

# DERBYSHIRE COUNTY COUNCIL



## SUMMARY OF STATEMENT OF ACCOUNTS

**2005-06**

## CONTENTS

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<b>CONTENTS</b>	<b>- 2 -</b>
<b>INTRODUCTION</b>	<b>- 3 -</b>
<i>General Statistics</i>	<b>- 3 -</b>
<b>SUMMARY OF THE COUNCIL'S FINANCIAL PERFORMANCE FOR THE YEAR 2005-06</b>	<b>- 4 -</b>
<b>REVENUE EXPENDITURE</b>	<b>- 5 -</b>
<b>COUNTY FUND CONSOLIDATED REVENUE ACCOUNT SUMMARY</b>	<b>- 6 -</b>
<b>CONSOLIDATED BALANCE SHEET SUMMARY</b>	<b>- 9 -</b>
<b>STATEMENT OF MOVEMENT IN RESERVES</b>	<b>- 10 -</b>
<b>CASH FLOW STATEMENT</b>	<b>- 11 -</b>
<b>CAPITAL EXPENDITURE</b>	<b>- 13 -</b>
<b>PLANNED FUTURE DEVELOPMENTS</b>	<b>- 15 -</b>
<b>FURTHER INFORMATION</b>	<b>- 16 -</b>

## INTRODUCTION

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The Statement of Accounts set out the financial results of the Council's activities for the year ended 31 March 2006. The County Council manages its affairs to ensure the economic, efficient and effective use of resources and safeguard its assets. This is vital if the Council is to continue to play a leading role in the community and provide high quality services for the benefits of all its residents. This task is shared by all Members and Officers of the Council under the leadership of Cabinet and the Chief Executive. The Director of Corporate Resources and County Treasurer play a particular role in ensuring financial stewardship.

The accounts are prepared following the statutory requirements of the Accounts and Audit Regulations 2003 and in accordance with the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code') which requires that the accounts present fairly the financial position of the County Council. Appropriate accounting policies have been applied consistently and prudent judgments and estimates have been made in compliance with the Code. The Council keeps proper, up to date financial records, maintains effective internal control and risk management systems and takes all reasonable steps to ensure the prevention and detection of fraud and other irregularities.

The purpose of this report is to provide the reader with a summarised version of the Statement of Accounts. It includes brief summaries of the accounting statements included in the Statement of Accounts and in addition a review of the Council's performance.

### ***General Statistics***

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Derbyshire's population of 742,993 makes it the 11<sup>th</sup> most populous county, whilst its area of 255,077 hectares, makes it the 20<sup>th</sup> largest out of 34 English Counties.

