



Final Statement of Accounts 2006/7

RECOMMENDATION

- 1.1 To note that the auditors have issued an unqualified audit opinion and that they have identified no material items to bring to Members attention on completion of the audit.
- 1.2 To approve the final set of accounts for the 2006/7 financial year at Appendix 2, which include final adjustments made following the audit as explained in Appendix 3.

SUPPORTING INFORMATION

- 2.1 The Council's external auditors – PricewaterhouseCoopers – PwC – have now completed the audit of the 2006/7 set of accounts approved by this committee on 28 June 2007. They are required to issue a report summarising the results of the audit covering issues arising from the audit of the financial statements and those issues which they are formally required to report under the Audit Commission's Code of Audit Practice and International Standard of Auditing ISA260 – Communication of audit matters with those charged with governance. This report is included as Item 5 on the agenda.
- 2.2 The committee can draw assurance from the following results of the 2006/7 audit as confirmed in the report:
 - PwC have issued an unqualified audit opinion, as included in the final set of accounts
 - there are no unadjusted misstatements to bring to the attention of members
- 2.3 Following the audit, there have been some changes to the statements agreed and incorporated in the final set of Accounts at Appendix 2. These adjustments are explained in Appendix 3. The final set of approved Accounts has to be published by 30 September 2007 under the Accounts and Audit Regulations 2003.
- 2.4 The auditors have raised two minor issues identified during the course of the audit work, which do not impact on the audit opinion. These are the need for the Council to address the internal control weaknesses highlighted by the fraud investigation work that has been undertaken during the year and the need to strengthen processes around the completion of reconciliations and the clearance of longstanding reconciling items. It was noted by PwC that the Council has made some improvements to its control account reconciliation framework since their interim letter and that further improvements are planned in 2007/8.

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Background papers:

List of appendices:

Appendix 1 – Implications

Appendix 2 – Final Statement of Accounts 2006/7

Appendix 3 – Schedule of adjustments

IMPLICATIONS

Financial

1. None directly arising.

Legal

2. Under the Accounts and Audit Regulations 2003 there is a statutory deadline of 30th September for the Council to publish its Annual set of Accounts

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate priorities

5. None directly arising.

STATEMENT OF ACCOUNTS

The statements that follow summarise the Council's accounts for the financial year ended 31 March 2007. The statements for 2006/7 represent a substantial change from the statements produced in 2005/6 and earlier years. The focus of the previous statements was the Consolidated Revenue Account, which had the dual role of setting out the financial performance, as measured with proper accounting practices, and determining the net expenditure to be charged against council tax in the year. The new performance statements required by the 2006 Statement of Recommended Practice (SORP), disaggregate the Consolidated Revenue Account and the Statement of Total Movement on Reserves, to produce a set of statements each with a single clear objective. These are:

- **The Income and Expenditure Account – Page 11**
a summary of the resources generated and consumed by the Authority in the year.
- **Statement of Movement on the General Fund Balance – Page 12**
a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.
- **Statement of Total Recognised Gains and Losses – Page 14**
a demonstration of how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
- **The Balance Sheet – Page 27**
sets out the financial position of the Council on 31 March 2007
- **Cashflow Statement – Page 45**
summarises all inflows and outflows of cash arising from transactions with third parties
- **Housing Revenue Account (HRA) – Page 50**
a separate statement showing income and expenditure on council housing
- **Collection Fund – Page 56**
shows the transactions of the Council as a billing authority in relation to non-domestic rates and council tax, and the way in which these have been distributed
- **Statement of Responsibilities – Page 64**
for the Statement of Accounts
- **Statement on Internal Control – Page 65**
sets out the framework within which financial control is managed and reviewed.

EXPLANATORY FOREWORD

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

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

Financial statements and policies

To comply with proper accounting practices, the 2005/6 figures have been restated to follow the new format. Other changes required by the 2006 SORP are:

- The removal of the requirement to make a capital financing charge (notional interest) for fixed assets used by the Council
- The reordering of the financial statements and the classification of these statements as 'core' or 'supplementary'

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

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

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

Council tax

In 2006/7 the Council had to decide its spending plans having regard to the Government's reserve capping powers. The Band D council tax for 2006/7 for Derby City Council services was £966.66. This was derived by dividing the amount needed by the Council from taxpayers (£66.667m) by the tax base of £68,966.

EXPLANATORY FOREWORD

Revenue expenditure and income

In 2006/7, net spending on the Council's General Fund services was £155.298m creating a £0.2m transfer to revenue reserves, representing 0.2% of the Council's Budget Requirement 2006/7. Savings have, in the main been earmarked for use in future years to support strategic corporate and service priorities and future budget pressures, including commitments made but not accounted for in 2006/7.

The results for the Housing Revenue Account show a carried forward surplus of £2.987m for 2006/7.

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

	Latest Approved Budget £000	Final Actual £000	Final (under)/Over spend £000
Environmental Services			
Trading	(2,222)	(2,331)	(109)
Non Trading	22,045	22,016	(29)
Corporate Adult Services	55,712	57,590	1,878
Resources	7,987	8,022	35
Regeneration and Community	18,384	18,691	307
Children and Young People - excluding individual schools budgets	33,742	33,427	(315)
Corporate Budgets	20,995	18,980	(2,015)
TOTAL DEPARTMENTS SPENDING	156,643	156,395	(248)
Less Planned Transfer from/to reserves	(1,097)	(1,097)	0
NET SPENDING	155,546	155,298	(248)
Add Transfer Underspend To Reserve		248	248
BUDGET REQUIREMENT	155,546	155,546	0

Revenue Reserves

Unallocated general reserves stand at £5.919m at the end of 2006/7. The balance is consistent with the Council's financial policy of holding general reserves at approximately 2% of the net revenue budget. Other revenue reserves available to the general fund stand at £36.4m and are earmarked for either departmental or corporate use. The increase in revenue reserves includes £3.9m of backdated census funding and £1.02m Local Public Service Agreement (LPSA) reward grant received in 2006/7.

EXPLANATORY FOREWORD

A further £1.02m LPSA reward grant received in 2006/7 is held in Government grants unapplied.

Corporate earmarked revenue reserves include a Corporate Investment Fund for priority initiatives and a reserve to support LPSA schemes. In addition reserves are being held to provide cover for potential future budget risks and pressures, including job evaluation. The budget for 2007/8 includes the use of £2.5m corporate reserves and £0.2m service reserves.

Capital expenditure and income

In 2006/7, the Council spent £69.4m on capital schemes. The major schemes were:

	£m
• New build, extensions and modernisation of schools and education centres	13.28
• Devolved capital schools grants	5.30
• Modernisation of council dwellings	10.24
• Housing improvement grants	4.42
• Highways and transportation	15.04
• Refuse vehicles and plant	1.28
• Street cleaning equipment	1.43
• Grounds plant and equipment	1.56
• Information and communications technology	2.18

Unapplied Capital Grants Reserves and Unapplied Capital Receipts

Unapplied Capital resources stand at £31.511m at 31 March 2007. These consist of £17.040m unapplied capital grants, £11.494m developer and other capital contributions and £2.977m earmarked capital reserves. These resources are earmarked and are planned to be used over the next five years, as included in the Council's 5 year capital programme.

The Unapplied Capital Receipts account is £14.301m at 31 March 2007. This is available to fund the capital programme and £7m is earmarked for the Council's Accommodation Strategy.

Net Pension Liability

The Council participates in the Derbyshire County Council defined benefit (open) superannuation fund. During the year there was a decrease in the Council's Net Pension Liability of £22.872m. This meant the Council's Net Pension Liability as at 31 March 2007 was £158.237m. A more detailed analysis of the movement in Net Pension Liability can be found in the notes to the Balance Sheet.

Corporate Director of Resources
September 2007

STATEMENT OF ACCOUNTING POLICIES

General

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

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

Tangible Fixed Assets

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

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

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

Operational assets have been included in the Balance Sheet at the lower of open market value for existing use or depreciated replacement cost. Non-operational assets have been included at open market value. Infrastructure and community assets, which by their nature are not capable of being realised, are included at their historical cost. As from 1 April 2006 the fixed asset categories have been reviewed. Non-operational investment properties has now been split between true investment properties (those which are income earning) and surplus properties (those which are no longer in use by the authority and therefore available for sale).

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

The current asset values used in the accounts are based upon a certificate issued by the Council's Chief Valuation Officer at 1 April 2006.

Depreciation on Fixed Assets

Depreciation is provided for on all assets except land and is calculated using the straight-line method over the remaining life of the asset. For 2006/7 this fully complies with SORP 2006 and Financial Reporting Standard FRS 15. The HRA has been charged with full depreciation of its assets, including Council dwellings.

STATEMENT OF ACCOUNTING POLICIES

Depreciable Lives

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

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

De minimus Level for Capitalisation of Expenditure

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

Charges to Revenue for the Use of Fixed Assets

All service revenue accounts, the Housing Revenue Account, central support services and trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The charge covers the annual provision for depreciation.

The charge made to the Housing Revenue Account is its true share of debt interest costs.

External interest payable and the provision for depreciation are charged to Services but reversed in the note of reconciling items for the statement of movement on the general fund balance to be fully compliant with the SORP 2006. Capital charges have a neutral impact on the amounts required to be raised from local taxation and housing rents with the exception of the Housing Revenue Account depreciation on council dwellings which is a net charge equal to the Major Repairs Allowance with the difference reversed out to the Major Repairs Reserve.

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

STATEMENT OF ACCOUNTING POLICIES

Impairment

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

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

All assessments of impairment are carried out in accordance with the CIPFA Code of Practice and the relevant sections of the RICS Appraisal and Valuation Manual.

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

Long Term Private Finance Initiative (PFI) Contracts

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

Operational

- Grouped Schools
- Housing Inner City Regeneration
- Revenues and Benefits (Finished in August 06)

In procurement

- Street Lighting (commencement June 2007)
- Housing – New Build and Refurbishment (commencement due in 2008/9)

PFI transactions in relation to operational schemes, together with the relevant notes to the accounts are treated in accordance with the latest SORP. Where appropriate, account has been taken within the revenue account and balance sheet of the implications of any residual balance and prepayments in relation to schemes. In all cases, ownership of the assets generated is deemed to have been transferred to the private sector provider, returning to the Council only at the end of the operational period, with the exception of housing schemes where the assets remain with the provider. In cases where the revenue grant stream received from the government generates cash surpluses in the early years of a project, the surpluses are retained in earmarked reserves in order to offset grant deficits anticipated in future years. Details of future obligations are shown as a note to the Income and Expenditure Account.

Intangible Assets

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

STATEMENT OF ACCOUNTING POLICIES

Deferred Charges

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

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

Under the capital control framework, however, this type of expenditure is classed as capitalised expenditure for financing purposes, and as such, is included in the Capital Financing Note 4 to the Balance Sheet.

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

Deferred Consideration

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

Leases

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

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

Credit Arrangements

Credit arrangements comprise diverse forms of leases and contractual arrangements through which authorities obtain credit other than by the borrowing of money. In 2001/2 the Council entered into a credit arrangement by taking on a long term lease of a building. Cover amounting to the net present value of future lease payments has been made within the Capital Financing Account.

Capital Reserves

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

STATEMENT OF ACCOUNTING POLICIES

The Usable Capital Receipts Reserve

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

Government Grants – Revenue Account

Government Grants are accounted for on an accruals basis. Grant income has been credited to the appropriate service line within the Income and Expenditure Account.

Government Grants and Contributions to the Capital Programme

Grants and contributions to the Capital Programme have been credited to the Government Grants/Contributions Deferred Account as well as to capital grants. Amounts are released from this account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate or, if no depreciation is to be charged, transferred to the Government Grants/Contributions deferred Account – grants not amortised to revenue. This is a change to previous years whereby government grants/contributions not amortised were transferred directly to the Capital Financing Account.

Investments

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

Debtors and Creditors

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the SORP 2006. This means that sums due to or from the Council during the year are included, whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy has been consistently applied each year to revenue and therefore does not have a material effect on the year's accounts.

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

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

Stocks and Work in Progress

All material items of stock are valued at the average price paid. There is a periodic review of the stores and obsolete stock is written off. This is a departure from the requirements of the SORP 2006, which require stocks to be shown at actual cost or net realisable value, if lower. The difference in treatment is not considered to have a material effect on the Council's accounts.

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

STATEMENT OF ACCOUNTING POLICIES

Provisions

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

Earmarked Reserves

These include certain sums of money held by the Council which have been earmarked for a specific purpose in line with SORP 2006.

General Fund Balance

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

Pensions

Local Government Scheme

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

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

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

FRS17 Compliance

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

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

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

STATEMENT OF ACCOUNTING POLICIES

Teachers Pensions

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

Housing Revenue Account - Resource Accounting

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

Auditors Fees

Disclosure of the Appointed Auditors' fees in relation to audit services, statutory inspections and grant certifications are included in the notes to the Income and Expenditure Account in accordance with SORP guidelines.

Support Services

In accordance with the CIPFA Best Value Accounting Code of Practice and Statement of Accounting for Overheads, the cost of professional, technical and administrative support has been charged to services on the bases given below.

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

INCOME AND EXPENDITURE ACCOUNT

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

Previous Year Net Expenditure £000s		Note	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
3,457	Central Services to the Public		24,915	(21,513)	3,402
37,575	Cultural, Environmental and Planning Services		82,301	(44,224)	38,077
136,612	Education Services		219,499	(203,512)	15,987
11,409	Highways, Roads and Transport Services		26,122	(12,234)	13,888
(5,593)	Housing		101,938	(106,779)	(4,841)
67,389	Social Services		111,703	(35,003)	76,700
(492)	Discontinued Service – Magistrates Court		0	0	0
5,376	Corporate and Democratic Core		5,670	(1,829)	3,841
(695)	Non Distributed Costs		0	(1,306)	(1,306)
255,038	Net Cost of Services	1	572,148	(426,400)	145,748
(245)	(Surpluses)/ Deficits on Trading Undertakings not included in Net Cost of Services	4			(272)
18,528	Interest Payable and Similar Charges				18,916
5,187	Contribution of Housing Capital Receipts to Government Pool				5,107
(5,242)	Interest and Investment Income				(6,301)
7,139	Pensions Interest Cost and Expected Return on Pensions Assets	17			4,930
101	Amortised Premiums and Discounts				(6)
(1,408)	Restatement of Prior Year Balances				0
279,098	Net Operating Expenditure				168,122
(64,258)	Demand on the Collection Fund				(66,667)
(127,704)	General Government Grants				(14,381)
(2,219)	Back Dated Census				(3,078)
(77,718)	Non-Domestic Rates Redistribution				(74,499)
7,199	Deficit for the Year				9,497

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

This reconciliation statement summarises the differences between the deficit on the Income and Expenditure Account and the General Fund Balance.

