
| Supervision and Management | 14,572 | 14,735 |
| Negative HRA subsidy payable | 0 | 955 |
| Rents, rates, taxes and other charges | 0 | 37 |
| Depreciation and impairments of non-current assets | (6,961) | 182,171 |
| Debt Management costs | 100 | 64 |
| Movement in allowance for bad debts | 0 | 503 |
| **Total Expenditure** | **17,684** | **209,502** |
| **Income** | | |
| Dwelling rents | (41,907) | (41,450) |
| Non dwelling rents | (415) | (469) |
| Charges for Services and facilities | (1,326) | (2,287) |
| Contributions towards expenditure | (242) | (242) |
| Housing Revenue Account subsidy receivable | (1,359) | 0 |
| Movement in the allowance for bad debts | (121) | 0 |
| **Total Income** | **(45,370)** | **(44,448)** |
| **Net cost of HRA Services as included in the Comprehensive Income and Expenditure account** | **(27,686)** | **165,054** |
| HRA services share of Corporate and Democratic Core | **79** | **80** |
| **Net Income for HRA Services** | **(27,607)** | **165,134** |
| **HRA share of the operating income and expenditure incldued in the Comprehensive Income and Expenditure Statement:** | | |
| Gain or loss on sale of HRA non-current assets | (26) | 245 |
| Interest payable and similar charges | 7,673 | 7,847 |
| Interest and Investment income | (130) | (90) |
| Capital Grant Income | (890) | (1,853) |
| Pensions interest cost and expected return on pensions assets | 0 | 0 |
| **(Surplus) / Deficit for the year on HRA services** | **(20,980)** | **171,283** |

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

| Movement on the Housing Revenue Account Balance Statement | 2009/10 | 2010/11 |
|---|---|---|
| **Balance on the HRA at the end of the previous year** | **(17,069)** | **(17,976)** |
| (Surplus) or deficit for the year on the HRA income and expenditure Account | (20,980) | 171,283 |
| **Adjustments between accounting basis and funding basis under Statute:** | | |
| Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with Statute | 0 | (128) |
| Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with Statute | 0 | 0 |
| Gain or loss on sale of HRA non-current assets | 26 | (245) |
| HRA share of contributions to or from the Pensions Reserve | 210 | 21 |
| Capital expenditure funded by the HRA | 4,814 | 2,821 |
| **Net (Increase) or decrease before transfers to/from reserves** | (15,930) | 173,752 |
| **Transfers (to) or from reserves:** | | |
| Transfers (to)/from the Major Repairs Reserve | (2,691) | (2,495) |
| Transfers (to)/from the Capital Grants Unapplied Reserve | 890 | 1,853 |
| Transfers (to)/from the Capital Adjustment Account | 17,044 | (172,496) |
| Transfers (to)/from the Housing Repairs Account | (38) | 0 |
| Transfers (to)/from other Earmarked Reserves | (182) | 51 |
| **Increase or (decrease) in year on the HRA** | **(907)** | **665** |
| **Balance on the HRA at the end of the current year** | **(17,976)** | **(17,311)** |

## NOTES TO HOUSING REVENUE ACCOUNT

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

| Dwelling Type | 31 March 2010 | 31 March 2011 |
|---|---|---|
| Houses | 7,920 | 7,906 |
| Flats | 4,374 | 4,353 |
| Bungalows | 1,329 | 1,329 |
| **Total** | 13,623 | 13,588 |

### Operational/ Non Operational Assets

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

### a. Operational Assets

| | 31 March 2010 £000 | 31 March 2011 £000 |
|---|---|---|
| Dwellings | 508,332 | 318,859 |
| Other Land and Buildings | 10,138 | 9,646 |
| Infrastructure | 2,052 | 1,970 |
| Vehicles, plant and equipment | 30 | 33,103 |
| Community Assets | 513 | 513 |
| | 521,065 | 364,091 |

The dwelling NBV has decreased due to the regional adjusting factor for Existing Use Value for Social Housing (EUVSH) being reduced from 50% to 34%.

Vehicles plant and equipment has increased to take into account the IFRS application of componentisation.

### b. Non Operational Assets

| | 31 March 2010 £000 | 31 March 2011 £000 |
|---|---|---|
| Surplus properties | 3,675 | 4,318 |
| Assets held for sale | 1,175 | 108 |
| Investment Properties | 0 | 0 |
| Construction & Work in progress | 1,175 | 1,234 |
| | 6,025 | 5,660 |

## 2. Council Dwellings Vacant Possession Value

The total vacant possession value of dwellings within the HRA at 1 April 2010 was £1,051m (1,036m at 1 April 2009). ODPM guidance requires that the balance sheet valuation of £357.331m at 1 April 2010, (£518.188m at 1 April 2009) be determined by applying a regional multiplier 34% for the East Midlands (50% for the East Midlands in 2009) 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.