## **SUMMARY OF THE COUNCIL'S FINANCIAL PERFORMANCE FOR THE YEAR 2005-06**

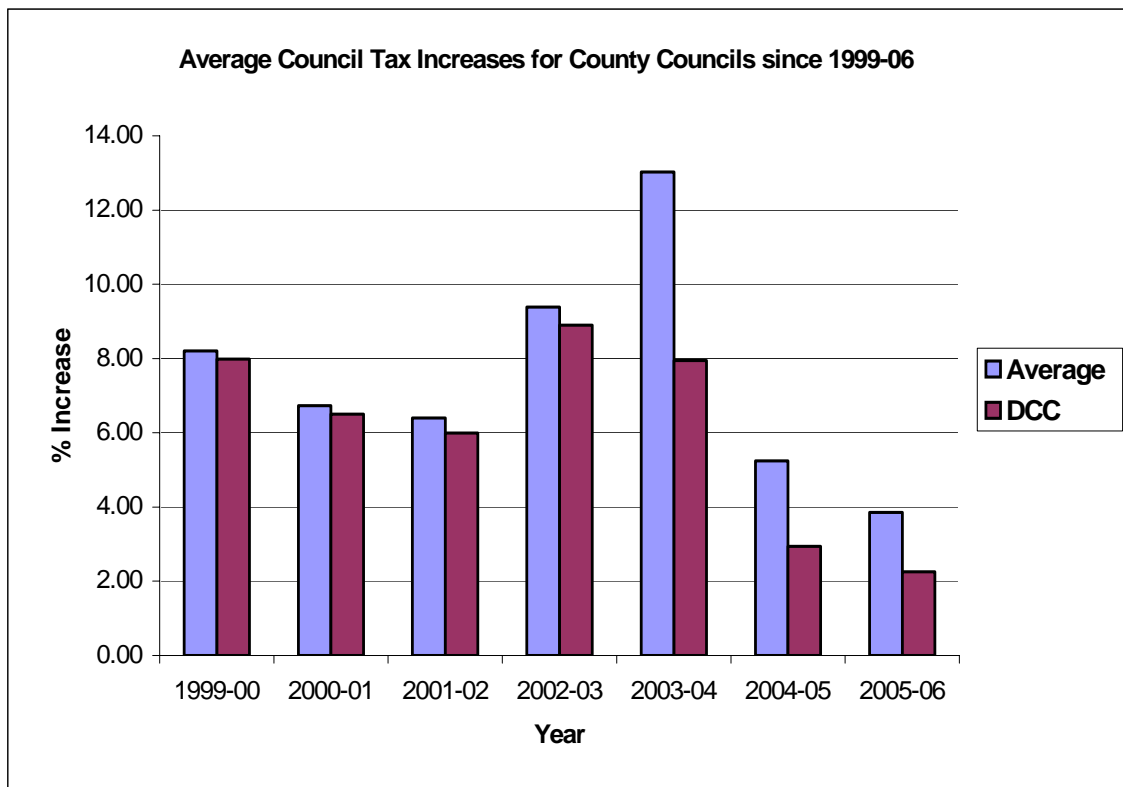
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During 2005-06 the County Council was assessed as an organisation by the Audit Commission through a Comprehensive Performance Assessment. CPA measures how well local council's are delivering and improving services to local people and communities distilling complex judgments into a clear rating. One element of this assessment was in relation to Use of Resources. The County Council scored 3 out of 4 for its Use of Resources this was lower than in the previous year. However the Use of Resources judgment in 2005-06 was set deliberately harder by the Audit Commission and most local authorities saw their scores drop. Only three out of 150 large local authorities assessed scored 4 out of 4.

The County Council has long recognized the importance of managing its Use of Resources well. It has, therefore set out a key target in its Council Plan to raise its score for Use of Resources, by steadily improvement, to 4 out of 4 by 2008. An action plan has been developed to deliver this objective.

## REVENUE EXPENDITURE

The County Council's revenue budget for 2005-06 is £704.4 million (4.7% or £31.7m above FSS). It represents an increase of 4.8% after adjusting for changes in function. Government support in the form of Revenue Support Grant and a share of National Non Domestic Rates rose to £475.9m, an increase of 6.7%. This resulted in an increase in Council Tax of 2.25%, the lowest of any County Council in the country, where the average increase was 3.85%. For comparison purposes below illustrates the average council tax level for all County Council's. There were changes in the County Council's responsibilities in 2005-06. Magistrates Courts became a Central Government rather than a Local Government responsibility.



## COUNTY FUND CONSOLIDATED REVENUE ACCOUNT SUMMARY

The table below shows the council's revenue spending and the sources of finance. Before the start of each financial year the County Council prepares a budget taking account of known commitments and estimated pay and price increases. It deducts income received from charges and other sources and grants received from Central Government for specific services. The Authority's budget requirement is funded from three sources. Revenue Support Grant is a general grant received from central government. National non-domestic rates are levied on non-domestic properties with the rate poundage set by central government. Receipts are re-distributed to individual local authorities based on residential population. The balance is collected from the Council Tax which is based on the assessed capital values of domestic properties into 8 bands.