2005/6 £000s		2006/7 £000s
7,199	Deficit for the year on the Income and Expenditure Account	9,497
(8,346)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(9,268)
(1,147)	Increase in General Fund Balance for the Year	229
(10,545)	General Fund Balance brought forward	(11,692)
(11,692)	General Fund Balance carried forward	(11,463)
(5,925)	Amount of General Fund Balance held by governors under schemes to finance schools	(5,544)
(5,767)	Amount of General Fund Balance generally available for new expenditure	(5,919)
(11,692)		(11,463)

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

2005/6 £000s		2006/7 £000s
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
0	Amortisation of intangible fixed assets	(13)
(12,738)	Depreciation and impairment of fixed assets	(8,762)
855	Government Grants Deferred amortisation	1,034
(3,898)	Write downs of deferred charges to be financed from capital resources	(6,888)
0	Net loss on sale of fixed assets	0
(22,646)	Net charges made for retirement benefits in accordance with FRS17	(24,732)
(38,427)		(39,361)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
4,200	Minimum revenue provision for capital financing	4,983
1,942	Share of liability Derbyshire County Council transferred debt	1,867
125	HRA provision for repayment of debt	103
16	Credit arrangement notional interest	17
1,039	Capital expenditure charged in-year to the General Fund Balance	1,964
(5,187)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(5,107)
(332)	Deferred consideration PFI	(347)
17,929	Employer's contribution payable to the Pension Fund and retirement benefits payable direct to pensioners	19,969
19,732		23,449
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
4,965	Housing Revenue Account balance	2,987
285	Voluntary revenue provision for capital financing	778
5,099	Net transfer to or from earmarked reserves	2,879
10,349		6,644
(8,346)	Net additional amount required to be credited to the General Fund balance for the year	(9,268)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2005/6 £000s		2006/7 £000s
7,199	Deficit for the year on the Income and Expenditure Account	9,497
68,068	Surplus arising on revaluation of fixed assets	(1,787)
3,310	Actuarial (gains) / losses on pension fund assets and liabilities	(28,542)
(8,617)	Any Other Gains and Losses	(716)
69,960	Recognised gains for the year	(21,548)

2005/6 £000's	Other Gains and Losses	2006/7 £000's
(7,814)	Pensions Past Service Gain	0
(657)	Derby City Council Collection Fund Balance Movement	(192)
(62)	PFI - Residual Value	(961)
(84)	Other (Gains) & Losses	437
(8,617)		(716)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

1. Expenditure on Services

The analysis of service expenditure is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2006 (the SORP). The SORP sets out what local authorities should report in their Statement of Accounts.

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

No new services have been provided by the City Council in 2006/7.

2. Discontinued Service

There have been no discontinued services in 2006/7

3. Obligations under Private Finance Initiative (PFI) contract

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

- Housing Inner City Regeneration:

30 year contract with Home Housing Association which commenced in January 2001. Gross service charge payments of £0.379m are anticipated in 2007/8 and future years. Future cash payments between 2007/08 and the end of the contract are expected to be approximately £11.22m.

- Grouped Schools:

A 27 year PFI contract was signed in November 2004 with Derby School Solutions (DSS), a private sector consortium, to build, maintain and operate 5 new schools in the City. Interim operational services commenced immediately after the contract was signed in respect of the existing schools. The first new school became fully operational in October 2005. Ultimately, the value of contract payments depend on the level of performance of DSS, measured against predetermined standards. However, the maximum payments expected during 2007/08 and 2008/09, will amount to £5.4m and £5.3m respectively. Future total cash payments from 2009/10 onwards for each five-year period to the end of the contract are expected to be as follows:

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

- Grouped Schools (cont'd):

Period	Amount for five years £	Average annual payment £
2009/10 – 2013/14	£25.6m	£5.1m
2014/15 – 2018/19	£24.0m	£4.8m
2019/20 – 2023/24	£23.2m	£4.6m
2024/25 – 2028/29	£22.9m	£4.6m
2029/30 – 2031/32	£17.3m	£4.6m

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

- Street Lighting

A 25-year PFI contract was signed in April 2007 with Connecting Roads (Derby), to replace all the life expired lighting units within the city, and to maintain the whole of the lighting of stock for the period of the contract. The first service charge is anticipated to be paid in June 2007. The Core Investment Period of the project is during the first five years of the scheme.

Ultimately, the value of contract payments depend on the level of performance of Connecting Roads (Derby), measured against predetermined standards. However, the maximum payments expected during 2007/08 and 2008/09, will amount to £2.7m and £3.2m respectively. Future total cash payments from 2009/10 onwards for each five-year period to the end of the contract are expected to be as follows:

Period	Amount for five years £	Average annual payment £
2009/10 – 2013/14	£19.8m	£4.0m
2014/15 – 2018/19	£22.6m	£4.5m
2019/20 – 2023/24	£24.2m	£4.8m
2024/25 – 2028/29	£26.0m	£5.2m
2029/30 – 2032/33	£17.8m	£5.5m

These service charges will be met from a combination of special grant from the government and the former street lighting budget over the life of the contract.

- Affordable Housing

A 30-year PFI contract is currently in procurement, to provide a minimum of 175 affordable houses in the City. Three bidders have been selected and are currently in the Competitive Dialogue stage of the process. Financial close is anticipated to be in 2008/09.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

4. Trading Services

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

2005/6				2006/7		
Income £'000	Expenditure £'000	(Surplus) /Deficit £'000		Income £'000	Expenditure £'000	(Surplus) /Deficit £'000
			Continuing CCT arrangements			
(24,451)	24,275	(176)	Building	(18,984)	18,780	(204)
(2,773)	2,956	183	Building Cleaning/Caretaking	(3,062)	3,077	15
(5,074)	5,427	353	Catering	(5,051)	5,287	236
(176)	176	0	School Crossing Patrols	(182)	182	0
(5,343)	5,188	(155)	Waste Management	(5,881)	5,528	(353)
(1,042)	797	(245)	Street Lighting	(690)	710	20
(785)	753	(32)	Conveniences/Market Cleaning	(817)	751	(66)
(3,903)	3,591	(312)	Grounds Maintenance	(4,045)	3,814	(231)
(2,287)	2,224	(63)	Other Cleaning (Gullies)	(3,291)	3,086	(205)
(3,809)	4,093	284	Sports and Leisure Management	(4,549)	4,710	161
(49,643)	49,480	(163)	Net trading (surplus) / deficit	(46,552)	45,925	(627)
0	(35)	(35)	ADD FRS17 adjustment	0	355	355
(49,643)	49,445	(198)	Net (surplus) / deficit in Income & Expenditure Account	(46,552)	46,280	(272)

The figures for building services in 2006/7 are after a planned £250k rebate returned to the General Fund.

5. Section 137 Expenditure

Section 137 of the Local Government Act 1972 (as amended) enables authorities to incur expenditure not specifically authorised under any other power for the benefit of people in their area. The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well being in their area. As a consequence the majority of s137 has been repealed for unitary authorities. Only s137 (3), which covers donations with no direct benefit to the area, would still be applicable to the City Council. In 2006/7 there has been no expenditure under that power and there was also no such expenditure in 2005/6.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

6. Publicity

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

2005/6 £'000		2006/7 £'000
906	Recruitment advertising	639
361	Other publicity	366
1,267		1,005

7. Building Control Account

The Building (Local Authority Charges) Regulations 1988 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The following statement shows the total cost of building control operations split between the chargeable and non-chargeable activities. The chargeable trading deficit of £7,000 in 2006/7 has been met from the ring fenced Building Control Trading Reserve. The remaining expenditure and income is included within Cultural, Environmental and Planning Services in the Income and Expenditure Account.

Total Building Control 2005/6 £'000		Chargeable 2006/7 £'000	Non-chargeable 2006/7 £'000	Total Building Control 2006/7 £'000
	Expenditure			
714	Employee expenses	481	228	709
11	Premises costs	1	0	1
22	Transport	14	7	21
138	Supplies and Services	27	24	51
247	Central support service charges	103	20	123
1,132	Total Expenditure	626	279	905
	Income			
(733)	Building Regulations charges	(618)	0	(618)
(11)	Other Income	(1)	(5)	(6)
(744)	Total Income	(619)	(5)	(624)
388	(Surplus) / Deficit for the year	7	274	281

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

8. Local Authorities (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies.

The Council provided building maintenance services to North Warwickshire District Council. Income from these services amounted to £352,074 in 2006/7 and the related expenditure was £316,867.

The Council provided building maintenance services to Walbrook Housing Association. Income from these services amounted to £73,918 in 2006/7 and the related expenditure was £61,598.

No similar arrangement was in place for 2005/6. There were no other material contracts in place.

9. Pooled budgets

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

Income and expenditure for the 2006/7 financial year, are as follows:

2005/06 £'000	Integrated Disabled Children's Service	2006/07 £'000
	Income	
1,001	Social Services	1,217
820	Central Derby PCT	930
191	Other income	225
2,012	Gross income	2,372
	Expenditure	
1,416	Residential services	931
276	Outreach service	366
146	Disability social work services	412
147	Management and Administration	559
1,985		2,268
27	Surplus/(deficit) for year	104
-	Surplus/(deficit) brought forward	27
27	Surplus/(deficit) carried forward	131

This expenditure and income is included within the Social Services category within the Income and Expenditure Account.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

10. Members' Allowances

In 2006/7 the Council paid a total of £756,763 (£761,388 in 2005/6) to its members in the form of allowances. These comprised of basic and special responsibility allowances.

11. Officers' Remuneration

The number of employees whose total remuneration, excluding employer's pension contributions, was £50,000 or more is shown below, in bands of £10,000. Remuneration includes all taxable pay and benefits:

Number of employees 2005/6	Total Remuneration	Number of employees 2006/7
74	£50,000 - £59,999	91
22	£60,000 - £69,999	21
17	£70,000 - £79,999	15
3	£80,000 - £89,999	3
5	£90,000 - £99,999	2
0	£100,000 - £109,999	3
0	£110,000 - £119,999	2
1	£120,000 - £129,999	1
122	Total number of officers with remuneration over £50,000	138

The increase in the number of employees in the lowest band relates to the remuneration for some headteachers falling into that band for the first time in 2006/7.

12. Transactions with Related Parties

The Accounting Code of Practice requires that disclosure be made of material transactions with related parties. For local government these parties are mainly central government, other local authorities or precepting bodies, subsidiary and associated companies, joint ventures and joint venture partners, members and chief officers and the pension fund.

Central Government, other local authorities or precepting bodies

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

Subsidiary and associated companies

The Council has included £1.612m (£1.475m in 2005/6) income from Derby Homes Limited for the provision of support services, paid out of the management fee Derby Homes received from the Housing Revenue Account. This income is included in the Income and Expenditure Account.

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

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Joint ventures and joint venture partners

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

Members and Chief Officers

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

During 2006/7 services to the value of £212,459 were commissioned from companies in which one member had an interest. This relationship had no bearing on any decision made. Contracts were entered into following full compliance with the council's procedure rules. In addition, the Council paid grants totaling £337,930 to voluntary organisations in which four members had an interest. These grants were made with proper consideration of declarations of interest.

During 2006/7 the Chief Executive of the City Council and one member held the position of Director of Derby Cityscape Limited which received a contribution of £389,956 from the Council. Derby Cityscape had a turnover of approximately £100,000 in 2006/7. The Chief Executive did not take part in any administration of the company and received no payment from them. The Council does not have a controlling interest in the company.

The Director for Children and Young People is one of four members of the management board of Connexions, representing the City Council. Connexions are one of the organisations receiving external funding through the Local Area Agreement administered by the City Council. However, the City Council's representation on the management board has not influenced the amount of funding received in 2006/7, only how the funding will be used.

Partnership and Accountable Body arrangements

Transactions totalling £5.6m (£7.3m in 2005/6) relating to the Derwent New Deal for Communities programme are included in the Income and Expenditure Account. This is because the Authority acts as Accountable Body for funding streams managed by these organisations and consequently enters into funding contracts on their behalf.

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

External funding streams totalling £12.7m have been pooled and managed through a Local Area Agreement (LAA) in 2006/7 (£11.5m in 2005/6 which was the first year). This was administered by Derby City Council for the Derby City Partnership. This has not changed the accounting treatment or presentation of the expenditure and grant income in the accounts.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Derby City Partnership is the City's Local Strategic Partnership and is responsible for bidding for, and management of, most external funding including national and European Union funded action plans. The Partnership was formed in 1995 and represents a range of organisations with an interest in the economic and social regeneration of Derby. It includes over 200 organisations plus community representatives. The Derby City Partnerships includes the External Funding Management Groups and the Community Safety Partnership who manage individual funding streams on behalf of the partnership.

In addition, Social Services and Children and Young People includes £10.797m income from other local authorities, Health Authorities and other partners for the provision of services.

This income is not received as part of a pooled budget agreement.

13. Auditors Fees

The Auditors PricewaterhouseCoopers LLP were appointed with regard to external audit services under the Audit Commission Act 1998, and fees payable for Audit Code work in the financial year 2006/7 were £247,500 (£252,480 in 2005/6).

The fees payable to the Audit Commission in respect of statutory inspections in the financial year 2006/7 totalled £21,553 (£17,993 in 2005/6) in accordance with the Local Government Act 1999.

The fees payable for certification of claims returns totalled £113,591 (£110,850 in 2005/6) payable to PricewaterhouseCoopers LLP under the Audit Commission Act 1998.