## 3. Major Repairs Reserve

The movements on the Major Repairs Reserve are shown below:

| | **2009/10 £000** | **2010/11 £000** |
|---|---|---|
| Balance at beginning of the year | (715) | (1,040) |
| MRA allowance | (7,814) | (7,101) |
| | **(8,529)** | **(8,141)** |
| Debit to MRA in respect of capital expenditure on properties within the HRA | 7,489 | 6,171 |
| **Balance at end of Year** | **(1,040)** | **(1,970)** |

## 4. Housing Repairs Account

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

| | **2009/10 £000** | **2010/11 £000** |
|---|---|---|
| Balance at beginning of the year | (53) | (15) |
| *Add* contributions during the year | (9,917) | (10,495) |
| | **(9,970)** | **(10,510)** |
| *Less* actual expenditure incurred | 9,955 | 10,495 |
| **Balance at end of Year** | **(15)** | **(15)** |

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

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| **Expenditure** | | |
| Land | 1,754 | 1,258 |
| Dwellings | 10,327 | 13,397 |
| **Total Capital Expenditure** | **12,081** | **14,654** |
| | | |
| **Sources of Funding** | | |
| Borrowing | 0 | 1,705 |
| Capital Receipts | 0 | 210 |
| Revenue Contributions | 4,104 | 2,821 |
| Other Contributions and Grants | 488 | 3,747 |
| Service Reserves | 0 | 0 |
| Major Repairs Reserve | 7,489 | 6,171 |
| **Balance at end of Year** | **12,081** | **14,654** |

## 5. b. Summary of Capital Receipts

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| Dwellings | 1,670 | 1,097 |
| Land | 16 | 104 |
| Other Property | 0 | 0 |
| **Total Receipts** | **1,686** | **1,201** |

## 6. Depreciation

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| **Operational** | | |
| Council Dwellings | 10,364 | 6,443 |
| Other operational land and buildings | 57 | 440 |
| Infrastructure | 84 | 82 |
| VPE | 0 | 2,608 |
| **Total Depreciation HRA** | **10,505** | **9,573** |
| Net of MRA Allowance | (7,814) | (7,101) |
| **Net Charge to HRA** | **2,691** | **2,472** |

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 non enhancing works required to bring the asset up to standard. HRA non enhancing works for capital improvements in the year totalled £11.366m in 2010/11 (£6.537m in 2009/10).

Impairment also occurs through the annual revaluation process, resulting impairment in 2010/11 of £162m (£1.558m in 2009/10).

The HRA impairment charges are summarised below:

| Asset Category | Impairment Charge recognised against Cost/ Valuation | Associated Write Off of Brought Forward Accumulated Depreciation and Impairment | Accumulating Impairment in year | Total Impairment Charge for 2010/11 | Impairment Funded directly from Revaluation Reserve | Impairment Charged to HRA Income & Expenditure Account |
|---|---|---|---|---|---|---|
| Assets Held For Sale | (91) | 91 | 0 | 0 | 0 | 0 |
| Council Dwellings | (181,853) | 10,234 | 0 | (171,619) | 0 | (161,861) |
| Community Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Infrastructure | 0 | 0 | 0 | 0 | 0 | 0 |
| Land and Buildings Operational | (202) | 25 | 0 | (177) | 0 | (177) |
| Surplus Properties | 0 | 0 | 0 | 0 | 0 | 0 |
| VPE | (505) | 0 | (41) | (546) | 0 | (546) |
| **Total** | **(182,651)** | **10,350** | **(41)** | **(172,342)** | **0** | **(162,584)** |

## 8. Revenue Expenditure Funded from Capital under Statute

There has been no Revenue Expenditure Funded from Capital under Statute attributable to the HRA for 2010/11 (Nil in 2009/10)

## 9. Analysis of HRA Subsidy

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| Management and Maintenance Allowances | 21,278 | 21,842 |
| Major Repairs Allowance | 7,814 | 7,901 |
| Charges for Capital | 4,333 | 4,563 |
| ALMO Allowance | 7,774 | 7,774 |
| MRA adjustment Pre-budget report | 800 | (800) |
| Rent | (40,601) | (42,028) |
| Interest on Receipts | (6) | (3) |
| **Total Housing Revenue Account Subsidy** | **1,392** | **(751)** |
| Defective Dwellings | 0 | 0 |
| Overprovision of housing subsidy | (33) | (204) |
| **Total Subsidy** | **1,359** | **(955)** |