County Fund Consolidated Revenue Account				
2004-05		2005-06		
Net Expenditure Restated	Services	Gross Expenditure	Income	Net Expenditure
£000		£000	£000	£000
427,914	Education	612,174	153,257	458,917
4,112	Central	21,637	14,555	7,082
1,956	Courts	1,479	916	563
39,762	Cultural, Environment & Planning	51,871	10,072	41,799
54,764	Highways, Roads & Transport	74,747	15,725	59,022
171,416	Social Services	297,157	112,491	184,666
6,170	Non Distributed Costs	6,250	260	5,990
	- Non Distributed Costs - Past Service Gain		18,555	-18,555
5,606	Corporate & Democratic Core	6,502	4	6,498
<b>711,700</b>	<b>Net Cost of Services</b>	<b>1,071,817</b>	<b>325,835</b>	<b>745,982</b>
	-881 Surplus/Deficit on Trading Operations			-879
	-56873 Tfr from Asset Management Revenue Account			-59,673
	-8079 Interest Received			-9,675
	13783 Pensions Interest & expected return on assets			15,519
	220 Levies & Precepts			214
<b>659,870</b>	<b>Net Operating Expenditure</b>			<b>691,488</b>
	4,018 Contributions from () or to Revenue reserves			2,176
	-11,950 Contributions from () or to Pensions reserve			4,476
	7,419 Contributions from () or to Capital financing account			6,109
<b>659,357</b>	<b>Amount to be met from government grants and local taxpayers</b>			<b>704,249</b>
	-221,880 Precepts			-228,536
	-258,503 RSG			-249,792
	-186,373 NNDR			-226,136
	-2379 PSA 1 Reward			-746
	- Local Authority Business Growth Incentive			-923
<b>-9,778</b>	<b>(Surplus)/Deficit for the year</b>			<b>-1,884</b>
22,809	County Fund Balance 1 April 2004			32,587
	- Transfer to earmarked reserves and other local authorities			-4,264
9,778	Contribution to () or from revenue			1,884
<b>32,587</b>	<b>Balance 31 March 2005</b>			<b>30,207</b>

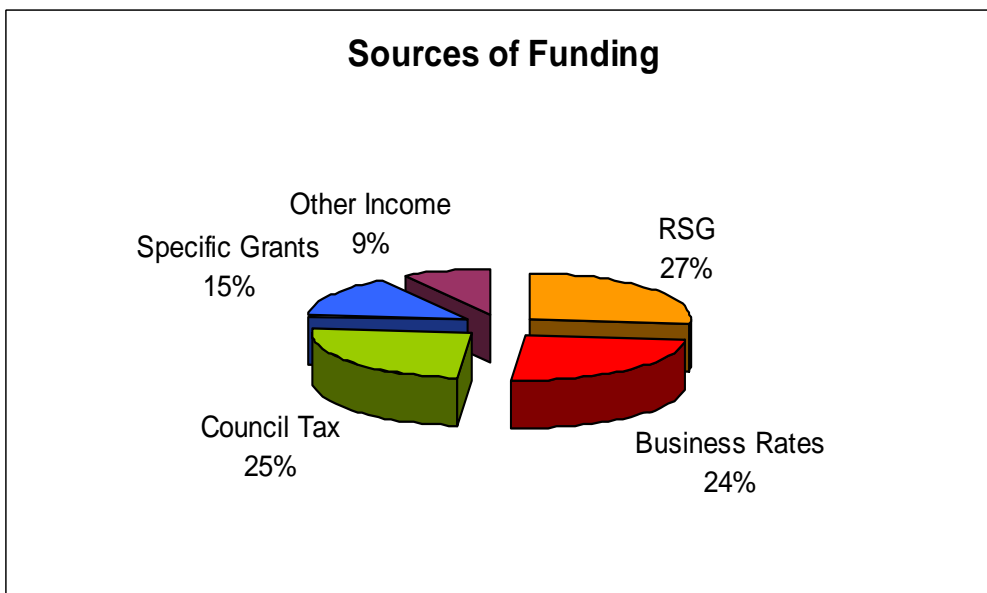
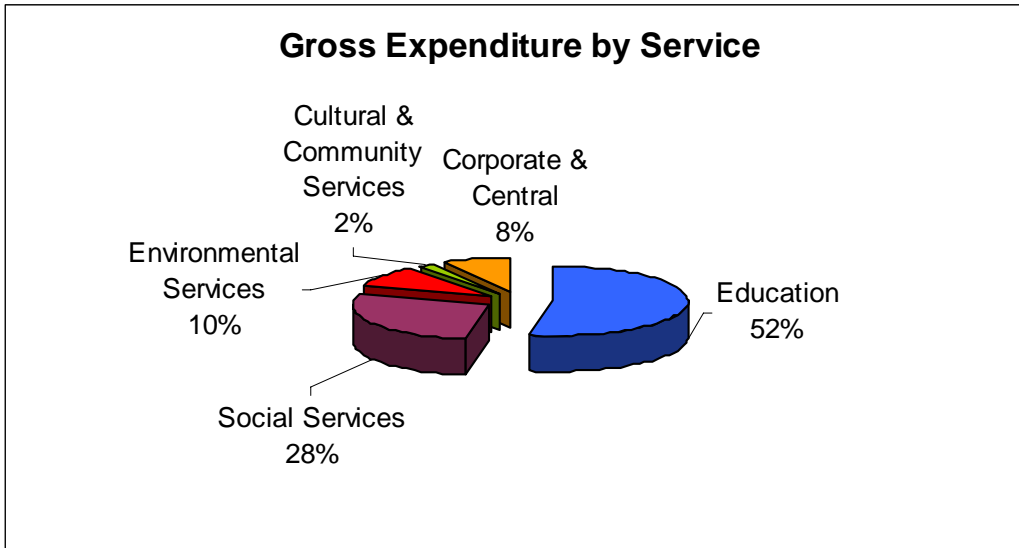
Actual net expenditure was below the revised estimate and therefore additions were made to balances rather than drawing from them. Although there were some variations on specific services the main reasons for the net underspend were:

- No calls on the Risk Management provision (£2.4m) were necessary
- Interest earned on balances was £2.0m higher than the revised estimate
- PSA Performance Reward grant of £1.5m, that had not been budgeted for, was received.

The consolidated revenue account above fails to give a full picture of what the County Council actually does with the income it receives and below are some statistics that should enable readers to put the financial statements into context.

- Pay for more than 420 schools and 10,000 staff to educate nearly 120,000 pupils
- Provide a free home help service to 14,000 vulnerable people
- Deliver almost 600,000 meals on wheels
- Supply over 20,000 aids and adaptations to disabled people
- Carry out nearly 1,000 child protection investigations
- Invest over £30m repairing and improving over 2,800 miles of roads and pavements.
- Organise school transport for 35,000 pupils
- Respond to over 14,000 requests for consumer information, advice and help
- Spend £1.8m on books for our 58 libraries
- Look after 9,000 footpaths, 9 country parks, wildlife sites and information centres
- Dispose of over 360,000 tonnes of waste collected by the district councils.

The charts below illustrate the County Council's gross expenditure by service and sources of funding for 2005/06.



## CONSOLIDATED BALANCE SHEET SUMMARY

The balance sheet provides a summary of what the County Council owns (assets) and what it owes (liabilities) at a particular date. In addition it includes the County Fund, from which services are provided, the consolidated loans pool which provides resources for capital spending, and the Direct Labour and Direct Service Organisations.

There are two distinct types of spending the County Council incurs. The first one being revenue spending examples of this type of expense are salaries, wages and running costs which are all funded from that year's income from precepts, grants and other sources. The second type of spending is called capital, this type of expenditure is the provision of assets which will last a number of years for example the building of schools and roads. This expenditure is met from loans and other long term funds. The interest accrued from this long term borrowing will be paid in addition to the repayment of the balance over the life of the asset and hence this will be met from annual income as it is classified as a revenue expense. The table below shows the County's consolidated balance sheet for 2005/06.