All of the above figures are shown on cash paid basis. This is a departure from SORP 2006 which requires amounts to be shown on an accrual basis. However there is no material difference between the two bases stated.

14. Deferred Charges

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

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

15. Leases – disclosure by Lessees

Leasing Contracts

Operating lease rentals paid in the year amounted to £0.284m General Fund (£0.625m 2005/6) and £0.562m HRA (£0.562m 2005/6). There were no hire purchase payments in the year and there are no such agreements outstanding. As at 31 March 2007, the Council had a commitment to meet the following payments under existing operating leases:

Financial Year	HRA £'000	General Fund £'000	Total £'000
2006/2007	562	284	846
2007/2008	364	120	484
2008/2009	361	24	385
2009/2010	267	24	291
2010/2011	159	11	170

16. Housing Services

Expenditure and income on housing services includes the separate, ring-fenced Housing Revenue Account (HRA), which has been fully consolidated into the Income and Expenditure Account under SORP 2006.

The costs of providing council housing do not fall on the council tax payer, however, and the net surplus or deficit is transferred to the HRA to ensure this. Details of the Housing Revenue Account, including housing repairs can be found on page 51.

17. Pensions

a) Local Government Pension Scheme (LGPS)

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

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

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Local Government Pension Scheme 2005/6 £000s		Local Government Pension Scheme 2006/7 £000s
15,351 (7,901) 87	Net Cost of Services <ul style="list-style-type: none"> • Current Service Cost • Past Service Cost/(Gain) • Curtailment Loss 	19,487 190 55
25,955 (19,874)	Net Operating Expenditure <ul style="list-style-type: none"> • Interest cost • Expected return on assets in the scheme 	27,796 (23,866)
13,618	Amounts to be met from Government Grants and Local Taxation <ul style="list-style-type: none"> • Movement on pensions reserve 	23,662
16,558	Actual amount charged against council tax for pensions in the year: <ul style="list-style-type: none"> • Employers' contributions payable to scheme including added years 	18,576

Due to the material nature of the past service gain in 2005/6, it was shown separately in the Income and Expenditure Account after net costs of services in 2005/6. In 2006/7 it has been included in the Statement of Total Recognised Gains and Losses.

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

b) Teachers' Pension Scheme

The Teachers' Pension Scheme is a defined contribution scheme which is accounted for by charging employer contributions to the Net Cost of Services as they become payable by the City Council. In 2006/7 the Council paid £9.976m to the Teachers Pensions Agency in respect of teachers' pension costs (£9.671m in 2005/6). The contribution rate for both years was 13.5%.

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

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Teachers' Pension Scheme 2005/6 £000s		Teachers' Pension Scheme 2006/7 £000s
0 156	Net Cost of Services <ul style="list-style-type: none"> • Current Service Cost • Past Service Cost 	0 70
1,058 0	Net Operating Expenditure <ul style="list-style-type: none"> • Interest cost • Expected return on assets in the scheme 	1,000 0
1,214	Amounts to be met from Government Grants and Local Taxation <ul style="list-style-type: none"> • Movement on pensions reserve 	1,070
1,371	Actual amount charged against council tax for pensions in the year: <ul style="list-style-type: none"> • Employers' contributions payable in respect of added years 	1,393

18. Contributions to Joint Committees and Joint Bodies

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

19. Deployment of Dedicated Schools Grant

From 2006/7 the Council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG) which is included in income in the Education Services line in the Income and Expenditure Account. The Council's expenditure on schools was previously funded through Revenue Support Grant (RSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. The council is able to supplement the Schools Budget from its own resource and this year has funded an overspend on the central part of the schools budget of £324,000.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Details of the deployment of Dedicated Schools Grant receivable for 2006/7 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£000s	£000s	£000s
Original grant allocation to Schools Budget for the current year in the authority's budget	15,275	114,937	130,212
Adjustment to finalised grant allocation	309	0	309
DSG receivable for the year	15,584	114,937	130,521
Actual expenditure for the year	(15,908)	(115,118)	(131,026)
(Over) / underspend for the year	(324)	(181)	(505)
Use of council resources	324	0	324
Use of school balances brought forward	0	181	181
(Over) / underspend carried forward to 2007/8	0	0	0

THE BALANCE SHEET

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

2005/6		Note	2006/7
	Fixed Assets		
38	Intangible fixed assets	3	248
552,693	Council Dwellings	2	587,653
392,769	Other land and buildings	2	370,785
7,495	Vehicles, plant, furniture and equipment	2	10,224
73,092	Infrastructure assets	2	76,635
12,996	Community assets	2	13,423
30,204	Investment properties	2	37,885
4,134	Assets under construction	2	8,065
15,067	Surplus assets held for disposal	2	13,485
1,088,488	Total Fixed Assets		1,118,403
100	Long term investments	5	100
13,410	Long term debtors	6	14,133
1,101,998	Total long term assets		1,132,636
	Current Assets		
896	Stocks and works in progress	7	2,277
38,532	Debtors	8	48,138
104,230	Investments		112,300
2,647	Cash and bank		3,540
146,305	Total current assets		166,255
1,248,303	Total Assets		1,298,891
	Current Liabilities		
0	Short term borrowing		0
(47,381)	Creditors	9	(45,284)
(9,966)	Bank overdraft		(9,242)
(57,347)	Total current liabilities		(54,526)
1,190,956	Total assets less current liabilities		1,244,365
	Long Term Liabilities		
(320,351)	Long term borrowing	10	(344,806)
(1,781)	Provisions	13	(1,516)
(32,971)	Government grants deferred	17	(58,230)
(20,508)	Government grants unapplied		(28,569)
(46,962)	Deferred liabilities	12	(45,092)
(202,210)	Net Long Term Liability related to defined benefit pension scheme		(178,431)
(624,783)	Total long term liabilities		(656,644)
566,173	Total assets less liabilities		587,721

THE BALANCE SHEET AND NOTES TO THE BALANCE SHEET

2005/6		Note	2006/7
	Represented by:		
(575,846)	Fixed Asset Restatement Account	14	(602,130)
(123,686)	Capital Financing Account	15	(84,160)
(13,388)	Useable Capital Receipts Reserve	16	(14,301)
(206)	Deferred Capital Receipts	11	(177)
(2,302)	Capital Earmarked Reserves		(2,977)
202,210	Pensions Reserve	25	178,431
(5,767)	General Fund Balance	20	(5,919)
(11,227)	Housing Revenue Account Balance	21	(14,214)
(142)	Collection Fund Balance	22	(334)
(29,894)	Revenue Earmarked reserves	18	(36,396)
(5,925)	Schools Balances	19	(5,544)
(566,173)	Total Net Worth		(587,721)

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

1. Movement on Reserves

	Balance at 31 March 2006	Gains or Losses During the Year	Transfers to/from Other Reserves	Balance at 31 March 2007
Fixed Asset Restatement Account	(575,846)	(26,284)	0	(602,130)
Capital Financing Account	(123,686)	40,610	(1,084)	(84,160)
Usable Capital Receipts Reserve	(13,388)	(6,304)	5,391	(14,301)
Deferred Capital Receipts	(206)	29	0	(177)
Capital Earmarked Reserves	(2,302)	(1,117)	442	(2,977)
Pensions Reserve	202,210	(23,779)	0	178,431
General Fund Balance	(5,767)	(152)	0	(5,919)
Housing Revenue Account Balance	(11,227)	(3,470)	483	(14,214)
Collection Fund Balance	(142)	(192)	0	(334)
Revenue Earmarked Reserves	(29,894)	(1,270)	(5,232)	(36,396)
Schools Balances	(5,925)	381	0	(5,544)
	(566,173)	(21,548)	0	(587,721)

NOTES TO THE BALANCE SHEET

2. Tangible Fixed Assets

a. Movement in fixed assets 2006/7

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure Assets	Communi-ty Assets	Investment Properties	Surplus Prop-erties	Construct ion & Work in Progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net book value at 31 March 2006	552,694	392,769	7,494	73,093	12,995	30,204	15,067	4,134	1,088,450
Add restatements between categories									
Revaluations and restatements	55,021	(22,287)	-	-	31	8,263	2,479	(2,247)	41,260
Restated Value at 1 April 2006	607,715	370,482	7,494	73,093	13,026	38,467	17,546	1,887	1,129,710
Additions	10,241	20,136	5,739	17,170	1,273	512	-	6,178	61,249
Disposals	(10,267)	-	(75)	-	-	(22)	(4,061)	-	(14,425)
Gross book value	607,689	390,618	13,158	90,263	14,299	38,957	13,485	8,065	1,176,534
Depreciation for the year	(12,154)	(5,169)	(1,745)	(2,010)	-	-	-	-	(21,078)
Impairment to the Fixed asset Restatement Account	-	-	-	-	-	(549)	-	-	(549)
Impairment to the Capital Financing Account	-	(34)	-	-	-	(10)	-	-	(44)
De-minimis capital expenditure written out to revenue	-	(541)	(106)	(28)	(30)	-	-	-	(705)
Capital expenditure not adding to asset value	(7,882)	(14,089)	(1,083)	(11,590)	(846)	(513)	-	-	(36,003)
Net book value at 31 March 2007	587,653	370,785	10,224	76,635	13,423	37,885	13,485	8,065	1,118,155

b. Commitments under capital contracts include the following:

- £0.55m on Recycling bins
- £4.1m on targeted schemes at Kingsmead Pupil Referral Unit and Ivy House School
- £5.8m on the construction of the QUAD building during 2007/8 and 2008/9

NOTES TO THE BALANCE SHEET

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

- Continuation of IRRMS – the Inner Ring Road Integrated Maintenance Scheme. The first half of 2007/8 will see the construction of a new improved footbridge over St Alkmunds Way at St Mary's Church which will open for use in October. This will complete a 3 year programme which commenced on site in September 2005.
- Condition and modernisation projects in a range of schools relating to roofing, structural and rewiring schemes (£2.1m), rebuild of Sinfin School (£14m), new multiple use games area and changing rooms at St Benedict's Secondary School (£2.5m), construction of Sure Start Phase 2 Children's Centres at Brookfield, Oakwood and Cavendish schools (£1.4m).
- The Housing capital programme includes schemes totalling £10.7m focussing on routine, ongoing replacement of worn out building elements such as kitchens, bathrooms, heating systems and windows. In addition the private sector element of the programme includes schemes totalling £11.5m to bring homes to the Decent Homes Standard, particularly those occupied by vulnerable householders delivering home adaptations for disabled people and helping older low income homeowners 'stay put' in their homes through the provision of grant aid housing.
- The Department for Communities and Local Government has allocated £3.6m to transform Cathedral Green from an area of poor quality open space which suffers from lack of use, incidents of vandalism and anti-social behaviour, into an exemplar space that serves various community needs. The project includes a pedestrian connection over the River Derwent and riverside promenades.
- Continuation of the programme to develop and construct QUAD, the visual arts and media centre. The programme is significantly funded by the Arts Council, European Funding and regional partners with an overall scheme contribution from the council of approximately 12%. Construction is expected to be complete by mid-February 2008 with the building due to open to the public in May 2008.

d. Tangible fixed asset valuation

The freehold and leasehold assets that comprise the Authority's fixed asset portfolio have been valued as at 1 April 2006 by the Council's Chief Estates Officer, S J Meynell, ARICS. The valuations detailed below are in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors (RICS), except that buildings were not inspected where this was either impracticable or considered by the valuer to be unnecessary for the purpose of valuation. Static plant and machinery is included within the valuation of buildings.

NOTES TO THE BALANCE SHEET

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

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

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

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

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

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

e. Depreciation

Depreciation has been provided for on assets with a finite useful life in accordance with Financial Reporting Standard 15 and SORP 2006. There is no requirement to depreciate land assets.

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

The following table details the cumulative provisions for depreciation for each category of assets as at 31 March 2007.

Asset Category	Depreciation provision at 1 April 2006	Depreciation for 2006/7	Depreciation provision at 31 March 2007
Council Dwellings	(57,409)	(12,154)	(69,563)
Other Land and buildings	(30,903)	(5,169)	(36,072)
Vehicles, plant and equipment	(9,824)	(1,745)	(11,569)
Infrastructure	(11,784)	(2,010)	(13,794)
Community Assets	(185)	-	(185)
Investment properties	(46)	-	(46)
Intangible Assets	-	(13)	(13)
Total	(110,151)	(21,091)	(131,242)

NOTES TO THE BALANCE SHEET

f. Expenditure Not Adding Value (ENAV)

Although the borrowing for capital works has increased, works included within this spending, as detailed below, do not increase asset value but merely bring the property and infrastructure up to a reasonable standard of repair to aid the more effective and efficient provision of services. ENAV totalled £36.0m in 2006/7 (£39.3m in 2005/6). Significant items include:

- £7.8m on upgrading Housing Revenue Account properties to bring them up to an acceptable standard
- £10.0m on Local Transport Plan schemes that are currently in progress, but not yet complete
- £10.5m on refurbishment and renovation works that have been undertaken on schools and educational properties

3. Intangible Fixed Assets

Following changes in the 2004 SORP intangible fixed assets were required to be carried on the Balance Sheet at cost. They represent capital expenditure that does not result in a fixed asset with physical substance for the Authority. The expenditure in this instance relates to the purchase of software licences.

	Total £'000
Balance at 31 March 2006	38
Additions	223
Amounts Amortised in year to Service Revenue Accounts	(13)
Balance at 31 March 2007	248

4. Financing of Capital Expenditure

	£'000		£'000
Financing		Expenditure	
Borrowing	24,868	Tangible Fixed Assets	60,437
Capital Receipts	5,443	Intangible Fixed Assets	223
Government / other grants	25,151	Deferred Charges	9,465
Major Repairs Allowance	7,259	Movement in working capital	(648)
Revenue and Revenue Reserves	2,669		
Other external contributions	3,719		
Capital reserves	368		
Total	69,477		69,477

NOTES TO THE BALANCE SHEET

Deferred charge expenditure has been fully amortised to revenue, along with any grant funding, in 2006/7. However, under the capital control framework this expenditure is still classed as capital expenditure and capital financing applies as shown above.