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

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| **Amount of rent arrears** | **1,252** | **1,798** |
| **Aggregate Balance sheet provision in respect of uncollectable debts** | **1,234** | **1,680** |
| **Analysed as follows:** | | |
| Weekly Rents | 1,046 | 1,500 |
| Housing Benefit overpayments | 116 | 87 |
| Other Debts | 72 | 93 |

## 11. Analysis of HRA Share of Contributions to/from the Pensions Reserve

| | 2009/10 £000 | 2010/11 £000 |
|---|---|---|
| Current Service Cost | 321 | 512 |
| Reversal of net charges made to the Surplus or Deficit for the Provision of services for post employment benefits in accordance with the Code | (531) | (533) |
| **HRA share of Contributions to/from the Pensions Reserve** | **(210)** | **(21)** |

## THE COLLECTION FUND

| 2009/10 £000 | | Collection Fund Note | 2010/11 £000 |
|---|---|---|---|
| | **INCOME AND EXPENDITURE** | | |
| | **Income** | | |
| (78,190) | Council Tax | | (80,326) |
| (80,788) | Business Rates | 2 | (73,503) |
| (16,893) | Council Tax Benefit | | (18,180) |
| **(175,871)** | **TOTAL INCOME** | | **(172,009)** |
| | **Expenditure** | | |
| | **Precepts and Demands** | | |
| 77,188 | Derby City Council | | 80,161 |
| 11,323 | Derbyshire Police Authority | | 11,644 |
| 4,599 | Fire Precept | | 4,776 |
| | **Business Rates** | | |
| 76,955 | Payment to National Pool | | 72,905 |
| 325 | Costs of Collection | | 315 |
| | **Provision for bad and doubtful debts** | | |
| 1,050 | Council Tax | | 1,311 |
| 3,508 | Business Rates | | 284 |
| | **Transfer of previous years estimated surplus** | | |
| 459 | Derby City Council | | 1,248 |
| 27 | Derbyshire Police Authority | | 183 |
| 64 | Derbyshire Fire Authority | | 74 |
| **175,498** | **TOTAL EXPENDITURE** | | **172,901** |
| (376) | (SURPLUS) / DEFICIT FOR THE YEAR | | 892 |
| (1,124) | (SURPLUS) / DEFICIT AT THE BEGINNING OF YEAR | | (1,497) |
| **(1,497)** | **(SURPLUS) / DEFICIT AT THE END OF THE YEAR** | | **(605)** |
| | **Share of Collection Fund surplus** | | |
| (1,241) | Derby City Council | | (501) |
| (182) | Derbyshire Police Authority | | (74) |
| (74) | Derbyshire Fire Precept | | (30) |
| **(1,497)** | **(SURPLUS) / DEFICIT AT THE END OF THE YEAR** | | **(605)** |

## NOTES TO THE COLLECTION FUND

### 1. Council Tax

The Council's tax base for 2010/11 was 71,114.57, (70,187.03 in 2009/10). 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 | 54.00 |
| A | 6/9 | 30,268.40 |
| B | 7/9 | 13,441.70 |
| C | 8/9 | 12,423.60 |
| D | 9/9 | 7,435.40 |
| E | 11/9 | 4,731.30 |
| F | 13/9 | 2,976.50 |
| G | 15/9 | 921.20 |
| H | 18/9 | 18.80 |
| | | 72,270.90 |
| Less adjustment for non-collection | | (1,156.33) |
| **Council Tax Base** | | **71,114.57** |

### 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 2011 was £212,330m (£197,652m in 2009/10).

The national non-domestic multiplier for 2010/11 was 41.4p (48.5p in 2009/10).

## GROUP ACCOUNTS

Local Authorities are required 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.

## INTRODUCTION

The Accounting Code of Practice requires that where an Authority has material financial interest and a significant level of control over one or more entities it should prepare group Accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out these 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. The ALMO is classed as a subsidiary of the Council, 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. In 2010/11 Connexions had a deficit position of £0.174m (£0.008m surplus in 2009/10). The company had gross assets of £1.471m and gross liabilities of £9.965m, giving a net liability in 2010/11 of £8.494m (2009/10 were £12.325m). In 2010/11 £8.725m of the net liability related to Connexions defined benefit pension scheme liability (12.730m in 2009/10).

From 1 April 2011 Connexions Derbyshire Limited ceased trading. As a result Derby City Council has taken over its share of the assets and liabilities of Connexions Derbyshire Ltd, this being 28%. The interest in Connexions Derbyshire Ltd shown in the accounts therefore reflects Derby City Council's actual 28% interest in the company at the Balance Sheet date and not 50% operating share that was previously reported when Connexions Derbyshire Ltd was a going concern.

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.