Consolidated Balance Sheet		31-Mar-06
31-Mar-05 Restated £000	£000	
<b>Fixed Assets</b>		
1,240,522 Land, Buildings and Infrastructure	1,475,769	
50,609 Vehicles, plant and equipment	54,502	
64,256 Long Term Debtors	66,727	
<b>1,355,387 Total long-term assets</b>		<b>1,596,998</b>
<b>Current Assets</b>		
5,739 Stocks/WIP	5,998	
44,565 Debtors	35,696	
211,960 Short term investments	231,576	
0 Landfill Allowances]	4,697	277,967
<b>Current Liabilities</b>		
-110,812 Creditors	-114,547	
-15,160 Temporary loans	-11,980	
-26,966 Cash overdrawn	-25,335	-151,862
<b>1,464,713 Total assets less current liabilities</b>		<b>1,723,103</b>
<b>Long term liabilities</b>		
-340,496 Long term borrowing		-378,281
-6,475 Loan liability OLAS		-6,215
-431,827 Liability relating to defined benefit pension scheme		-436,568
-73,173 Government grants deferred		-88,995
-5,605 Provisions - Insurance Fund		-7,740
-5,772 Provisions - Other		-9,522
<b>601,365 Total assets less liabilities</b>		<b>795,782</b>
<b>Represented by:</b>		
757,743 Fixed Asset Restatement Account		927,507
166,680 Capital Financing Account		190,101
-431,827 Pensions Reserve		-436,568
11,250 Usable capital receipts reserve		12,883
<b>Earmarked Reserves</b>		
1,272 DLOs		2,069
22,857 LMS		27,613
40,803 Other		41,970
32,587 County Fund Balance		30,207
<b>601,365 Total Equity</b>		<b>795,782</b>

## STATEMENT OF MOVEMENT IN RESERVES

This statement brings together all the recognised gains and losses of the Authority including those which have been recognised in the Consolidated Revenue Account and those which have not such as profit and losses upon the disposal of fixed assets.

<b>Statement of Total Movement in Cash Backed Reserves</b>					
	<b>CAPITAL RESERVES</b>		<b>REVENUE RESERVES</b>		<b>TOTAL</b>
	Usable Capital Receipts Reserve £000	Other Capital Reserves £000	General Fund £000	Earmarked Reserves £000	£000
<b>Balance as at 1 April 2005</b>	<b>11,250</b>	<b>9,909</b>	<b>32,587</b>	<b>54,942</b>	<b>108,688</b>
Contribution to/(from) reserves	-2,114	-3,648	-3,714	9,669	193
Sale of assets	3,747	0	0	0	3,747
<b>Balance 31 March 2006</b>	<b>12,883</b>	<b>6,261</b>	<b>28,873</b>	<b>64,611</b>	<b>112,628</b>

## **CASH FLOW STATEMENT**

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The consolidated statement summarises the in-flows and outflows of cash arising from transactions from third parties. It reflects the operations of the Authority as a whole as it includes both revenue and capital expenditure and how this has been financed. It excludes the Superannuation fund and internal transfers between accounts which do not involve transactions with third parties.

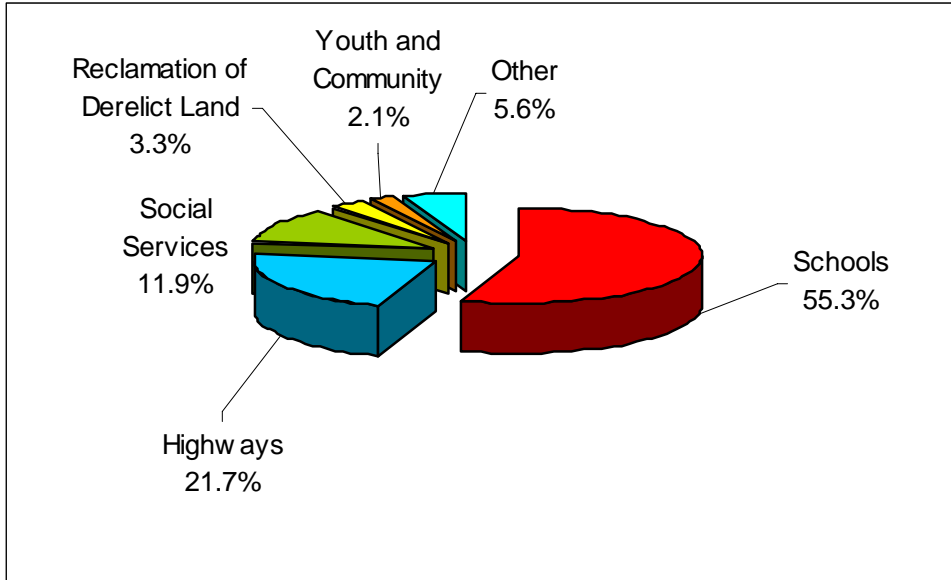
2004-05		SUMMARY	2005-06	
£000	£000		£000	£000
		<b>REVENUE</b>		
		Outflows:-		
522,619		Employees	554,949	
400,355	922,974	Other operating payments	409,619	964,568
		Inflows:-		
-221,880		Precepts	-228,536	
-186,373		NNDR	-226,136	
-259,590		RSG	-249,792	
-165,747		Other government grants	-168,134	
-145,346	-978,936	Cash for goods & services	-142,248	-1,014,846
	-55,962	Net cash flow revenue activities		-50,278
		<b>SERVICING OF FINANCE</b>		
25,409		Interest paid	18,969	
-14,714	10,695	Interest received	-10,236	8,733
		<b>CAPITAL</b>		
		Outflows:-		
	91,932	Purchase of fixed assets		97,953
		Inflows:-		
-5,846		Sales	-3,747	
-45,292	-51,138	Grants	-38,281	-42,028
	-4,473	<b>NET CASH (INFLOW) OUTFLOW</b>		14,380
		<b>MANAGEMENT OF LIQUID RESOURCES</b>		
43,663		Net inc/dec short term deposits	19,616	
1,191	44,854	Net inc/dec other liquid resources	3,179	22,795
		<b>FINANCING</b>		
		Outflows:-		
490		Repayments amounts borrowed	464	
		Inflows:-		
-38,500	-38,010	New loans raised	-39,270	-38,606
	2,371	<b>(INCREASE) / DECREASE IN CASH</b>		-1,631