5. Long Term Investment

The existing £100,000 represents an investment in ADC (Properties) Ltd held for the longer term benefit of the Authority.

6. Long Term Debtors

The deferred consideration reflects PFI contract prepayments made where the payment gave rise to a future benefit for the Council. In 2006/7 there was a further prepayment and the amortisation to revenue over the period of the future benefit began.

31 March 2006 £'000		Additions £'000	Reductions £'000	31 March 2007 £'000
8,539	Deferred consideration – Schools PFI	409	(347)	8,601
61	Residual value – Schools PFI	960		1,021
151	Mortgages for sales of council housing		(37)	114
23	Loans to housing associations		(2)	21
4,433	Derbyshire County Council 1974 transferred debt		(181)	4,252
98	Car Loans to Employees		(28)	70
105	Other loans		(51)	54
13,410	TOTAL	1,369	(646)	14,133

Residual Value Build up for PFI schools

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

NOTES TO THE BALANCE SHEET

7. Stocks and Work in Progress

31 March 2006 £'000		31 March 2007 £'000
	Stocks	
237	Trading Services	195
0	DICES	1,642
91	Other departments	111
328	Work in progress	1,948
568	Trading Services	329
896	Total	2,277

Derby Integrated Community Equipment Services (DICES)

This is a joint project hosted by Derby City Council to provide equipment to service users to enable rehabilitation in their own homes. 2006/7 is the first year the Council has valued the stock in relation to this project. This is therefore a change in accounting policy by the Council as in previous years all costs relating to the DICES project were charged in full to the income and expenditure account.

8. Debtors

The table below shows an analysis of the amounts owing to the Council at the balance sheet date. The increase in sundry debtors includes £3m accrual for a school fire insurance claim reimbursement due.

31 March 2006 £'000		31 March 2007 £'000
	Amounts falling due within one year	
12,796	Government Departments	18,671
1,863	Other local authorities	1,674
9,837	Council taxpayers	10,474
1,378	Business ratepayers	1,649
1,182	Housing rents	888
746	PWLB loan restructuring premium	700
20,296	Sundry debtors	24,225
48,098		58,281
(9,566)	Provision for bad and doubtful debts	(10,143)
38,532	Total	48,138

NOTES TO THE BALANCE SHEET

9. Creditors

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

31 March 2006 £'000		31 March 2007 £'000
8,123	PWLB Borrowing with less than one year to maturity	122
9,210	Government Departments	15,376
2,355	Other local authorities	3,011
652	Council taxpayers	257
397	Business ratepayers	418
76	PWLB loan restructuring discounts	932
26,474	Sundry creditors	25,168
47,287	Total	45,284

10. Long Term Borrowing

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

Total Outstanding 31 March 2006 £'000		Range of interest rates payable %	Total Outstanding 31 March 2007 £'000
	Source of loan		
297,651	Public Works Loan Board	3.94 to 9.56	322,106
22,700	Money Market	4.45	22,700
320,351	TOTAL		344,806
	Analysis of loans by maturity		
121	Maturing within 1 - 2 years - PWLB	9.269	3,114
22,700	Maturing within 1 - 2 years – Money Market	4.45	22,700
16,307	Maturing within 2 - 5 years	9.382	13,211
8,537	Maturing within 5 – 10 years	9.098	3,519
272,686	Maturing after 10 years	4.659	302,262
320,351			344,806

11. Deferred Capital Receipts

Deferred capital receipts are amounts mainly derived from sales of assets, which will be received in instalments over agreed periods of time. They arise principally from mortgages given by the Council to finance the purchase of council housing. They totalled £0.177m at 31 March 2007 (£0.206m at 31 March 2006) and are matched by sums included in long-term debtors.

NOTES TO THE BALANCE SHEET

12. Deferred Liabilities/Credits

31 March 2006 £'000		31 March 2007 £'000
	Deferred Liabilities	
45,137	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.	43,321
1,534	Loans transferred from neighbouring authorities in 1968	1,430
291	Other	341
46,962	TOTAL	45,092

13. Provisions

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

2005/6 £'000		2006/7 £'000
	Provision for uninsured risks	
908	Balance at 1 April	817
724	Provision made in year	3
(650)	Provision used and written back in year	(91)
(165)	Prior year Adjustment	
817	Balance at 31 March	729
	Provision for future pension payments	
759	Balance at 1 April	769
33	Provision made in year	8
(23)	Provision used in year	0
769	Balance at 31 March	777
	Other provisions	
183	Balance at 1 April	30
(135)	Prior Year Reclassification	0
0	Provision made in year	
(18)	Provision used / written back in year	(20)
30	Balance at 31 March	10
1,616	TOTAL PROVISIONS AT 31 MARCH	1,516

NOTES TO THE BALANCE SHEET

Provisions for Uninsured Risks

	2006/7
	£'000
To cover any third party excess on public liability claims	631
To cover excesses under existing insurance policies with Zurich	13
To cover third party excess on public liability claims, based on value of outstanding claims at 31/3/07	85
Total Provisions for Uninsured Risks	729

Provisions for Future Pension Payments

	2006/7
	£'000
Provision to enable continued funding of liabilities for former DCT (passenger transport) employees' pension	759
Added years pension costs from commercial services associated with the removal of the attendants function within city centre public conveniences	18
Total Provisions for Future Pension Payments	777

Other Provisions

	2006/7
	£'000
Residual amount of provision for repayment of income under S117 of the Mental Health Act 1983 for current service users	10
Total Other Provisions	10

14. Fixed Asset Restatement Account

This reserve represents the net book value of assets disposed of and any surplus or deficit arising as a result of revaluations.

2005/6		2006/7
£'000		£'000
613,929	Balance at 1 April	575,846
(21,504)	Add revaluations and restatements	41,260
(4,530)	Less impairment	(549)
(12,049)	Less disposal of fixed assets and investments in year	(14,427)
575,846	Balance at 31 March	602,130

The revaluations and restatements includes a valuation increase of £14.8m relating to buildings and land and £0.03m relating to community assets and a valuation reduction of £55.0m in relation to council dwellings.

NOTES TO THE BALANCE SHEET

15. Capital Financing Account

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue, capital receipts and external grants and contributions. It also contains the difference between the amounts provided for depreciation and those that are required to be charged to revenue to repay the principal element of external loans.

2005/6 £'000		2006/7 £'000
(165,925)	Balance at 1 April	(123,686)
(2,176)	Restatement of opening balance to Government Grants	0
(168,101)	Restated 1 April	(123,686)
(183)	Capital receipts set aside in year	(56)
	Capital financing from	
(2,798)	Capital receipts	(5,443)
(11,137)	Major repairs allowance	(7,259)
(1,673)	Other revenue and revenue reserves	(2,670)
(687)	Capital reserves	(368)
	Net contribution to Income and Expenditure Account:	
(4,611)	Minimum revenue provision	(5,862)
(16)	Outstanding credit arrangement	(17)
(62)	Residual Value PFI	(961)
(855)	Government Grants Amortised to revenue	(1,034)
(3,696)	Deferred charges grants amortised to revenue	(2,577)
(1,942)	Transferred Debt	(1,866)
19,673	Depreciation charged to Revenue	21,091
4,530	Impairment	44
39,312	Capital Expenditure not adding value	35,987
332	Deferred Consideration	347
7,594	Deferred charges written down to revenue	9,465
634	De-minimis expenditure written down	705
(123,686)	Balance at 31 March	(84,160)

16. Usable Capital Receipts Reserve

These are capital receipts that are available to finance future capital expenditure. They derive from the sale of council housing and other property or land. The Local Government and Housing Act 1989 laid down rules for the use of both accumulated and in-year receipts whereby part of the receipts is available for use and part has to be set aside (see Note 15).

2005/6 £'000		2006/7 £'000
12,085	Balance at 1 April	13,388
9,471	Capital receipts in year from sales of assets	11,519
(2,798)	Receipts applied to finance capital expenditure in year	(5,443)
(5,187)	Housing Pooling	(5,107)
(183)	Receipts set aside	(56)
13,388	Balance at 31 March	14,301

NOTES TO THE BALANCE SHEET

17. Deferred Government Grants/Contributions

2005/6 £'000		2006/7 £'000	
15,929	Balance at 1 April	32,971	
	Government Grant receipts and contributions applied to finance capital:		
	Expenditure funded from		
17,408	• Grants	25,151	
4,185	• Contributions	3,719	
	Government Grants and contributions not amortised to revenue:		
(9,118)	• grants	(16,838)	
(1,680)	• contributions	(1,528)	
(855)	Grants/contributions amortised to revenue	(1,034)	
25,869	Government Grant receipts & contributions to be amortised	42,441	
(3,696)	Credited direct to revenue for deferred charges	(2,577)	
22,173	Balance left to amortise	39,864	A
	Off set entries to unamortised Government Grants/contributions:		
9,118	• grants	16,838	
1,680	• contributions	1,528	
10,798	Government Grant receipts & contributions unamortised	18,366	B
32,971	Balance at 31 March – Total Grants and Contributions applied	58,230	A+B

18. Earmarked Reserves

These are reserves held for specific capital or revenue purposes.

19. Schools' Balances

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

20. General Fund Balance

The 1989 Act limited the number of funds a local authority could hold from 1 April 1990 to the General Fund (for all council services other than council housing) and the Housing Revenue Account (for council housing). Details can be found in the Income and Expenditure Account on page 11.

21. Housing Revenue Account

Details of this account can be found on page 50.

NOTES TO THE BALANCE SHEET

22. Collection Fund Balances

Details of this account can be found on page 56.

23. European Monetary Union

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

24. 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

2005/6 Trust Funds £'000	Aggregate Revenue Account	2006/7 Trust Funds £'000
1,175	Opening balance 1 April	1,219
208	Income during the year	87
1,383	Total Funds available in the year	1,306
(164)	Expenditure during the year	(42)
1,219	Closing balance 31 March	1,264

Balance 31 March 2006 £'000	The funds are represented by:	Balance 31 March 2007 £'000
149	Investments:	
	COIF Charity Funds	161
7	Edinburgh Fund Managers	0
3	Treasury Stock	3
18	National Savings investment funds	16
5	Building Society Deposits	6
1,037	Cash and Temporary Loans	1,078
1,219	Total Assets	1,264
46	Number of Funds	40

NOTES TO THE BALANCE SHEET

25. Pension Disclosures

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

Local Government Pension Scheme

The Council participates in the Derbyshire County Council defined benefit (open) superannuation fund. The figures below are derived by approximate methods from the full actuarial valuation of the Fund carried out by Watson Wyatt as at 31 March 2004.

As at the 31 March 2007, the Council had the following overall assets and liabilities for pensions, which are not shown on the balance sheet:

Balance 31 March 2006 £000	Local Government Pension Scheme	Balance 31 March 2007 £000
379,456	Estimated Assets in Scheme	414,615
(560,565)	Estimated Liabilities in Scheme	(572,852)
(181,109)	Net Asset (Liability)	(158,237)

The movement in the net pension liability of the Council for the year to 31 March 2007 is as follows:

Movement in Net Pension Liability	2006/7 £000
Net Pensions Liability as at 1 April 2006	(181,109)
Movement In the Year	
Contributions Paid	18,576
Current Service Cost	(19,487)
Past Service Costs Curtailment Gain/Loss	(245)
Interest Costs	(3,930)
Actuarial gain (loss)	27,958
Net Pension Liability as at 31 March 2007	(158,237)

NOTES TO THE BALANCE SHEET

The actuarial loss can be analysed into the following categories, measured as absolute amounts and as a percentage of assets as 31 March 2007:

Analysis of Actuarial Gain (loss)	£'000	% of Assets/liabilities
Difference between the expected and actual return on assets	(1,210)	0.3% of assets
Difference between actuarial assumptions about liabilities and actuarial experience	0	0% of liabilities
Changes in demographic and financial assumptions used to estimate liabilities	29,168	5.1% of liabilities
Total Actuarial Gain (loss)	27,958	

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

	31 March 2006	31 March 2007
Rates of Inflation	2.9%	3.1%
Rate of Increase in Salaries	4.4%	4.6%
Rate of Increase in Pensions	2.9%	3.1%
Discount Rate	4.9%	5.4%

Assets held by the fund as a whole are £2.033m valued at fair value as at 31 March 2007 (£1.806m at 31 March 2006). The proportion of assets held with expected rates of return is shown below:

	Long Term Expected Rate of Return %	Proportion of Assets Held	
		31 March 2006	31 March 2007
Equities	7.5%	70.9%	71.8%
Gilts	4.7%	14.5%	15.0%
Other bonds	5.4%	1.9%	1.7%
Property	6.5%	5.1%	5.3%
Cash	5.25%	7.6%	6.2%
Total		100.0%	100.0%

Teachers' Pension Scheme

The Council participates in the Teachers' Pension Scheme, which is a defined contribution scheme. Discretionary early retirement pension enhancements awarded to teachers, however, are to be treated under FRS17 as though they were a defined benefit scheme from 2004/5. The figures below are derived by approximate methods based on information provided by the actuaries to the Derbyshire Superannuation Fund, Watson Wyatt.

As at the 31 March 2007, the Council had an overall liability of £20.194m in respect of teachers' pensions (£21.101m at 31 March 2006).

NOTES TO THE BALANCE SHEET

The movement in the pension liability of the Council for the year to 31 March 2007 is as follows:

Movement in Teachers' Pension Liability	2006/7 £'000
Teachers' Pension Liability as at 1 April 2006	(21,101)
Movement In the Year	
Contributions Paid	1,393
Current Service Cost	0
Past Service Costs	(70)
Interest Costs	(1,000)
Actuarial gain (loss)	584
Teachers' Pension Liability as at 31 March 2007	(20,194)

The actuarial loss can be analysed into the following categories, measured as absolute amounts and as a percentage of liabilities as at 31 March 2007:

Analysis of Actuarial Loss	£'000	% of liabilities
Difference between actuarial assumptions about liabilities and actuarial experience	(0)	0% liabilities
Changes in demographic and financial assumptions used to estimate liabilities	584	2.9% liabilities

The main financial assumptions used by the actuary are:

	31 March 2006	31 March 2007
Rates of Inflation	2.9%	3.1%
Rate of Increase in Pensions	2.9%	3.1%
Discount Rate	4.9%	5.4%

26. **Contingent Liability**

A contingent liability exists for the costs of Equal Pay back-payments. The Council is in the process of introducing Single Status from 1 April 2008 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. The costs of further potential Equal Pay back-payments cannot be reliably quantified at this stage.

