

STATEMENT OF ACCOUNTS 2002-2003

County Treasurer, PETER SWABY, C.P.F.A

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Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The authority is required:

- 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. In this authority, that officer is the County Treasurer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts.

The Accounts were approved by Cabinet on 30 September 2003.



Councillor J G Williams
Chair, Cabinet

The County Treasurer's responsibilities

The County Treasurer is responsible for the preparation of the authority's statement of accounts which, in terms of the Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2003.

In preparing this statement of accounts, the County Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The County Treasurer has also:

- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of County Treasurer

I certify that the Statement of Accounts present fairly the financial position of Derbyshire County Council at 31 March 2003 and its income and expenditure for the year then ended.



Peter Swaby
County Treasurer
20 September 2003

Statement on the System of Internal Financial Control

1. This statement is given in respect of the Statement of Accounts for Derbyshire County Council. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the council. In particular, the system includes:
 - comprehensive budgeting systems
 - regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts
 - setting targets to measure financial and other performance
 - the preparation of regular financial reports which indicate actual expenditure against the forecasts
 - clearly-defined capital expenditure guidelines, and
 - as appropriate, formal project management disciplines
4. The Internal Audit Service is responsible for reviewing the system of internal financial control. Its responsibilities as an independent auditor are executed in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom and its staff comply with the Auditing Practices Board's auditing guidelines 'Guidance for Internal Auditors'. The service provides management with assistance and guidance on systems, processes and risks with an overall objective of providing an independent appraisal function for reviewing and reporting on the systems of internal control. The work of the section is based on an annual plan which is based on an ongoing assessment of risks. The head of audit has direct access to the County Treasurer, Chief Executive, the Cabinet and the Authority's Improvement and Scrutiny and Standards Committees.
5. My review of the effectiveness of the system of internal financial control is informed by:
 - the work of managers within the Authority
 - the work of the internal auditors as described above and
 - the external auditors in their annual audit letter and other reports.
6. I have concluded that the Authority's financial management is adequate and its systems of internal control are effective.

Peter Swaby
County Treasurer

Explanatory Foreword

We have pleasure in presenting the Statement of Accounts for 2002-2003. This book contains all the information required by the Accounts and Audit Regulations 2003 and by the 2002 Code of Practice on Local Authority Accounting.

The statements of account are set out on pages 8 to 45. They consist of:-

- The County Fund Consolidated Revenue Account which shows the County Council's spending on services during the year and the way this spending was financed.
- The Consolidated Balance Sheet which sets out the financial position of the Council as at 31 March 2003.
- The Statement of Total Movements in Reserves.
- The Cash Flow Statement which summarises the total movements of cash arising from transactions with third parties.
- The Accounts of the Pension Fund.

The Standard Spending Assessment for 2002-03 increased by 6.23% over 2001-02 compared to an average increase of 6.2% for all shire counties. The increase allowed the Authority to fund pay and price inflation and it budgeted to spend a further £21.5 million above the SSA increase to fund uncontrollable items such as more elderly people needing care, new arrangements for young offenders and increases in landfill waste disposal tax. It also allowed limited new investment in education, social services, libraries and public transport.

Departments continued to exercise tight budgetary control as part of the Authority's policy of encouraging underspendings which services can then carry forward. Spending on services was approximately £13.4 million less than the revised estimate. A comparison of actual expenditure with the revised estimate for each service is contained in the Consolidated Revenue Account.

Capital expenditure in the year was £64.3 million of which £32.0 million was funded from loan, £11.5 million from capital receipts and revenue contributions and £20.8 million from grants. Total debt outstanding at 31 March 2003 was £288.1 million of which £276.8 million relates to long term borrowing. A detailed analysis of capital expenditure by service is provided at page 48. Details of the major capital schemes being undertaken by the Authority are shown at note 5 to the Balance Sheet.

Details of the Council's share of the deficit in the Pension Fund for the Local Government Pension Scheme as at 31 March 2003 are provided as a note to the Balance Sheet. This is in accordance with the Statement of Recommended Practice for Financial Reporting Standard (FRS) 17. The Council is not required to take remedial action over the deficit at this point in time. The deficit disclosed at the next valuation of the Pension Fund as at 31 March 2004 will be recovered by revised rates of employers' contributions set by the Fund's actuary to take effect from 1 April 2005.