## CAPITAL EXPENDITURE

When the Council constructs a building or purchases a piece of land, this type of expenditure is known as Capital Expenditure, the very nature of this expenditure is that it will be of some value to the community for some years to come. In most cases the cost of the asset is spread over a number of years by borrowing and repaying with interest over a period of time. In some circumstances, subject to certain limitations money received from the sale of land or buildings can be used to finance other items of capital expenditure or alternatively to repay outstanding debt on assets originally financed from a loan.

<b>Capital Expenditure</b>		
<b>Capital Expenditure 2004/2005 £000</b>	<b>Services</b>	<b>Capital Expenditure 2005-06 £000</b>
	<b>Central and Corporate Service</b>	
	102 Magistrates Courts	0
	3,929 Change Management and Other	281
	2,194 Economic Development	833
	1,994 County Buildings	1,718
	<b>Education</b>	
	44,135 Schools	54,583
	3,789 Youth and Community	2,094
	<b>Environmental Services</b>	
	26,648 Highways	21,407
	310 Transport	103
	589 Countryside	830
	6,126 Reclamation of derelict land	3,287
	80 Refuse Disposal	1,105
	<b>903 Cultural &amp; Community Services</b>	<b>700</b>
	<b>Social Services</b>	
	3,360 Residential Services	6,699
	3,774 Day & Community Support Services	5,067
<b>97,934</b>		<b>98,707</b>
	<b>Financed from:</b>	
	43124 Loans	46614
	8681 Capital Receipts and other internal fun	14991
	46129 Capital grants and contributions	37102
<b>97,934</b>		<b>98,707</b>

The chart below illustrates the County Council's Capital Expenditure for 2005/06



## **PLANNED FUTURE DEVELOPMENTS**

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Under the Council's Financial Strategy it has further developed its forward financial plan into a forecast of resources and costs up to 2010-11. The plan indicates significant pressure from both reduced central government funding as part of the next Spending Review in 2007 and from cost pressures such as Building Schools for the Future, new waste disposal requirements, increasing need for services from vulnerable people and other Council Pan targets as well as ongoing pressures of pay and prices. All this is within the context of keeping council tax rises down to as low as possible.

## **FURTHER INFORMATION**

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The full Statement of Accounts for 2005/06 is available on the website at [www.derbyshire.gov.uk/council](http://www.derbyshire.gov.uk/council) or alternatively you can contact Call Derbyshire on 08456 058 058 and request a copy.

If you have any queries or any other comments relating to the Statement of Accounts please contact John Hancock at [john.hancock@derbyshire.gov.uk](mailto:john.hancock@derbyshire.gov.uk)