NOTES TO THE BALANCE SHEET

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

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

The net assets and results of operations for the year to 31 March 2007 are as follows (This is subject to audit of Derby Homes accounts):

2005/6 £000's		2006/7 £000's
73	Net assets at 31 March 2006	421
30	Operating profit before taxation	342
30	Operating profit after taxation	348
	Indebtedness with Derby City Council included in net assets above is	
445	<ul style="list-style-type: none"> • Derby Homes Debtors Of which £736k relates to the management fee 	1,325
(2,141)	<ul style="list-style-type: none"> • Derby Homes Creditors Mainly relating to services provided to Derby Homes by the Council 	(1,099)
(1,696)	TOTAL	226

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

28. Post Balance Sheet Events

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

29. Issue Authorisation

The Statement of Accounts was authorised for issue on 27th September 2007 by the Director for Resources.

CASHFLOW STATEMENT

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

2005/6 £'000		Notes	£'000	2006/7 £'000
	REVENUE ACTIVITIES			
	Cash outflows –			
250,304	Cash paid to and on behalf of employees		258,589	
295,691	Other operating cash payments		283,758	
26,191	Housing benefits paid out		26,966	
8,849	Precept payment to Police Authority		9,321	
3,769	Precept Payment to Fire Authority		3,975	
63,894	Payment to Non-Domestic Rate Pool		70,342	
648,698				652,951
	Cash inflows -			
(18,906)	Rents (after rebates)		(18,597)	
(64,082)	Council tax receipts		(66,190)	
(77,718)	Distribution from Non-Domestic Rate Pool		(76,893)	
(61,709)	Non-domestic rate receipts		(65,470)	
(129,923)	Revenue Support Grant		(15,065)	
0	Dedicated Schools Grant		(130,521)	
(25,804)	Government Grant for housing benefits		(26,795)	
(117,532)	Other government grants	4	(85,903)	
(175,977)	Cash received for goods and services		(186,467)	
(671,651)				(671,901)
(22,953)	Net Revenue Activities Cashflow	1		(18,950)
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
	Cash outflows –			
19,160	Interest paid		19,424	
1	Interest element of finance leases		0	
19,161				19,424
	Cash inflows -			
(4,720)	Interest received			(5,491)
14,441				13,933

CASHFLOW STATEMENT

2005/6 £'000		Notes	£'000	2006/7 £'000
	CAPITAL ACTIVITIES			
	Cash outflows –			
42,470	Purchase of fixed assets		49,139	
3,016	Deferred charges		6,208	
6,949	Other net capital cash		3,163	
	Cash inflows -			
(9,389)	Sales of fixed assets		(11,200)	
(18,167)	Capital grants received	4	(35,526)	
24,879	Net Capital Activities Cashflow			11,784
16,367	Net Cash Outflow / (Inflow) before Financing		Outflow	6,767
	MANAGEMENT OF LIQUID RESOURCES			
30,439	Net increase / (decrease) in short term deposits			8,070
	FINANCING			
	Cash outflows –			
8,120	Repayments of amounts borrowed		67,296	
	Cash inflows -			
(51,000)	New loans raised		(83,750)	
(42,880)				(16,454)
3,926	Net Cash (Inflow) / Outflow = Net Increase / (Decrease) in Cash	2	(Inflow)	(1,617)

NOTES TO THE CASHFLOW

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

2005/6 £'000		2006/7 £'000
(137)	Net (surplus) - Consolidated Revenue Account	(3)
(1,010)	Net (increase) in Schools' balances	381
(1,142)	Net (surplus) / deficit - Housing Revenue Account	(2,987)
(686)	Net (surplus) / deficit - Collection Fund	(192)
4,326	(Decrease)/Increase in debtors	9,606
(488)	(Decrease)/Increase in stock and work in progress	1,381
(7,500)	(Increase) / decrease in creditors	2,097
719	(Increase) / Decrease in provisions	265
(9,395)	(Increase) / Decrease in earmarked reserves	(6,651)
	<i>Adjustment for non-cash transactions:</i>	
(1,202)	Capital activities	(913)
	<i>Less:</i>	
(14,441)	Servicing of finance items	(13,933)
8,003	Financing included in creditors	(8,001)
(22,953)	Revenue Activities Net Cashflow	(18,950)

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

Balance 31 March 2006 £'000	Movement 2005/6 £'000		Balance 31 March 2007 £'000	Movement 2006/7 £'000
2,647	2,000	Cash in hand	3,450	893
(9,966)	(5,926)	Bank overdraft	(9,242)	724
(7,319)	(3,926)	Net Cash Increase/(Decrease) = net cash (inflow) / outflow	(5,702)	1,617
		Adjust for the movement in liquid resources -		
104,230	30,439	Short-term investments	112,300	8,070
		Borrowing		
(328,352)	(42,880)	Public Works Loans Board	(344,806)	(16,454)
0	0	Other long-term borrowing		
	(16,367)	(Increase) / Decrease in Net Debt = net cash (inflow) / outflow before financing		(6,767)

NOTES TO THE CASHFLOW

3. Other Movements

Balance 31 March 2006 £'000	Movement £'000		Balance 31 March 2007 £'000	Movement £'000
		<i>Increase:</i>		
38,532	4,326	Debtors	48,138	9,606
896	(488)	Stock and work in progress	2,277	1,381
		<i>(Increase) / decrease:</i>		
(47,381)	(7,500)	Creditors	(45,284)	2,097
(1,781)	719	Provisions	(1,516)	265

4. Revenue and capital grants

The following revenue grants from central government are included:

	Received in 2006/7 £'000
Arms Length Management Organisation (ALMO) Subsidy	5,205
Nursery Education / Surestart	6,412
Learning and Skills	8,396
School Standards Grant	14,272
Asylum Seekers' Grant	190
Urban II	483
Objective 2	695
Single Regeneration Budget (SRB) grant	738
New Deal for Communities	4,894
Neighbourhood Renewal Fund grant	4,846
Childrens Fund	208
Supporting People	10,779
Local Area Agreement	11,684
Other Regeneration and Community Services Revenue Grants	3,024
Other Children & Young People Revenue Grants	10,363
Other Adult Social Services Revenue Grants	5,923
Other Resources Revenue Grants	360
	88,472

NOTES TO THE CASHFLOW

The following capital grants are included:

	Received in 2006/7 £'000
Regional Housing Plot	8,349
SRB capital grant	348
Schools capital grants	13,625
Transport Supplementary grant	3,332
Lottery capital grants	1,521
Disabled Facilities grant	544
ODPM capital grants	43
Urban II capital grant	359
Objective 2 capital grant	470
New Deal for Communities	156
LPSA reward grant	1,020
Local Area Agreement	970
Environment Agency Grant	1,213
East Midlands Development Agency Grant	972
Other capital grants	2,604
	35,526

HOUSING REVENUE ACCOUNT

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

2005/6 £'000	HRA Income and Expenditure Account	2006/7 £'000
	Income	
(34,927)	Dwelling rents (Gross)	(36,183)
(438)	Non dwelling rents (Gross)	(456)
(1,149)	Charges for Services and facilities	(1,211)
(211)	Contributions towards expenditure	(229)
(6,275)	Housing Revenue Account subsidy receivable	(5,224)
(88)	Decrease in bad debt provision	(48)
(43,088)		(43,351)
	Expenditure	
9,218	Repairs and Maintenance	8,261
11,780	Supervision and Management	13,292
11,465	Depreciation and impairments of fixed assets	12,360
35	Rent Rebates	0
74	Debt Management costs	82
35,572		33,995
(10,516)	Sub Total: Net cost of HRA Services as included in the whole authority income and expenditure account	(9,356)
79	HRA services share of Corporate and Democratic Core	78
(10,437)	Net Cost of Services	(9,278)
9,182	Interest payable and similar charges	9,498
61	Amortisation of premiums and discounts	(40)
(367)	Interest and Investment income	(642)
438	Pensions interest cost and expected return on pensions assets	501
(1,123)	(Surplus) / deficit for the year on HRA services	39

HOUSING REVENUE ACCOUNT

2005/6 £'000	Statement of Movement on the Housing Revenue Account Balance	2006/07 £'000
	Increase or decrease in the Housing Revenue Account Balance comprising:	
(1,123)	(Surplus) or deficit for the year on the HRA income and expenditure Account	39
	Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement in the Housing Revenue Account Balance	
305	Capital Expenditure funded by the Housing Revenue Account	1,631
125	HRA Share of Minimum Revenue Provision	173
-	Transfer to/from Housing Repairs Account	374
(4,244)	Transfer to/from Major Repairs Reserve	(4,895)
-	Write back Housing Subsidy Provisions	(207)
(234)	Appropriations from reserves	(201)
201	Appropriations to reserves	171
5	Appropriation from pension reserves	(72)
(4,965)	Net Surplus	(2,987)
(6,262)	Housing Revenue Account balance brought forward	(11,227)
(11,227)	Housing Revenue Account balance carried forward	(14,214)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. The number and types of dwellings in the authority's housing stock

Dwelling Type	1 April 2006	31 March 2007
Houses	8,136	8,035
Flats	4,590	4,572
Bungalows	1,331	1,332
Total	14,057	13,939

Comprising of:

a. Operational Assets

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

31 March 2006 £'000		31 March 2007 £'000
552,694	Dwellings	587,653
4,815	Other Land & Buildings	6,838
557,509	Total	594,491

b. Non Operational Assets

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

31 March 2006 £'000		31 March 2007 £'000
14,016	Investment properties	13,440
14,016	Total	13,440

2. Council Dwellings Vacant Possession Value

The total vacant possession value of dwellings within the HRA at 1 April 2006 was £1.215m (£1.125m at 1 April 2005). ODPM guidance requires that the balance sheet valuation of £607.715m at 1 April 2006, (£562.551m at 1 April 2005) be determined by applying a regional multiplier (50% for the East Midlands) to the vacant possession value of dwellings.

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

NOTES TO THE HOUSING REVENUE ACCOUNT

3. Major Repairs Reserve

The movements on the Major Repairs Reserve are shown below:

2005/6 £'000		2006/7 £'000
(4,091)	Balance at beginning of the year	(268)
(11,558)	Add transfer to the MRR during the year	(12,360)
4,030	Depreciation on dwellings in excess of the MRA	4,690
214	Depreciation on other HRA assets	205
11,137	Debit to MRR in respect of capital expenditure on properties within the HRA	7,259
(268)	Balance at end of the year	(474)

4. Housing Repairs Account

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

2005/6 £'000		2006/7 £'000
0	Balance at beginning of the year	0
0	Add interest received	0
9,218	Add contributions during the year	8,635
9,218		8,635
(9,218)	Less actual expenditure incurred	(8,261)
0	Balance on the Repairs Account on 31 March	374

5. a. Summary of capital expenditure and financing

2005/6 £'000		2006/7 £'000
	Expenditure	
1,002	Land	2,026
29,872	Dwellings	7,666
238	Other property	198
31,112	Total Capital Expenditure	9,890
	Sources of Funding	
19,669	Borrowing	1,000
0	Usable Capital Receipts	0
305	Revenue Contributions	1,631
11,138	The Major Repairs Reserve	7,259
31,112	Total	9,890

NOTES TO THE HOUSING REVENUE ACCOUNT

b. Summary of capital receipts

2005/6 £000		2006/7 £000
7,304	Dwellings	7,426
0	Land	190
200	Other property	48
7,504	Total Receipts	7,664

6. Depreciation

The total charge for depreciation of the assets within the HRA was £12.359m. This is made up of:

2005/6 £000s		2006/7 £000s
	Operational	
11,251	Council Dwellings	12,155
214	Other operational land and buildings	205
11,465	Total depreciation Operational Assets	12,360
	Non operational	
0	Investment property	0
11,465	Total depreciation HRA	12,360

7. Impairment

There is no material impairment charge for 2006/7. (Nil in 2005/6)

8. Deferred charges

There are no deferred charges attributable to the HRA for 2006/7 (Nil in 2005/6)

9. Analysis of HRA subsidy

2005/6 £'000		2006/7 £'000
18,639	Management and Maintenance Allowances	20,333
7,220	Major Repairs Allowance	7,465
5,770	Charges for Capital	5,517
7,774	ALMO Allowance	7,774
(33,131)	Rent	(35,870)
(11)	Interest on Receipts	(9)
6,261	Total Housing Revenue Account Subsidy	5,210
14	Defective Dwellings	14
6,275	Total Subsidy	5,224

NOTES TO THE HOUSING REVENUE ACCOUNT

10. Amount of rent arrears and the aggregate balance sheet provision in respect of uncollectible debts

2005/6 £'000		2006/7 £'000
1,572	Amount of rent arrears	1,464
2,091	Aggregate Balance sheet provision in respect of uncollectible debts	1,681
	Analysed as follows:	
1,279	Weekly Rents	1,158
217	Housing Benefit overpayments	297
595	Other Debts	226

11. Pensions Costs

2005/6 £'000		2006/7 £'000
609	Pensions interest cost and expected return on pensions assets	501
(602)	Less pension costs included in supervision and management costs	(429)
7	Appropriations from pensions reserve	72

These figures are reflected in the Income and Expenditure Account, note 18.