## Definitions

### Subsidiary

An entity is a subsidiary of the reporting authority if the authority is able to exercise control over the operations 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 NET Cost of Services on the Group Comprehensive Income and Expenditure Account.

### Associate

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

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, and its subsidiaries and associates, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves.

| | Total Council Usable Reserves £000 | Total Council Unusable Reserves £000 | Total Council Reserves £000 | Total Derby Homes Usable Reserves £000 | Total Derby Homes Unusable Reserves £000 | Total Derby Homes Reserves £000 | Total Connexions Unusable Reserves £000 | Total Connexions Reserves £000 | Total Group Usable Reserves £000 | Total Group Unusable Reserves £000 | Total Group Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2009** | **(116,684)** | **(559,753)** | **(676,437)** | **(311)** | **3,406** | **3,095** | **3,065** | **3,065** | **(116,995)** | **(553,282)** | **(670,277)** |
| **Movement in reserves during 2009/10** | | | **0** | | | | | **0** | **0** | **0** | **0** |
| (Surplus) or deficit on the provision of services | (7,692) | 0 | **(7,692)** | 208 | 0 | 208 | 104 | **104** | **(7,484)** | **104** | **(7,380)** |
| Other Comprehensive Income and Expenditure | 0 | 79,560 | **79,560** | 0 | 5,340 | 5,340 | 2,997 | **2,997** | **0** | 87,897 | **87,897** |
| **Total Comprehensive Income and Expenditure** | **(7,692)** | **79,560** | **71,868** | **208** | **5,340** | **5,548** | **3,101** | **3,101** | **(7,484)** | **88,001** | **80,517** |
| Adjustments between accounting basis & funding basis under regulations. | 6,967 | (6,967) | **0** | 0 | 0 | | 0 | 0 | **6,967** | **(6,967)** | 0 |
| **Net (Increase) / Decrease before Transfers to Earmarked Reserves** | **(725)** | **72,593** | **71,868** | **208** | **5,340** | **5,548** | **3,101** | **3,101** | **(517)** | **81,034** | **80,517** |
| Transfers (to)/from Earmarked Reserves. | 412 | (412) | 0 | 0 | 0 | | 0 | 0 | **412** | **(412)** | 0 |
| **(Increase) / Decrease in 2009/10** | **(313)** | **72,181** | **71,868** | **208** | **5,340** | **5,548** | **3,101** | **3,101** | **(105)** | **80,622** | **80,517** |

| | Total Council Usable Reserves £000 | Total Council Unusable Reserves £000 | Total Council Reserves £000 | Total Derby Homes Usable Reserves £000 | Total Derby Homes Unusable Reserves £000 | Total Derby Homes Reserves £000 | Total Connexions Unusable Reserves £000 | Total Connexions Reserves £000 | Total Group Usable Reserves £000 | Total Group Unusable Reserves £000 | Total Group Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2010 carried forward** | **(116,997)** | **(487,572)** | **(604,569)** | **(103)** | **8,746** | **8,643** | **6,166** | **6,166** | **(117,100)** | **(472,660)** | **(589,760)** |
| **Movement in Reserves during 2010/11** | | | **0** | | | | | | | | |
| (Surplus) or deficit on the provision of services | 142,312 | 0 | **142,312** | (2,037) | 0 | (2,037) | (64) | (64) | 140,275 | (64) | 140,211 |
| Other Comprehensive Income and Expenditure | 0 | (95,647) | **(95,647)** | 0 | (479) | (479) | (3,724) | (3,724) | 0 | (99,850) | (99,850) |
| **Total Comprehensive Income and Expenditure** | **142,312** | **(95,647)** | **46,665** | **(2,037)** | **(479)** | **(2,516)** | **(3,788)** | **(3,788)** | **140,275** | **(99,914)** | **40,361** |
| Adjustments between accounting basis & funding basis under regulations. | (139,506) | 139,506 | 0 | 0 | 0 | 0 | 0 | 0 | **(139,506)** | **139,506** | 0 |
| **Net (Increase) / Decrease before Transfers to Earmarked Reserves** | **2,806** | **43,859** | **46,665** | **(2,037)** | **(479)** | **(2,516)** | **(3,788)** | **(3,788)** | **769** | **39,592** | **40,361** |
| Transfers (to)/from Earmarked Reserves. | 3,182 | (3,182) | 0 | 0 | 0 | **0** | 0 | 0 | 3,182 | (3,182) | 0 |
| **(Increase) / Decrease in 2010/11** | **5,988** | **40,677** | **46,665** | **(2,037)** | **(479)** | **(2,516)** | **(3,788)** | **(3,788)** | **3,951** | **36,410** | **40,361** |
| Balance at 31 March 2011 carried forward | **(111,009)** | **(446,895)** | **(557,904)** | **(2,140)** | **8,267** | **6,127** | **2,378** | **2,378** | **(113,149)** | **(436,250)** | **(549,399)** |