A major current development within the Authority is the progression of schemes under the Private Finance Initiative (PFI). The Authority has bid successfully to the DfES for funds to rebuild four secondary schools. Two are now operational at Tupton and Chapel-en-le-Frith and the schemes are progressing on the phase 2 schools at Newbold and Long Eaton. A project to build a network of magistrates courts in Derbyshire has also commenced using PFI funding involving the County Council, Derby City Council and the Lord Chancellor's Department.

The External Auditor's opinion on the accounts for 2002-03 is on page 11.

Peter Swaby
County Treasurer

General Statistics

This table shows a range of statistics which give a picture of the County Council. Derbyshire's population makes it the 11th most populous county, whilst its area makes it the 20th largest out of 35 English Counties.

The next section 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 then 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 redistributed 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 grouped into 8 bands.

In addition to revenue spending, the County Council spends money on the provision of land and buildings, roads and other assets which last for a number of years. These assets are financed by borrowing; from capital receipts built up from selling unwanted assets, or from other funds.

General Statistics (continued ...)

	Financial Year		Financial Year	
	2001-02		2002-03	
Area and Population				
Area of County (hectares)	254,270		254,270	
Population	742,600		742,600	
Density per hectare	2.92		2.92	
Revenue Expenditure				
	£'000	%	£'000	%
Employees	420,469	58	443,259	57
Running Expenses	283,882	39	316,891	40
Capital charges	21,555	3	22,250	3
Gross expenditure	£725,906	100	£782,400	100
Gross expenditure per head of population	£977.52		£1,053.60	
Income				
	£'000	%	£'000	%
Precepts	189,335	26	206,269	26
Revenue Support Grant	195,785	27	181,377	23
Non-Domestic Rates	179,788	25	196,947	25
Specific Grants	86,781	12	118,052	15
Other sources	74,217	10	79,755	11
Total Income	£725,906	100	£782,400	100
Rateable Value				
Non Domestic Rateable Value	£ million		£ million	
	354,951		359,178	
Council Tax				
Tax Base (Equivalent Band D properties)	241,139		242,480	
Band D Council Tax (County Council element only)	£777.25		£846.44	
Capital Expenditure				
	£'000		£'000	
Gross expenditure	49,080		64,345	
Capital expenditure per head of population	£66.09		£86.65	
Met from:		%		%
Loans	16,611	34	32,009	50
Capital Receipts and other Internal Funds	9,521	19	11,453	18
Capital grants and contributions	22,948	47	20,883	32
	£49,080	100	£64,345	100

Statement of Accounting Policies

The information presented in this book follows the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy. The Superannuation Fund accounts have been compiled in accordance with the Statement of Recommended Practice (Financial Reports of Pension Schemes) for pension scheme accounts.

Significant Changes in Accounting Policies

There have been no significant changes in Accounting Policies during the year.

Fixed Assets

The Code of Practice on Local Authority Accounting incorporates the requirements of FRS15: Tangible Fixed Assets. The FRS sets out the principles of accounting for the valuation and depreciation of tangible fixed assets. The Code now requires assets included in the Balance Sheet at current value to be formally revalued at intervals of not more than five years and that, other than on depreciable land, depreciation should be charged on such assets. Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value.

Non operational assets and assets surplus to requirements are included in the balance sheet at the lower of net current replacement cost and net realisable value.

Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation where applicable.

Capital Charges

The capital charges made to service revenue accounts, central support services and DSO accounts, equate to the sum of depreciation plus a notional interest charge based on the net amount at which the fixed asset is valued as at 1 April 2003. The notional rates of interest used are 6% for those fixed assets included in the balance sheet at current value and 6% for infrastructure assets and community assets which are included in the balance sheet at historical cost.

Depreciation

Depreciation is charged on a straight line basis using the following bases:-

Land	Nil
Infrastructure	40 years
Buildings	40 years
Vehicles	Over the life of the asset (3-8 years)
Furniture and Equipment	10 years

It is the Authority's policy not to charge depreciation in the year of acquisition but a full years charge is made in the year of disposal.

No depreciation is charged against community assets such as Country Parks.

Government Grants

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account or in the case of capital grants to a deferred grants account and written off over the life of the asset to which they relate.