COLLECTION FUND

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

2005/6 £'000		Notes	2006/7 £'000
	INCOME AND EXPENDITURE ACCOUNT		
	Income		
(64,706)	Council tax		(67,842)
(62,604)	Business rates	2	(66,290)
	Transfers from General Fund		
(13,253)	Council tax benefit		(13,638)
	Net adjustments of previous year's		
(3)	Community charges		0
(140,566)	Total Income		(147,770)
	Expenditure		
	Precepts and Demands		
64,748	Derby City Council		66,667
8,849	Derbyshire Police Authority		9,321
3,769	Derbyshire Fire Authority		3,975
	Business Rates		
61,389	Payment to National Pool		65,450
315	Costs of collection		312
	Provision for bad and doubtful debts		
495	Council tax		1,288
900	Business Rates		527
	Transfer of previous year's estimated surplus		
	Derby City Council General Fund:		
(490)	Council tax		0
(67)	Derbyshire Police Authority		0
(28)	Derbyshire Fire Authority		0
139,880	Total Expenditure		147,540
(686)	(Surplus) / Deficit For Year	3	(230)
515	(Surplus) / Deficit At Beginning Of Year		(171)
(171)	(Surplus) / Deficit At End Of Year		(401)

NOTES TO THE COLLECTION FUND

1. Council Tax

The Council's tax base for 2006/7 was £68,966.00 (£68,589.40 in 2005/6). 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	42.56
A	6/9	29,601.40
B	7/9	12,756.14
C	8/9	12,123.42
D	9/9	7,307.30
E	11/9	4,587.76
F	13/9	2,772.44
G	15/9	877.75
H	18/9	18.66
		70,087.43
Less adjustment for non-collection		1,121.43
Council Tax Base		68,966.00

2. Income from Business Ratepayers

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

The total non-domestic rateable value at 31 March 2007 was £185.496m (£184.271m in 2005/6). The national non-domestic multiplier for 2006/7 was 43.3p (42.2p in 2005/6).

3. Collection Fund Surplus

The surplus of £401,000 on the Collection Fund at 31 March 2007 relates to council tax and is to be divided between the City Council, Police Authority and Fire Authority.

The amount attributable to the City Council at 31st March 2007 is £344,000, £142,000 at 31st March 2006

GROUP ACCOUNTS

INTRODUCTION

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

INCLUSION WITHIN THE GROUP ACCOUNTS

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

The accounts used for consolidation are draft and therefore prior to audit certification.

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

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

ACCOUNTING POLICIES USED IN PREPARING THE GROUP FINANCIAL STATEMENTS

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

- a) Any profits or losses of fixed assets are included in the figures for the appropriate service in the Group Income and Expenditure Account.
- b) Charges to services for the use of fixed assets cover depreciation only.
- c) Government grants amortised in the year are included in the figured for the appropriate service in the Group Income and Expenditure Account.
- d) Fixed assets held by group entities which fall within the asset categories covered by the Authority's own accounting policies are revalued in line with the Authority's accounting policies where material.
- e) All inter group transactions between Derby City Council and Derby Homes Limited have been eliminated upon consolidation.

GROUP INCOME AND EXPENDITURE ACCOUNT

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

Previous Year Net Expenditure £000's		Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
3,440	Central Services to the Public	24,868	(21,513)	3,355
37,575	Cultural Environmental & Planning Services	82,301	(44,224)	38,077
136,612	Education Services	219,499	(203,512)	15,987
11,409	Highways, Roads and Transport Services	26,122	(12,234)	13,888
(5,912)	Housing	102,741	(107,434)	(4,693)
67,389	Social Services	111,703	(35,003)	76,700
(492)	Discontinued Service – Magistrates Court	0	0	0
5,376	Corporate and Democratic Core	5,670	(1,829)	3,841
(695)	Non Distributed Costs	0	(1,306)	(1,306)
254,702	Net Cost of Services	572,904	(427,055)	145,849
(245)	(Surplus)/Deficits on Trading Undertakings not included in Net Cost of Services			(272)
18,528	Interest Payable and other Similar Charges			18,916
5,187	Contribution of Housing Capital Receipts to Government Pool			5,107
(5,242)	Interest and Investment Income			(6,301)
0	Taxation of Group Entities			(6)
7,264	Pensions Interest Costs and Expected			5,016
101	Return on Pensions Assets			(6)
(1,408)	Amortisation Premia and Discounts			0
278,887	Net Operating Expenditure			168,303
(64,258)	Demand on the Collection Fund			(66,667)
(127,704)	General Government Grants			(14,381)
(2,219)	Back Dated Census			(3,078)
(77,718)	Non-Domestic Rates Redistribution			(74,499)
6,988	Deficit for the Year			9,678

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

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

2005/6 £000's		2006/7 £000's
7,199 (211)	Derby City Deficit Derby Homes (Surplus)/Deficit	9,497 181
6,988	Group Deficit for the Year	9,678

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2005/6 £000s		2006/7 £000s
6,988	Deficit for the year on the Income and Expenditure Account	9,678
68,068	Surplus arising on revaluation of fixed assets	(1,787)
3,310	Actuarial (gains) / losses on pension fund assets and liabilities	(29,925)
(8,617)	Any Other Gains and Losses	(716)
69,749	Recognised (Gains)/Losses for the year	(22,750)

GROUP BALANCE SHEET

2005/6 £'000		2006/7 £'000
	Fixed Assets	
188	Intangible assets	525
1,039,103	Operational assets	1,058,817
	Non-operational assets:	
30,204	- Investment Properties	37,885
4,134	- Assets under construction	8,065
15,067	- Surplus assets held for disposal	13,485
1,088,696	Total Fixed Assets	1,118,777
100	Long Term Investments	100
13,417	Long-term debtors	14,134
1,102,213	Total Long Term Assets	1,133,011
	Current Assets	
104,230	Short-term investments	112,300
0	Pensions	0
896	Stocks and work in progress	2,277
37,190	Debtors	47,955
2,653	Cash and bank	3,543
144,969	Total Current Assets	166,075
1,247,182	Total Assets	1,299,086
	Current Liabilities	
(47,846)	Creditors	(45,858)
0	Pensions	0
(8,307)	Bank overdraft	(8,442)
(56,153)	Total Current Liabilities	(54,300)
1,191,029	Total Assets Less Current Liabilities	1,244,786
	Long Term Liabilities	
(320,351)	Long-term borrowing	(344,806)
(1,781)	Provisions	(1,516)
(32,971)	Government grants deferred	(58,230)
(20,508)	Government grants applied	(28,569)
(46,962)	Deferred liabilities	(45,092)
(207,736)	Pension Scheme	(183,103)
560,720	Total assets less liabilities	583,470
	Represented by:	
(575,846)	Fixed asset restatement account	(602,130)
(123,686)	Capital financing account	(84,160)
(13,388)	Usable capital receipts reserve	(14,301)
(206)	Deferred capital receipts	(177)
(2,302)	Capital earmarked reserves	(2,977)
207,736	Pensions reserve	183,103
(5,767)	General fund balance	(5,919)
(73)	Derby Homes profit and loss reserve	(421)
(11,227)	Housing Revenue Account Balance	(14,214)
(142)	Collection Fund	(334)
(29,894)	Revenue Earmarked Reserves	(36,396)
(5,925)	Schools' Balances	(5,544)
(560,720)	Total Balances	(583,470)

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

GROUP CASHFLOW

2005/06 £'000		£'000	2006/7 £'000
(23,166)	Net Cash (Inflow)/Outflow from Revenue Activities		(19,332)
	Returns on investments and servicing of finance:		
19,161	Interest paid	19,424	
(4,720)	Interest received	(5,491)	
(8,725)			13,933
15	Taxation		(6)
	Capital Expenditure and Financial Investment:		
42,671	Purchase of fixed assets	49,527	
0	Purchase of long-term investments	0	
(9,389)	Sales of fixed assets	(11,200)	
(18,167)	Capital grants received	(35,526)	
9,965	Other capital cash payments	9,371	
25,095			12,172
0	Equity dividends paid		0
0	Acquisitions and disposals		0
16,370	Net Cash Inflow before Financing		6,767
	Management of Liquid Resources:		
30,439	Net increase/decrease in short-term deposits		8,070
	Financing:		
8,120	Repayments of amounts borrowed	67,296	
0	Capital element of finance lease rental payments	0	
(51,000)	New loans raised	(83,750)	
(12,441)			(16,454)
3,929	Net Increase In Cash		(1,617)

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 Acting Corporate Director of Resources.
- (2) To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (3) To approve the Statement of Accounts.

The Accounts were approved by Audit and Accounts Committee on 28 June 2007.

Signed: _____

Councillor Mark Tittley - Chair, Audit and Accounts Committee

The Corporate Director of Resources responsibilities

The Corporate Director of Resources is responsible for the preparation of the Authority's Statement of Accounts in line with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code). The Code requires the Authority to present fairly the financial position of the Authority for the year ended 31 March 2007.

In preparing this Statement of Accounts, the Corporate Director of Resources and Housing has ensured that:

- (1) Suitable accounting policies have been selected and then applied consistently
- (2) Judgements and estimates have been made that were reasonable and prudent.

The Corporate Director of Resources has also ensured that:

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

Signed: _____

Don McLure-

Corporate Director of Resources

Date: _____

STATEMENT OF INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

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

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

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

The system of internal control has been in place at Derby City Council for the year ended 31 March 2007 and up to the date of approval of the Statement of Accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

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

Establishment and monitoring the achievement of the authority's objectives

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

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

Facilitation of policy and decision making

- Derby City Council has adopted a constitution which came into effect on 3 December 2001. This sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

STATEMENT OF INTERNAL CONTROL

- The Council Cabinet is the part of the Council that is responsible for most day-to-day decisions. When major decisions are to be discussed or made, these are published in the Council Cabinet's forward plan in so far as they can be anticipated. The Council Cabinet has to make decisions that are in line with the Council's overall policies and budget. If it wishes to make a decision that is outside the budget or policy framework, this must be referred to the Council as a whole to decide.
- In 2006/7 there were five Overview and Scrutiny Commissions, plus a Scrutiny Management Commission which support the work of the Council Cabinet and the Council as a whole. Within Derby City Council Scrutiny has two main roles:-
 - To act as a check and balance on the Council Cabinet, holding it to account for its decisions.
 - To review and help to develop Council policies to ensure that they have a positive impact on the people of Derby.
- The Council has also created five area panels which provide local citizens with a greater say in council affairs. These provide a forum to discuss local issues with the Council's partner organisations and local residents.

Ensuring compliance with established policies, procedures, laws and regulations

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

Responsibility for compliance with operational policies rests with the relevant Corporate Directors, Assistant Directors and Service Heads.

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

A Standards Committee containing 3 members of the Council and 3 members from outside the Council ensures the maintenance of high standards of conduct and deals with complaints against elected members. The Chair of the Standards Committee is an independent member.

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

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

- The Council has adopted a Risk Management Strategy which aims to embed risk management into the culture and operations of the Council. The aim is to manage risk in accordance with best practice and to make sure that departments have clear accountability for both the ownership and cost of risk and the tools to effectively reduce it.
- The Council has established clear roles and responsibilities and reporting lines within the Council for risk management. incorporating risk management in to all new projects and reviews and into the Council's decision-making, business planning and performance management processes
- The Council has developed risk registers at both corporate and departmental levels. These registers are reviewed annually and are reported through to Cabinet.

STATEMENT OF INTERNAL CONTROL

- The Council has a Strategic Risk Group which is developing a formal framework to assist the organisation to manage business risks to achieve the Council's strategic priorities and deliver services to the community.
- The Council has produced a Business Continuity Plan that sets the framework for our planning and response arrangements for a disruption that might seriously affect our ability to deliver services. The Plan has been produced under the auspices of the risk management group, with ownership of local arrangements the responsibility of service departments. It sets out the structure for responding to a major service disruption, details of our major vulnerabilities, information on service continuance/restoration priorities and communication mechanisms. The Plan includes a development programme for areas identified as requiring further investigation to improve Business Continuity resilience.
- The Council has a corporate Health and Safety team which aims to promote and protect the health and safety of all Council employees and anyone affected by their activities, by:
 - providing competent advice on current health and safety law and best practice
 - developing health, safety and welfare strategy and policy
 - working in partnership with stakeholders, including managers, the departmental health and safety advisers and trade union health and safety representatives
 - auditing for compliance with duties under the Health and Safety at Work etc. Act 1974
 - helping managers to comply with these duties
 - providing training on duties and compliance.

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

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

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

Overarching this is the 'Building on Excellence' change management programme. Building on Excellence is a key part of the Council's commitment to continuous improvement, addressing areas we know we still need to improve and involving people from across the organisation. Our achievements are recognised by Government Departments, a range of inspections including our '4 star' CPA category and most importantly the people who use our services. The Building on Excellence programme will take this a stage further by building our ability to maintain improvements. Building on Excellence is based on the following five themes...

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

STATEMENT OF INTERNAL CONTROL

- Providing excellent customer service.

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

Our review programme includes change management reviews, mainly concerned with business process re-engineering. We have developed a Business Process Re-engineering toolkit to support this.

Financial management of the authority and reporting of financial management

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

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

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

- Professional finance function
- Financial Procedure Rules and Contract Procedure Rules
- Regular revenue and capital monitoring reports are provided at Cabinet meetings
- Comprehensive budgeting and closedown guidance notes are issued
- The council has a treasury management strategy that reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services
- Budget planning generally takes place over a three year period, with indicative budgets being approved for the second and third years. This has allowed the Council to ensure that its plans are affordable over the medium term and to consider early action in the context of any pressures that emerge, relative to affordable levels of council tax
- Consultation is a key part of the budget process
- Specific budget risks are highlighted and managed
- Prioritisation within financial planning is closely aligned with the Council's wider corporate planning processes, the aim being to ensure that where funds become available, they are applied to ensure that developments can be prioritised as planned
- Maintaining general reserves at no less than minimum recommended levels and by ensuring that the purpose for which reserves are earmarked are regularly reviewed.

STATEMENT OF INTERNAL CONTROL

- The Council has a strategy for securing efficiency gains which reflects a continuation of the Council's existing approach to identifying and recycling savings through the annual forward budgeting process.
- Participation in the National Fraud Initiative and other data matching exercises
- The verification framework for the administration of Council Tax and Housing Benefits

Performance management of the authority and reporting of performance management.

The Council has an agreed performance management strategy, which sets out the established performance framework and vision to embed performance management through creating 'an outcome driven environment where all staff understand their contribution to delivering key priorities and feel supported and motivated to manage their own performance effectively'.

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

The strategy also sets out the Council's commitment to good data quality, which underpins the provision of sound and evidence based information for decision makers. The strategy includes a number of measures to support and develop data quality arrangements.