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

| 2009/10 | | | | 2010/11 | | |
|---|---|---|---|---|---|---|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 32,421 | (29,915) | 2,506 | Central services to the public | 35,676 | (24,783) | 10,893 |
| 158,181 | (111,825) | 46,356 | Cultural, environmental, regulatory and planning services | 117,028 | (62,920) | 54,108 |
| 322,864 | (237,480) | 85,384 | Education and children's services | 343,592 | (263,818) | 79,774 |
| 36,426 | (15,501) | 20,925 | Highways and transport services | 36,839 | (17,957) | 18,882 |
| 20,880 | (48,892) | (28,012) | Local authority housing (HRA) | 214,951 | (52,485) | 162,466 |
| 115,426 | (106,056) | 9,370 | Other housing services | 113,609 | (92,574) | 21,035 |
| 83,090 | (27,273) | 55,817 | Adult social care | 94,788 | (36,852) | 57,936 |
| 12,604 | (6,474) | 6,130 | Corporate and democratic core | 14,744 | (6,223) | 8,521 |
| 201 | 0 | 201 | Non distributed costs | 0 | (44,893) | (44,893) |
| **782,093** | **(583,416)** | **198,677** | **Cost of Services** | **971,227** | **(602,505)** | **368,722** |
| | | 1,553 | Other operating expenditure | | | 11,049 |
| | | 32,860 | Financing and investment income and expenditure | | | 27,292 |
| | | 0 | (Surplus) or deficit of discontinued operations | | | 0 |
| | | 104 | Share of Connexions Derbyshire Ltd (Surplus)/Deficit | | | (64) |
| | | (240,574) | Taxation and non-specific grant income | | | (266,788) |
| | | **(7,380)** | **(Surplus) or Deficit on Provision of Services** | | | **140,211** |
| | | (9,135) | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets | | | (54,446) |
| | | 89,753 | Actuarial (gains)/ losses on pension assets/ liabilities | | | (42,099) |
| | | 2,997 | Share of Actuarial (gains)/losses for Connexions Derbyshire Ltd | | | (665) |
| | | 0 | Gain On Discontinued Operations | | | (3,059) |
| | | 4,282 | Restatement of Fixed Assets | | | 419 |
| | | **87,897** | **Other Comprehensive (Income) and Expenditure** | | | **(99,850)** |
| | | **80,517** | **Total Comprehensive (Income) and Expenditure** | | | **40,361** |

**GROUP BALANCE SHEET**

| 01 April 2009 £000 | 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|---|
| 1,193,669 | 1,214,519 | Property, Plant & Equipment | 1,097,216 |
| 3,388 | 3,706 | Investment Property | 2,932 |
| 531 | 501 | Intangible Assets | 516 |
| 22,139 | 3,360 | Long Term Investments | 0 |
| 6,717 | 7,024 | Long Term Debtors | 8,806 |
| **1,226,444** | **1,229,110** | **Long Terms Assets** | **1,109,470** |
| 62,868 | 27,920 | Short Term Investments | 3,767 |
| 2,904 | 5,327 | Assets Held for Sale | 5,497 |
| 1,144 | 1,188 | Inventories | 633 |
| 34,400 | 49,083 | Short Term Debtors | 46,556 |
| 49,752 | 29,263 | Cash and Cash Equivalents | 66,989 |
| **151,068** | **112,781** | **Current Assets** | **123,442** |
| (8,969) | (7,951) | Bank Overdrafts | (8,350) |
| (11,102) | (7,091) | Short Term Borrowing | 0 |
| (2,519) | (2,358) | Short Term Finance Lease Liabilities | (2,679) |
| (44,598) | (59,572) | Short Term Creditors | (70,103) |
| (1,126) | (1,970) | Provisions | (4,034) |
| **(68,314)** | **(78,942)** | **Current Liabilities** | **(85,166)** |
| (39,844) | (42,669) | Long Term Finance Lease Liabilities | (44,661) |
| (735) | (710) | Provisions | (627) |
| (335,488) | (260,930) | Long Term Borrowing | (268,101) |
| (247,516) | (342,992) | Other Long Term Liabilities | (261,989) |
| (12,273) | (19,722) | Capital Grants Receipts in Advance | (20,591) |
| (3,065) | (6,166) | Share of Liabilities from Connexions Derbyshire Ltd | (2,378) |
| **(638,921)** | **(673,189)** | **Long Term Liabilities** | **(598,347)** |
| **670,277** | **589,760** | **Net Assets** | **549,399** |
| (116,684) | (116,997) | Usable Reserves | (111,009) |
| (559,753) | (487,572) | Unusable Reserves | (446,895) |
| (311) | (103) | Derby Homes Usable Reserves | (2,140) |
| 3,406 | 8,746 | Derby Homes Unusuable Reserves | 8,267 |
| 3,065 | 6,166 | Interest in Connexions Derbyshire Ltd | 2,378 |
| **(670,277)** | **(589,760)** | **Total Reserves** | **(549,399)** |