However, where assets have no lasting benefit, it is the policy of the Authority to write off any grant received in the year of receipt.

Derelict Land Grants in relation to Community Assets are written off against the costs of acquisition and in all other cases held as a deferred liability pending disposal of the asset when it is written off as the grant is repaid.

In order to match the Authority's depreciation policy amortisation of grants commences in the financial year following that in which they are received.

Statement of Accounting Policies (continued ...)

Basis of provision for redemption of debt

The Council operates a Consolidated Loans Pool within the County Fund as a means of administering loans raised by the authority.

The consolidated revenue account of the authority has been charged on an annuity basis ie equal instalments of principal and interest over periods up to 60 years.

Details of the minimum revenue provision for the repayment of principal which the County Council is required to make under the Local Government and Housing Act 1989 are provided on the pages containing the accounts of the Consolidated Loans Pool.

The average rate of interest charged by the Pool was 6.42% in 2002-2003 (6.55% in 2001-02). Loan liability has been transferred from other authorities under the Local Government Act 1972 for services now the responsibility of the County Council. The loan debt continues to be serviced by District Councils and loan charges reimbursed to them by the County Council. Following Local Government Reorganisation on 1 April 1997, Derby City Council reimburses the County Council a share of loan debt outstanding at that date based on the respective council tax bases of the two authorities.

Capital Receipts

Under current legislation capital receipts from the sale of the Authority's assets may be used in full to finance capital expenditure.

Deferred Charges

Deferred charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. At 1 April 1994, deferred charges in respect of assets transferred or sold were written off to the fixed asset restatement reserve. The remaining deferred charges are amortised to revenue over an appropriate period.

Basis on which debtors and creditors at the year end have been included in the accounts.

The revenue accounts of the Authority are maintained on an accruals basis which means that sums due to or from the County Council during the year are included in the accounts whether or not the cash has actually been received or paid. Minor sums of cash income are not shown in the accounts until they are received but these are not considered material. Capital transactions have been recorded on an accruals basis.

Nature of substantial reserves, provisions, and contingent liabilities.

The Council has set aside a number of financial reserves and provisions, operating as part of the County Fund, and set up for specific purposes. Details of reserves are provided in the statement of total movement in reserves.

Any under or over spending on the delegated budgets of schools in 2002-2003 has been carried forward and will be added to or deducted from their budgets in 2003-2004. The net balance carried forward is shown in the Consolidated Balance Sheet as a reserve, but is committed to be spent on schools and is not available to the authority for general use.

Provision has been made in the accounts for any losses or liabilities which are likely or certain to be incurred, but where there is uncertainty as to the amounts or dates on which they will arise.

None of the above reserves or provisions has been credited with interest.

The Authority operates an insurance fund, primarily to provide internal insurance to cover claims under the 'excess' clauses of the council's insurance policies. Details of the Fund are provided as a note to the Balance Sheet.

Allocation of central support services

In compliance with the CIPFA Statement on Accounting for Overheads there is complete allocation of central support services over all services including Direct Service Organisations. A note showing the allocation of such expenses has been attached to the summary revenue account.

Statement of Accounting Policies (continued ...)

The Authority is currently developing an internal market for central support services under which services will have greater control over the quality, quantity and cost of such support. Each central support service will have a service level agreement with the direct services which will be agreed prior to the commencement of each financial year and will cover the services to be provided, their level and their cost.

Work in progress, stocks and stores

Work in progress which will ultimately be charged to outside persons, eg private street works, is included in the accounts at cost price. Work in progress in the Property Services DLO's accounts is stated at a figure representing cost or at a professional valuation. Payments received or receivable on account are deducted in arriving at the balance sheet figure. A proportion of profit has been included only if the contract has progressed to the point where a profitable outcome can prudently be foreseen. Known losses have been allowed for.

Stocks and stores accounts are maintained for the various departments of the County Council as appropriate. Values included in the accounts at the year end are at cost price, except those in respect of DSOs which are stated at latest invoice price.

Pensions

- (1) The County Council participates in different pension schemes which meet the needs of employees in particular services. All the schemes provide members with defined benefits related to pay and service. The schemes are as follows:-

Teachers:

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 DFES on the basis of a notional fund.