Performance is reported against all national and local BVPP targets to Chief Officer Group and Council Cabinet each quarter, based on exception reporting according to variance from target with explanation for the causes – and improvement action if below target. Scrutiny Commissions review performance against indicators within their domain of responsibility, using Performance Eye, and have included the review of performance indicators as a standing agenda item.

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

The effectiveness of our performance management strategy, data quality arrangements and implementation of Performance Eye have been reviewed by our external auditors.

4. REVIEW OF EFFECTIVENESS

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

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

STATEMENT OF INTERNAL CONTROL

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

5. SIGNIFICANT INTERNAL CONTROL ISSUES AND PROPOSED ACTION

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

Following the review of effectiveness the following significant internal control issues have emerged during 2006/7.

Debt Recovery/Sundry Debtors System

Allegations were made against the Debt Recovery Manager in the Debtors Section of the Resources Department concerning the inappropriate write-offs and credit notes issued against invoices. Following an investigation by Internal Audit, the following control weaknesses were discovered:

- Inadequate separation of duties in the Debtors Section in respect of cash collection and full systems access
- Ineffective controls over the issue of Council receipt books
- A lack of control over the authorisation of write-offs and the reconciliation of write-offs

STATEMENT OF INTERNAL CONTROL

- An absence of system and procedural controls over the raising of credit notes
- A lack of appropriate management of credit balances in the debtors system
- The failure to undertake routine management checks due to the pressure of implementing a new financial management system
- Inadequate record keeping to support transactions

Following the investigation, Management will be carrying out a detailed review of the internal controls within the system for debt recovery.

Environmental Services

Following allegations raised under the Council's Confidential Reporting Code investigations were carried out in Environmental Services. The investigation highlighted serious control weaknesses in a number of areas of the department, in particular:

- the non-compliance with the Council's Contract Procedure Rules in respect of tendering
- an absence of effective control over the receiving of gifts and hospitality by officers
- private use of Council contractors
- officers operating private businesses/outside interests without the appropriate authorisation
- non-adherence to the Council's Internet and e-mail policy
- misuse of Council vehicles
- inadequate controls in the recruitment and selection process

It was clear from the investigations that the culture in the department had a major contribution to the ineffective control environment in place. The further review of controls in Environmental Services is one of the key themes in the 2007/8 internal audit plan.

There are a number of issues which are considered important enough to identify within the Statement on Internal Control for 2006/7 for the purpose of noting. These are issues that require attention to address certain weaknesses and ensure continuous improvement of the system of internal control. The issues are as follows:-

Control weaknesses in departmental systems:

There were a number of departmental systems that received unsound or unsatisfactory overall ratings of the control environment following internal audit reviews. These are reported to the Audit and Accounts Committee, and the progress on implement of audit recommendations is monitored by the Committee. In 2006/7, the following reports were called in for further review by the Committee:

- IT Disaster recovery
- IT Site Security
- Home To School transport (progress update)
- Dale Community Primary School
- Markets – Car Park Income
- Payroll – missing cash
- Recruitment Agency Contract

STATEMENT OF INTERNAL CONTROL

- Derby Advertising and Video Information Screen

Governance of partnerships:

The audit review of the Derby Advertising and Video Information Screen highlighted weaknesses in the governance arrangements that were in place which exposed to the Council to a number of significant risks.

Hardwick Primary School:

An audit investigation highlighted the non adherence to the Council's contract procedure rules for the purchase of IT equipment. Following a review of the failings at the school, delegated powers were removed.

6. PROGRESS ON PROPOSED ACTION TO RECTIFY SIGNIFICANT INTERNAL CONTROL ISSUES RAISED IN 2005/6 SIC

In the 2005/6 SIC, control weaknesses were identified in 2 corporate systems

The progress made on these areas is shown in the table below.

Control Issue	Progress Made
An internal audit of the Council's IT Disaster Recovery Plan reported 2 fundamental weaknesses and rated the system as "unsatisfactory".	<p>We now have in place a mobile disaster recovery service based on providing a minimum core service which can be up and running within 24 – 48 hours of any major disaster. This minimum service covers the following areas:</p> <ul style="list-style-type: none">• Core network logon including firewall and security, desktop and access to personal storage. In essence, access to network and domain services. This also will include e-mail• Systems to pay people, and covering core social care. In essence Payroll (Vision), Revenues and Benefits, Financial systems (currently CODAS), and Social Services systems Swift, and Electronic and Social Care Records (ESCR) including Citrix• Telephony servers located at Mallard House <p>In essence, this solution covers all critical systems and services.</p> <p>Longer term we are looking at initiatives around partnership working and shared services. With this in mind, we have had</p>

STATEMENT OF INTERNAL CONTROL

Control Issue	Progress Made
	<p>discussions with the East Midlands Regional Centre of Excellence and they have indicated that they would consider making the provision of a shared/joint Disaster Recovery service across the East Midlands as one of their major work streams over the next few years.</p> <p>This would seem a sensible approach as any Disaster Recovery service is about providing back up systems and services, redundant until required, duplicated across many local authorities and partner organisations. There must be areas here for savings by taking a shared approach to the provision of such services. We also intend to pick up on the longer term provision of Disaster Recovery services as part of the IT facilities management contract re-tender process.</p>
<p>An IT site security survey was carried out by internal audit to identify the level of protection that had been afforded to the Council's IT systems. The review found that the overall level of security for IT hardware in Council buildings was low and the conditions in which IT equipment was being held, showed a general lack of regard for the risks involved.</p>	<p>The short term and medium term actions have now been completed or partially completed.</p> <p>For the short term items, the partially completed action is for buildings where the Council are not the owners (Norman House and St Peters House) and where we are waiting for responses from the agents or building work is being carried out.</p> <p>For the medium term items, we are waiting for the outcomes to reviews covering UPS provision, and standby air conditioning options. We also need to put together a funding bid for the work to carry out the air conditioning survey, where estimates to do the work are coming out at around £10K.</p> <p>There are some other funding issues to be addressed, mainly for the remote monitoring of environmental conditions into buildings management systems. This works out at around £3K per site.</p> <p>The outstanding actions for St Peters House are awaiting completion of some structural</p>

STATEMENT OF INTERNAL CONTROL

Control Issue	Progress Made
	changes to the existing server room. The room is being partitioned with a dedicated server room being set up. This will allow appropriate environmental and access controls to be set up once the alterations have been completed.

7. EMERGING ISSUES

The emerging issues section of the Statement of Internal Control is intended to identify significant service, financial and organisational issues that may impact in a positive or negative way on the achievement of the Council's corporate objectives in the future. The identification of issues in this section does not imply in any way that there are control weaknesses or concerns; rather, it is intended to demonstrate that the Council is scanning its horizon and actively recognising major change management issues.

The key area is the implementation on 1 April 2007 of the new Oracle financial system and the impact it will have on the internal control environment.

8. SUMMARY

The internal control framework operating during 2006-7 is considered to provide reasonable and objective assurance that significant risks impacting on the achievement of the Council's principal objectives have been identified and actions taken to avoid or mitigate their impact. There were two significant internal control issues to report. There were issues identified for noting where the City Council recognises the need for continuous improvement and actions have been taken, or are in progress, to make these improvements. There are key emerging issues for the Council where internal control systems will be monitored closely.

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

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Ray Cowlshaw

Chief Executive

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Chris Williamson

Leader of the Council

AUDITORS REPORT TO DERBY CITY COUNCIL

Independent Auditors' Report to the members of Derby City Council

We have audited the financial statements of Derby City Council and its Group for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund, the Group Accounts and the related notes. The financial statements have been prepared under the accounting policies set out within them.

Respective Responsibilities of the Chief Financial Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities for the Financial Statements.

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

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

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Council and its income and expenditure for the year.

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

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword to the Statement of Accounts and the Introduction to the Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

AUDITORS REPORT TO DERBY CITY COUNCIL

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of Derby City Council as at 31 March 2007 and its income and expenditure and cash flows for the year then ended.

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Date: 28th September 2007

- (a) The maintenance and integrity of the Derby City Council website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITORS REPORT TO DERBY CITY COUNCIL

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

Council's Responsibilities

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

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

Auditor's Responsibilities

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

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

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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, in all significant respects, Derby City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007.

AUDITORS REPORT TO DERBY CITY COUNCIL

Best Value Performance Plan

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 on the 19th December 2006. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

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

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Date: 28th September 2007

GLOSSARY OF TERMS

ACCRUAL

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

ASSET

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

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

BUDGET

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

CAPITAL CHARGES

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

GLOSSARY OF TERMS

COLLECTION FUND

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

COMMUNITY ASSETS

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

CONSISTENCY

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

COUNCIL TAX BASE

The Council has to calculate the 'Council Tax Base' for 2006/07 as a means of raising council tax income from Derby council tax payers. The Base is a figure which represents the effective number of properties in terms of Band D in the Council's area during the year. It is used as a divisor to translate total council tax requirements in a 'headline' charge for Band D. Charges for other bands are calculated as fractions of the headline charge.

CREDIT APPROVAL

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

CREDIT CEILING

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

CREDITOR

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

DEBTOR

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

GLOSSARY OF TERMS

DEFERRED CONSIDERATION

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

DEFINED BENEFIT SCHEME

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

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

DEPRECIATION

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

DIRECT SERVICE ORGANISATIONS (DSOs)

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

FINANCE LEASE

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

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

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

GOVERNMENT GRANTS

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

HOUSING ADVANCES

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

GLOSSARY OF TERMS

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by Central Government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account that includes all the expenditure and income arising from the provision of council housing by the Council.

INCOME

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSET

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

LIABILITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NON-DOMESTIC RATE (NDR)

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

GLOSSARY OF TERMS

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PRECEPT

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

PROVISION

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

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

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

PRUDENCE

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RATEABLE VALUE

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

GLOSSARY OF TERMS

RESERVES

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

RESIDUAL VALUE

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

REVENUE ACCOUNT

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE SUPPORT GRANT (RSG)

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

STATEMENT OF RECOMMENDED PRACTICE (SORP)

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

STOCKS

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

TEMPORARY LOAN

Money borrowed for a period of less than one year.

TRUST FUNDS

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

Income and Expenditure Account

	Net Expenditure 28 th June 07 £000	Changes £000	Revised Net Expenditure £000
Central Services to the Public	3,367	35	3,402
Cultural Environmental and Planning Services	37,107	970	38,077
Education Services	15,256	731	15,987
Highways Roads and Transport Services	13,888		13,888
Housing	(4,841)		(4,841)
Social Services	73,543	3,157	76,700
Discontinued Services - Magistrates Court	0		0
Corporate and Democratic core	3,841		3,841
Non-Distributed Costs	115	(1,421)	(1,306)
Net Cost of Services	142,276	3,472	145,748
Exceptional Items	3,723	(3,723)	0
(Suplus) / Deficit on Trading Undertakings	(272)		(272)
Interest Payable and similar charges	18,916		18,916
Contribution of housing capital receipts to Government Pool	5,107		5,107
Interest and Investment income	(6,301)		(6,301)
Pensions interest and expected return on pension assets	4,930		4,930
Amortised Prema and Discounts	(6)		(6)
Restatement of prior years balances	0		0
Net Operating Expenditure	168,373	(251)	168,122
Demand on the collection fund	(66,667)		(66,667)
General government grants	(14,381)		(14,381)
Back Dated Census	(3,078)		(3,078)
Non-Domestic Rates Redistribution	(74,499)		(74,499)
Deficit For the Year	9,748	(251)	9,497

The changes to the Net Cost of Services lines are in relation to:-

- £35k Central Services to the Public.
 - (£2k) Unpresented Cheques over six months old
 - £26k Creditors control write off journal done wrong way around.
 - £11k Reversal of incorrect debtor accrual, amount relating to 2007/08
 - £35k
- £970k Cultural Environmental and Planning Services.
 - £967k Equal pay – Moved from exceptional items.
 - £3k Reversal of Internal Sure Start debtor.
 - £970k
- £731k Education Services.
 - £21k Reversal of internal pre-payment debtor relating to schools.
 - £710k Equal pay – Moved from exceptional items.
 - £731k
- £3,157k Social Services.
 - £90k Under accrual adjustment for aid adaptations .
 - 3,067k Equal pay – Moved from exceptional items.
 - £3,157k
- (£1,421k) Non-Distributed Costs
 - (£400k) Asbestosis provision reclassified as a reserve.
 - (£1,021k) LPSA Reward Funding – moved from exceptional items.
 - (£1,421k)

Exceptional Items made up of (£1,021k) for LPSA reward funding and £4,744k for equal pay costs were not seen to be exceptional and have therefore been moved to within the net cost of services. The LPSA monies have been wholly credited to Non-Distributed Costs and equal pay has been charged to the appropriate line in the net cost of services.

Analysis of changes to the income and expenditure account

General Revenue account adjustments (net)	£149k
Adjustment – Reclassification of Asbestosis Reserve	<u>(£400k)</u>
	<u>(£251k)</u>

The final net General Fund Revenue out-turn variance reported to Council on 31st July 2007 was an underspend variance of £397k. The net adjustments of 149k above will reduce this figure down to £248k. Of the original £397k underspend, £342k of it was to be transferred to corporate reserves to hold against the Building Schools for the Future corporate allocation. As a result of the aforementioned adjustments this amount will fall to £193k.