**GROUP CASH FLOW**

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (13,941) | Net (surplus) or deficit on the provision of services | 140,211 |
| (10,939) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (183,250) |
| (7,106) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (6,087) |
| **(31,986)** | Net cash flows from Operating Activities | **(49,126)** |
| (38,716) | Investing Activities | 1,409 |
| 90,173 | Financing Activities | 10,390 |
| **19,471** | Net (increase) or decrease in cash and cash equivalents | **(37,327)** |
| 40,783 | Cash and cash equivalents at the beginning of the reporting period | 21,312 |
| **21,312** | **Cash and cash equivalents at the end of the reporting period** | **58,639** |

## 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.

All Local Authorities have adopted International Financial Reporting Standards (IFRS) from 1 April 2010 as their standard basis of accounting.  These replace UK Generally Accepted Accounting Practices (UK GAAP) which have been the basis for previous sets of financial statements and bring with them some notable changes in terminology:

| IFRS | UK GAAP |
|---|---|
| Non Current Assets | Fixed Assets |
| Property, Plant & Equipment | Tangible Fixed Assets |
| Inventories | Stock |
| Non Current Liabilities | Creditors: Amounts falling due after more than one year |
| Receivables | Debtors |
| Payables | Creditors |

**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:** An amount shown in the Council's accounts to cover money it owes or money owed to the Council, in the financial year, but which will not actually be paid or received until the following year.  (See also Receivables and Payables).

**Actuarial Gains and Losses:** The actuarial gains or losses to the pension fund are made up of:

- actual gains or losses to the value of the fund's investments;
- changes to the number, age and sex of staff that contribute to the pension fund; and
- changes to the assumptions about the growth of investments and the liabilities of the scheme.

**Agency Work:** When an organisation provides services on the Council's behalf, which the Council pays for.

**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.

**Apportionment:** A way of sharing the cost of management and administration to services using an appropriate method (for example, the amount of floor space taken up by accommodation-related support services).

**Appropriation:** An account in the the Comprehensive Income and Expenditure Account used to transfer an amount between specific reserves on the balance sheet.

**Area Based Grant:** An grant allocated by central government directly to the Council as additional revenue funding.

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

**Assets held for sale:** Assets are held for sale if their value will be recovered through a sale transation rather than continuing use, within one year.

**Associate:** An organisation or company other than a subsidary or joint venture in which the Council has an interest and over whose operating and financial policies it has some influence.

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

**Balances:** The reserves of the Council, 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 local collection of Council tax and non-domestic rates. The Council tax includes amounts for precepting authorities (Derbyshire Fire Authority and Derbyshire Police Authority).

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

**BVACOP**: Best Value Accounting Code of Practice. This is the requirement to produce information that provides comparability across authorities. Information about how private sector companies are managed is useful to users because each company may be providing different goods or services in different areas, and information about how the companies are managed will be useful for investment decisions. Local Authorities on the other hand provide a comparable range of services, so there is not the same need to have information that will be of use to investors. Service information that allows users to compare the performance of different authorities for a particular service is therefore more likely to be of benefit, and is provided by the inclusion of the BVACOP statement.

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

**Capital Charges:** Charges the Council makes to services for using non-current assets when providing the service.

**Capital Contributions and grants:** Money the Council receives towards paying for capital spending on a particular service or scheme.

**Capital Expenditure:** Spending on buying or creating a non-current asset or spending that adds to and does not just maintain the value of an existing asset, for example, land, buildings, roads, new furniture, vehicles and equipment.

**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 Council's level of debt relating to capital expenditure.

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

**Capital Receipts:** Money the Council receives from selling non-current 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.

**Capitalisation:** Capitalisation of an asset takes place when its cost is written off bit by bit, over its useful life, instead of writing off the cost in the year the asset was bought.

**Carry-forwards:** Revenue budgets not spent, which services can use in future years.

**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

**Central Government Grants:** There are different types of grant;

- Revenue Support Grant - the main government grant to support Local-Authority services.
- Specific Service Grants - payments from the Government to cover Local-Authority spending on a particular service or project (for example, Standards Fund for schools). Specific grants are often a fixed percentage of the costs of a service or project.
- Supplementary Grants - grants towards capital spending for highway schemes.