Other Employees

Other employees, subject to certain qualifying criteria are eligible to join the Local Government Superannuation Scheme. The pension costs that are charged to the Council's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

- (2) The pension costs included in the accounts in respect of these schemes have been determined in accordance with relevant Government regulations. As a result, the County Council does not comply with the accounting requirements of UK GAAP and the liabilities included in the balance sheet are understated in respect of pension costs. However, in accordance with standard accounting practice for local authorities, the pension costs that it would have been necessary to provide for in the accounts for the period under UK GAAP are disclosed, where appropriate, by way of a note to the County Fund Consolidated Revenue Account.

Leasing

The Authority, on occasions, uses operating leases to acquire vehicles or equipment as an alternative to capital financing and annual rentals are charged directly to the revenue account.

Auditor's Opinion

We have audited the financial statements on pages 13 to 37 and 48 to 49 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 8 to 10.

This report is made solely to Derbyshire County Council in accordance with Part II, Section 2 of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Derbyshire County Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Derbyshire County Council for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Chief Financial Officer and Auditors

As described on page 3 the Council's County Treasurer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

We review whether the statement on internal financial control on page 4 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. We report if it does not meet the requirements specified by CIPFA/LASAAC 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 financial control covers all risks and controls, or to form an opinion on the effectiveness of the Council's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

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 relevant auditing standards 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.

Auditor's Opinion (continued...)

Opinion

In our opinion the financial statements present fairly the financial position of Derbyshire County Council as at 31 March 2003 and its income and expenditure for the year then ended.

Certificate

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

Signature: KPMG LLP

Date: 17/12/2003

KPMG LLP
Chartered Accountants
Birmingham

County Fund Consolidated Revenue Account

This table shows the County Council's spending on services during the year, and the way this spending was financed. It is divided into the major services, and shows gross expenditure, income from fees, charges and specific grants and net expenditure. This is compared with the revised estimate for the year.

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 then 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 was introduced as the local tax with effect from April 1993. It is based on the assessed capital values of domestic properties grouped into 8 bands.

Expenditure on services was approximately £13.4 million less than the revised estimate as a result of a policy of tight budgetary control which reflects the Authority's strategy of allowing the carry forward of underspendings on controllable budgets.

The Service Headings within the consolidated Revenue Account are in accordance with the Service Expenditure Analysis issued by CIPFA as part of the Best Value Accounting Code of Practice.

County Fund Consolidated Revenue Account (continued)

2001-02

2002-2003

Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure	Revised Budget £000
	Services				
360,575	Education	499,881	135,194	364,687	366,788
2,034	Central	8,223	6,870	1,353	10,312
2,316	Courts	6,861	4,563	2,298	2,158
30,953	Cultural, Environmental & Planning	38,459	4,459	34,000	34,987
44,115	Highways, Roads & Transport	66,115	18,645	47,470	46,638
136,153	Social Services	213,844	70,450	143,394	145,998
8,070	Unapportionable Central Overheads	8,577	368	8,209	9,124
4,584	Corporate & Democratic Core	5,488	1	5,487	4,278
588,800	NET COST OF SERVICES	847,448	240,550	606,898	620,283
	183 Discontinued operations				
(360)	Surplus/deficit on Trading Operations			(493)	(577)
(45,822)	Tfr. From Asset Management Revenue A/C			(51,050)	(45,872)
(2,248)	Interest received			(2,233)	(1,821)
23,715	Levies & Precepts			25,518	25,500
1,550	Council Tax Benefit Subsidy Limitation				
565,818	Net Operating Expenditure			578,640	597,513
	3,765 Contributions from Revenue Reserves			(1,760)	(1,640)
(4,343)	Contribution from/to Capital financing reserve			(2,625)	(2,364)
565,240	Amount to be met from govt. grants & local taxpayers			574,255	593,509
(189,335)	Precepts			(206,269)	(206,269)
(195,785)	RSG			(181,377)	(181,377)
(179,788)	NNDR			(196,947)	(196,947)
332	(Surplus)/Deficit for the year			(10,338)	8,916
7,131	County Fund balance 1 April 2002			6,799	
(332)	Contribution to () or from revenue			10,338	
6,799	Balance 31 March 2003			17,137	