Balance Sheet

	As at 28th June 07 £000	Changes £000	Final 2006/7 £000
Fixed Assets			
Intangible Fixed Assets	248	0	248
Council Dwellings	587,653	0	587,653
Other land and buildings	367,483	3,302	370,785
vehicles, plant, furniture and equipment	10,224	0	10,224
infrastructure assets	77,280	(645)	76,635
community assets	13,423	0	13,423
investment properties	37,861	24	37,885
assets under construction	10,316	(2,251)	8,065
surplus assets held for disposal	13,451	34	13,485
Total Fixed Assets	1,117,939	464	1,118,403
Long-term investments	100	0	100
Long Term debtors	14,133	0	14,133
Total Long Term Assets	1,132,172	464	1,132,636
Current Assets			
Stocks and work in progress	2,277	0	2,277
Debtors	48,546	(408)	48,138
Investments	112,300	0	112,300
Cash and Bank	3,455	85	3,540
Total Current Assets	166,578	(323)	166,255
Total Assets	1,298,750	141	1,298,891
Current Liabilities			
Creditors	(45,115)	(169)	(45,284)
Bank Overdraft	(9,222)	(20)	(9,242)
Total Current Liabilities	(54,337)	(189)	(54,526)
Total Assets less Current Liabilities	1,244,413	(48)	1,244,365
Long Term Liabilities			
long term borrowing	(344,806)	0	(344,806)
provisions	(1,916)	400	(1,516)
government grants deferred	(58,265)	35	(58,230)
government grants unapplied	(28,534)	(35)	(28,569)
deferred liabilities	(45,064)	(28)	(45,092)
liability related to defined benefit pension scheme	(178,431)	0	(178,431)
Total Long Term Liabilities	(657,016)	372	(656,644)
Total Assets less Liabilities	587,397	324	587,721
Represented by:			
Fixed Asset Restatement Account	(602,072)	(58)	(602,130)
Capital Financing Account	(84,145)	(15)	(84,160)
Useable capital receipts reserve	(14,301)	0	(14,301)
Deferred capital receipts	(177)	0	(177)
Capital Earmarked Reserves	(2,977)	0	(2,977)
Pensions reserve	178,431	0	178,431
General fund balance	(5,919)	0	(5,919)
Housing Revenue Account balance	(14,214)	0	(14,214)
Collection Fund Balance	(334)	0	(334)
Revenue Earmarked reserves	(36,145)	(251)	(36,396)
Schools balances	(5,544)	0	(5,544)
Total Net Worth	(587,397)	(324)	(587,721)

The details of the adjustments within the assets and liabilities on the balance sheet are below:

Fixed Assets total Adjustment of £464k is made up of:

- £3,302k Other Land and Buildings.
 - £2,657k Recategorisation of assets that became operational as at 31st March 2007
 - £645k Buildings to be demolished in order for changes to the road structure were held within infrastructure.

£3,302k
- (£645k) Infrastructure.
 - (£645k) Buildings to be demolished in order for changes to the road structure have been moved to Other Land and Buildings.
- £24k Investment Properties.
 - £24k Revaluation of assets disposed at incorrect value.
- (£2,251k) Assets Under Construction.
 - (£2,657k) Recategorisation of assets that became operational as at 31st March 2007
 - £406k Fixed asset work in progress accrual omission.

(£2,251k)
- £34k Surplus Assets Held for Disposal.
 - £34k Revaluation of assets disposed at incorrect value.

Current Assets total Adjustment of (£323k) is made up of:

- (£408k) Debtors.
 - (£3k) Reversal of Internal Sure Start debtor.
 - (£21k) Reversal of internal pre-payment debtor relating to schools.
 - 2,273k Department of Social Security debtor shown as part of creditors.
 - (£734k) Over stated internal debtor and creditor.
 - (£1,810k) Cash related to Debtors incorrectly coded to creditors.
 - (£11k) Reversal of incorrect debtor accrual, amount relating to 2007/08
 - (£98k) Creditor invoice incorrectly paid directly to payment in advance.
 - (£4k) Duplication of adjustment between Creditors and Debtors.

(£408k)
- £85k Cash and Bank.
 - £28k Correction of NNDR deferred liabilities
 - £2k Unpresented Cheques over six months old
 - £55k Correction to negative petty cash balances.

£85k

Current Liabilities total Adjustment of (£189k) is made up of:

- (£169k) Creditors.
 - £4k Duplication of adjustment between Creditors and Debtors.
 - (£26k) Creditors control write off journal done wrong way around.
 - (£35k) Correction to negative petty cash balances.
 - (£406k) Fixed asset work in progress accrual omission
 - 15k Reversal of incorrect accrual.
 - (£2,273k) Debtor for Department of Social Security shown as part of creditors.
 - £734k Over stated internal debtor and creditor.
 - (£90k) Accrual omission for social services.
 - £1,810k Cash related to Debtors incorrectly coded to creditors.
 - £98k Creditor invoice incorrectly paid directly to payment in advance.

(£169k)

- (£20k) Bank Overdraft.
 - (£20k) Correction to negative petty cash balances.

Long Term Liabilities total Adjustment of £372k is made up of:

- £400k Provisions.
 - £400k Creation of reserve for asbestosis. Previously treated as a provision.
- £35k Government Grants Deferred.
 - £35k Reversal of entries due to over financing of education schemes
- (£35k) Government Grants Unapplied.
 - (£35k) Reversal of entries due to over financing of education schemes
- (£28k) Deferred Liabilities.
 - (£28k) Correction of NNDR deferred liabilities

Statement of Total Recognised Gains and Losses

	As at 28th June 07 £000	Changes £000	Final 2006/7 £000
Deficit for the year on the I&E account	9,748	(251)	9,497
Surplus Arising on revaluation of fixed assets	(1,714)	(73)	(1,787)
Actuarial (gains) / losses on pension fund assets and liabilities	(28,542)		28,542
Any other gains and losses	(716)		(716)
Recognised gains for the year	(21,224)	(324)	(21,548)

Statement of Movement on the General Fund Balance

	As at 28th June 07 £000	Changes £000	Final 2006/7 £000
Deficit for the year on the Income and Expenditure Account	9,748	(251)	9,497
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(9,519)	251	(9,268)
Increase in General Fund Balance for the Year	229	0	229
General Fund Balance brought forward	(11,692)		(11,692)
General Fund Balance carried forward	(11,643)	0	(11,643)
Amount of General Fund Balance held by governors under schemes to finance schools	(5,544)		(5,544)
Amount of General Fund Balance generally available for new expenditure	(5,919)		(5,919)
	(11,643)	0	(11,643)

Cashflow Statement

	As at 28th June 07 £000	Changes £000	Final 2006/7 £000
REVENUE ACTIVITIES			
<i>Cash Outflows-</i>			
Cash paid to and on behalf of employees	238,580	20,009	258,589
Other operating cash payments	323,711	(39,953)	283,758
Housing benefits paid out	7,022	19,944	26,966
Precept payment to Police Authority	9,321	0	9,321
Precept payment to Fire Authority	3,975	0	3,975
Payment to Non-Domestic Rate Pool	70,342	0	70,342
	652,951	0	652,951
<i>Cash Inflows-</i>			
Rents (after rebates)	(18,597)	0	(18,597)
Council tax receipts	(66,190)	0	(66,190)
Distribution from Non-Domestic Rates Pool	(76,893)	0	(76,893)
Non-Domestic Rates Receipts	(65,470)	0	(65,470)
Revenue Support Grant	(15,065)	0	(15,065)
Dedicated Schools Grant	0	(130,521)	(130,521)
Government Grant for housing benefit	(2,569)	(24,226)	(26,795)
Other Government Grants	(85,903)	0	(85,903)
Cash Received for goods and services	(341,214)	154,747	(186,467)
	(671,901)	0	(671,901)
Net Revenue Activities Cashflow	(18,950)	0	(18,950)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
<i>Cash Outflows-</i>			
Interest Paid	19,424	0	19,424
Interest element of finance leases	0	0	0
	19,424	0	19,424
<i>Cash Inflows-</i>			
Interest Received	(5,491)	0	(5,491)
Net Investment Activities Cashflow	13,933	0	13,933
CAPITAL ACTIVITIES			
<i>Cash Outflows-</i>			
Purchase of Fixed Assets	49,139	0	49,139
Deferred Charges	6,208	0	6,208
Other net capital cash	3,228	(65)	3,163
	58,575	(65)	58,510
<i>Cash Inflows-</i>			
Sales of fixed assets	(11,200)	0	(11,200)
Capital grants received	(35,526)	0	(35,526)
	(46,726)	0	(46,726)
Net Capital Activities Cashflow	11,849	(65)	11,784
Net Cash Outflow/(Inflow) before financing	6,832	(65)	6,767
MANAGEMENT OF LIQUID RESOURCES			
<i>Cash Outflows-</i>			
Net increase/(decrease) in short term deposits	8,070	0	8,070
FINANCING			
<i>Cash Outflows-</i>			
Repayments of amounts borrowed	67,296	0	67,296
	67,296	0	67,296
<i>Cash Inflows-</i>			
New loans raised	(83,750)	0	(83,750)
Net Capital Activities Cashflow	(16,454)	0	(16,454)
Net Cash Outflow/(Inflow)	(1,552)	(65)	(1,617)

The Cashflow has seen an adjustment of (£65k) to the net cash outflow. There has also been some reclassification between revenue activities. The details of the adjustments on the cashflow are below:-

- £20k Cash paid to and behalf of employees
 - £20k Trading Services employee costs included in error in other operating cash.

- (£40k) Other operating cash payments
 - (£20k) Trading Services employee costs moved to cash paid to and behalf of employees
 - (£20k) Housing Benefit grant payments moved to Housing benefits paid out

£40k

- £20k Housing Benefits paid out
 - £20k Payments included in error in other operating cash

- (£131k) Dedicated Schools Grant
 - (£131k) Grant previously included in error under cash received for goods and services

- (£24k) Government Grant for Housing Benefit
 - (£24k) Grant previously included in error under cash received for goods and services

- £155k Cash received for goods and services
 - £131k Dedicated Schools Grant identified separately
 - £24k Housing Benefit grant understated.

£155k

- (£65k) Other net capital cash
 - (£65k) Effective of additional balance sheet movements on capital items

Housing Revenue Account

	As at 28th June 07 £000	Changes £000	Final 2006/7 £000
INCOME			
Dwelling rents (Gross)	(36,183)		(36,183)
Non dwelling rents (Gross)	(456)		(456)
Charges for services and facilities	(1,211)		(1,211)
Contributions towards expenditure	(229)		(229)
Housing Revenue Account subsidy receivable	(5,224)		(5,224)
Decrease in bad debt provision	0	(48)	(48)
Total Income	(43,303)	(48)	(43,351)
EXPENDITURE			
Repairs and maintenance	8,261		8,261
Supervision and management	13,362	(70)	13,292
Depreciation and impairments of fixed assets	12,360		12,360
Rent rebates	0		0
Debt management costs	82		82
Decrease in bad debt provision	(48)	48	0
Total Expenditure	34,017	(22)	33,995
Sub Total	(9,286)	(70)	(9,356)
HRA share of CDC	78		78
Net cost of HRA services	(9,208)	(70)	(9,278)
Interest payable and similar charges	9,498		9,498
Amortisation of premiums and discounts	(40)		(40)
Interest and investment income	(642)		(642)
Pensions interest cost and expected return on pensions assets	501		501
(Surplus) or defecit for the year on HRA services	109	(70)	39
STATEMENT OF MOVEMENT ON HRA BALANCE			
(Surplus) or defecit for the year on HRA services	109	(70)	39
Capital Expenditure Funded by the HRA	1,631		1,631
HRA share of MRA	103	70	173
Transfer to/from Housing repairs account	374		374
Transfer to/from MRR	(4,895)		(4,895)
Write back Housing Subsidy Provision	(207)		(207)
Appropriations from reserves	(201)		(201)
Appropriations to reserves	171		171
Appropriations from pensions reserve	(72)		(72)
HRA Balance Brought Fwd	(11,227)	0	(11,227)
HRA Balance Carried Fwd	(14,214)	0	(14,214)

The Housing Revenue Account has seen a net nil adjustment, however there has been adjustments made within the statement. The details of the adjustments within the Housing Revenue Account are shown below.

- (£48k) Income
 - (£48k) Decrease in bad debt provision, restated as an income item in accordance with SORP

 - (£22k) Expenditure
 - (£70k) Supervision and Management, erroneous inclusion of MRP
 - £48k Decrease in bad debt provision, restated as an income item in accordance with SORP
- (£22k)

- £70k Statement of Movement on HRA balance
 - £70k HRA share of MRP previously included in Supervision and Management

Collection Fund

	As at 28th June 07 £000	Changes £000	Final 2006/7 £000
Income			
Council Tax	(67,842)	0	(67,842)
Business Rates	(68,826)	2,536	(66,290)
<i>Transfer from General Fund:</i>			
Council Tax Benefit	(13,638)	0	(13,638)
Total Income	(150,306)	2,536	(147,770)
Expenditure			
<i>Precepts and Demands:</i>			
Derby City Council	66,667	0	66,667
Derbyshire Police Authority	9,321	0	9,321
Derbyshire Fire Authority	3,975	0	3,975
<i>Business Rates:</i>			
Payment to National Pool	67,986	(2,536)	65,450
Costs of Collection	312	0	312
<i>Provision for Bad and Doubtful Debts:</i>			
Council Tax	1,288	0	1,288
Business Rates	527	0	527
<i>Transfer of Previous Years Estimated Surplus:</i>			
Derby City Council	0	0	0
Derbyshire Police Authority	0	0	0
Derbyshire Fire Authority	0	0	0
Total Expenditure	150,076	(2,536)	147,540
(Surplus) / Deficit for year	(230)	0	(230)
(Surplus) / Deficit at Beginning of Year	(171)	0	(171)
(Surplus) / Deficit at End of Year	(401)	0	(401)

The Collection Fund has seen a nil adjustment overall, although there has been some adjustments made between categories. This is made up from adjustments to increase the contribution to pool. The details of the adjustments on the collection fund are below.

- £2,536k Income
 - £2,536k Correction of NDR income and contribution to pool following completion of grant claim
- (£2,536k) Expenditure
 - (£2,536k) Correction of NDR income and contribution to pool following completion of grant claim

Changes to the Layout of the Accounts

The order of the main financial statements has been amended since the audit and accounts committee. This is to adhere to the 2006 Statement of Recommended Practice (SORP). Additional narrative has been added in the contents and foreword to explain the SORP changes and descriptions of the new statements. The table in the explanatory foreword, detailing actual out-turn to budget, has also been amended to reflect the £149k post audit adjustments identified in the income and expenditure account.

Changes to the Notes to the Accounts

With the re-categorisation of the Exceptional Items the original note regarding this has been removed. Additional notes added to the balance sheet are:-

- Contingent Liability
- Post Balance Sheet Events
- Issue Authorisation

These new notes can be found on pages 43 and 44 of the statement of accounts

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