**CIPFA (Chartered Institute of Public Finance and Accountancy):** This is the professional institute governing how public money is used and how it has to be reported.

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

**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 plans to hold forever, have no set useful life, and may have restrictions on how the Council sells or otherwise disposes of them. Examples of community assets are parks, historic buildings and various conservation

**Consistency:** This is the application of consistent accounting treatment from one accounting period to another.

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

**Contingent Assets/Liabilities:** An asset or liability that is not recognised in the accounts due to the level of uncertainty surrounding it but is disclosed as it is possible that it may result in a future inflow or outflow of resources.

**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 Democratic Core:** Spending relating to the Council's need to co-ordinate and account for the many services provided to the public.

**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.

**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 Comprehensive Income and Expenditure Account to the revenue account of services for which the employees work.

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

**DFE:** Department For Education (previously 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.

**Debt Impairment:** Debts which may be uneconomical to collect or unenforceable, (previously called 'bad and doubtful debt').

**Deficit:** There are two types of deficits. A fund is said to be in deficit when its liabilities are higher than its assets. An in-year deficit is achieved when spending is higher than income.

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

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

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

**Depreciation:** The reduction in the value of assets, for example, through wear and tear, charged over the useful life of the asset.

**Discretionary Benefits:** Awards of retirement benfefits in the event of early retirement 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.

**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. This is the Government Department responsible for welfare and employment issues.

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

**Employee Benefits:** All forms of consideration given by the Council in exchange for service rendered by employees.

**Employment Costs:** The salaries and wages of staff and spending on training as well as the costs of the redundancy.

**EUVSH:** Existing Use Value for Social Housing.

**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 Comprehensive 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 non-current asset and therefore has no continuing value to the Council.

**Fair Value:** The price at which the Council could buy or sell an asset or loan in a transaction with another organsiation, less any grants received towards buying or using that asset.

**Fees and Charges:** Money raised by charging for the use of facilities or services.

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

**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 Comprehensive 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 and the Collection Fund.

**Government Support / Grants:** Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**Gross Book Value:** This is the original or revalued cost of an asset before any depreciation is taken off it. (See also Net Book Value).

**Historical Cost:** What a non-current asset cost the Council to buy originally, plus the costs of bringing the asset into use.

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

**Impairment Loss:** Where an asset's value has been reduced by physical deterioration or other factors beyond usual wear and tear. The asset's value in the accounts is reduced to reflect this impairment.

**Income:** The amount the Council receives, or expects to receive, from any source. Service revenue income includes grants, sales, rents, fees and charges.

**Infrastructure Assets:** A non-current asset that cannot be taken away or transferred, and which the Council can only continue to benefit from by actually using it. Examples of infrastructure assets are roads, bridges and footpaths.

**Intangible Assets:** Non-financial non-current assets that do not exist physically but that the Council owns or has a right to use.

**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 Comprehensive Income and Expenditure Account.

**Inventories:** These are goods purchased by the Council that will be used at a later date to provide services to the public. For example, the quantity of grit in storage for bad weather.

**Investment Properties:** Property (land or a building-or part of a building-or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- Use in the production or supply of goods or services or for administration purposes;
- sale in the ordinary course of business.

**Joint Ventures:** The Council jointly controls a business with one or more other organisation. Financial and operating decisions essential to the activities of the business need the permission of each organisation.

**Leases - Finance:** A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

**Leases - Operating Lease:** Any lease that is not a finance lease.

**Levy:** The money paid to the Environment Agency (for flood defence and land drainage purposes).

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

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

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

**Long Term Investments:** Those investments which the Council plans to hold on a continuous basis (for example, money held with a bank or building society for more than 12 months).

**Local Public Services Agreement LPSA:** Local Public Services Agreement Grant.

**Material:** The concept that any mistake in the accounts should not affect the understanding of those reading the statements.

**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.

**Minimum Revenue Provision (MRP):** The minimum amount which must be charged to the Income and Expenditure account each year and set aside as provision for repaying external loans and meeting other credit liabilities.

**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 value of an asset as recorded in the accounts. It is usually the net current replacement or original cost less any depreciation charged.

**Net Realisable Value:** The selling value of an asset less the costs of selling it.

**Net current replacement cost:** The cost of replacing an asset in its existing condition and use.

**Net Present Value:** The net present value (NPV) of an asset is the current net value of the future receipts and payments associated with it.

**Net Service Underspend:** A service's total spending less that service's allcoated budget, plus money that is carried forwatrd from previous years.

**Netted Off:** Where money that is due to be paid is reduced by money that is owed to the Council.

**Non-distributed costs:** Specific overheads relating to unused assets and certain pension costs for employees' service in previous years. These are not allocated to service departments because they do not relate to the current year's cost of providing the service.

**Non-funded Pension Schemes:** Pension schemes that do not have an actual fund from which pensions are paid and contributions are paid into. Instead payments are made to current pensioners directly from the year's budget. The teachers' pension scheme is an example of a non-funded scheme.

**Notionally funded pension schemes:** A form of non-funded pension scheme that are treated similarly to funded schemes. There is stock of investments, but employer contribution rates are set as if there were investments, based upon figures set by government actuaries. The Teachers' Pension Scheme is notionally funded.

**Officers' Remuneration:** Includes taxable salary payments to employees less employees' pension contributions, together with non-taxable payments when employments ends (which include redundancy, pension enhancement payments, and pay in lieu of notice), taxable expense allowances and any other taxable benefits. (also see Termination Benefits).

**Operating Activities:** are the principal revenue-producing activities of the Council and other activities that are not investing or financing activities.

**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 Comprehensive Income and Expenditure Account as part of Non Distributed Costs.

**Payables:** People the Council owe money to for work, goods or services received but which have not been paid for by the end of the financial year.

**Pooled Budget:** An aggregation of balances that belong to the pooled budget partners rather than an the Council in its own right.

**Post Balance Sheet Events:** Events which happened after the Council produced the balance sheet (31 March).

**Precept:** The demand from the collection fund maintained by the Council.

**Principal:** The original amount borrowed.  It does not include interest or other charges.

**Procurement:** The process of gaining or purchasing supplies, services and construction work.

**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 IAS 8.

**Property Plant & Equipment:** Items such as land, buildings, vehicles and major items of equipment, which benefit the Council over more than one year.

**Provision:** Money the Council keeps to pay for unknown future costs.

**Provision for credit liablities:** Money set aside to repay debts or to cover spending which the Council has borrowed money for. Details are included in the Capital Adjustment Account.

**Prudential Code:** The Prudential Code has been introduced by the regulations supporting the Local Government Act 2003.  Local authorities can borrow money to pay for capital spending in a similar way as people can get a mortgage to buy a house.  Until April 2004, the Government used to tell local authorities how much they could borrow. This code replaces central government control with self-regulation - each local authority is now responsible for deciding how much it can afford to borrow.  Under the regulations, when the Council are making this decision it must keep within the Prudential Code, which sets out the principles that local authorities must follow.  These include the following:

- Affordability - can the Council afford to make the repayments?
- Prudence - are the Council planning to borrow sensibly?
- Value for Money - will the loan pay for something that is good value for money?
- Service Delivery - will the loan help the Council to provide services in the way it wants to?

**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.

**Receivables:** People who owe the Council money that it's due to receive but which has not been paid by the end of the financial year.

**Related Parties:** Under accounting rules, the Council has to show transactions between itself and other organisations which are also funded by the Government. This includes transactions between the Council and the immediate families of Councillors or Chief Officers, and any companies or organisations that they have a controlling interest in.

**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.

**Reserves - unusable:** This is money held by the Council that not be used to support revenue expenditure across the whole authority. It will have restrictons in place that mean it can only be spent in relation to certain things.

**Reserves - usable:** This is money held by the Council that can be used to support one off projects within the council. It has no restrictions in terms of what it is spent on as long as it has been approved via the relevant channels.

**Residual Value:** This is the estimated amount that the Council would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

**Revenue Spending:** The day-to-day spending on employment costs, other operating costs and capital charges, less any income from fees and charges.

**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.

**Ring-fenced grant:** This is money received from the Government that can only be used for approved purposes.

**Segregation of duties:** Where individual tasks involved with financial procedures (for example, buying goods, making payments or receving income) are separated out among different employees. This makes sure that no one person is too involved in these procedures and this helps to prevent the Council suffering losses in areas of high risk.

**Slippage:** Capital spending which happens later than was originally planned.

**Surplus:** There are two types of surplus. A fund is said to be in surplus when its assets are higher than its liabilities. An in-year surplus is achieved when the Council spends less than the income received.

**Termination Benefits:** Amounts payable as a result of a decision to terminate employment before the normal retirement date, for example an officers decision to accept voluntary redundancy.

**Transfer values:** Payments made between pension schemes of accumulated pension funds for employees who change their employment.

**Trust Funds:** Money that the Council does not own but that it manages for the owners. This can be on behalf of minors and others for such purposes as prizes, charities and specific projects.

**Work-in-progress:** The value of work on an unfinished project at the end of the year which the Council has yet to recover from the client.

**Write down:** To reduce the value of an asset in a set of accounts.

**Write off:** To reduce the value of an asset to nothing in a set of accounts.