Notes to County Fund Consolidated Revenue Account

1. Traded Operations

Disclosed on the face of the consolidated revenue account are the trading results relating to industrial development activities. The Authority provides a number of factory units located on industrial estates throughout the County to provide accommodation for companies and provides a number of small business centres. Performance for the year was as follows:

	2002-03 £'000	2001-02 £'000
Turnover	1,654	1,563
Expenditure	(1,161)	(1,203)
Surplus	493	360

In addition the Authority has a number of operations which used to operate under the compulsory competitive tendering provisions which have now been repealed. Details for the year are as follows:

	Turnover £'000	Surplus/Deficit() £'000
Building construction and maintenance	19,493	255
Grounds maintenance	1,938	18
Building cleaning	6,624	55
Allroads-Highways maintenance	33,157	74
Transport	3,236	3
Catering (excluding school meals)	74	2

2. Section 137 Expenditure

Section 137 of the Local Government Act 1972, as amended by the Local Government and Housing Act 1989, allows local authorities to incur expenditure on activities or projects which will bring direct benefit to their area or its inhabitants and which are not specifically authorised by other powers. Expenditure incurred under this section in any financial year may not exceed the sum of £1.90 per head of resident population i.e. about £1.4 million. Expenditure incurred under section 137 in 2002-2003 was as follows:-

	2002-03 £'000	2001-02 £'000
Grants to voluntary organisations	252	285
Community Venture Scheme	<u>20</u>	<u>21</u>
	<u>272</u>	<u>306</u>

Notes to County Fund Consolidated Revenue Account

3. Local Authorities (Goods and Services) Act 1970

Under this statute local authorities are empowered to supply goods and services to specified public bodies such as colleges, grant maintained schools, the Derbyshire Police Authority and the Peak Park Joint Planning Board. The Act provides that separate accounts shall be kept and the following statement shows the income received for the goods and services supplied by the County Council during 2002-2003:-

	£'000
Educational Services	817
Computer Services	126
Financial Services	443
Architectural Design and Property Management Services	352
Legal Services	156

4. Central Support Services

The following statement shows for the financial year 2002-2003 central support service expenditure and the subsequent recharge to services etc:-

Central Departmental Expenditure	£k	£k	Allocations	£k	£k
Office of the Chief Executive			Cabinet Portfolios		
Management and General	204		Education	5,389	
Policy and Research	1,737		Chief Executive (exc Central)	27	
Public Relations	779		Other Services (exc Central)	4,943	
Scrutiny Committee	<u>141</u>		Public Protection	732	
		2,861	Transport	28	
Corporate Resources Department			Education Trading	338	
County Treasurer's Division	4,115		Libraries & Leisure	1,229	
County I.T. Division	3,529		Environmental Services	2,745	
County Secretary's Division	1,351		Social Services	<u>5,554</u>	
County Personnel Division	1,930				20,985
Director of Corporate Resources	179		Capital		760
County Property Division	3,402				
Business Support	1,352		Allroads	32	
Administrative Support	<u>1,224</u>		Cleaning DSO	810	
		17,082	Catering DSO	269	
Other Services			Superannuation Fund	992	
County Buildings	5,566		Inter-Departmental Schemes	<u>60</u>	
Change Management Programme	402				2,163
Corporate Activities	391				
Corporate Management	2,080				
Miscellaneous Services	<u>1,374</u>				
		<u>9,813</u>			
		29,756			
Less - Internal Salaries & IT Recharges					
Office of the Chief Executive	(41)				
Corporate Resources Department	(2,178)				
Other Central Services	<u>(3,629)</u>				
		<u>(5,848)</u>			
		<u>23,908</u>			<u>23,908</u>

Notes to County Fund Consolidated Revenue Account (continued...)

5. Related Party Transactions

The County Council receives Revenue Support Grant and National Non-domestic Rates from the Office of the Deputy Prime Minister and the amounts received are disclosed in the Consolidated Revenue Account. Grants for specific projects or services are received from other government departments and an analysis is provided as a note to the Cash Flow Statement.

The County Council issues a precept on each of the District Councils in the County ie. excluding Derby City Council which is a unitary authority. The total sum raised by way of precept is disclosed in the Consolidated Revenue Account. Derbyshire Police Authority is an independent body which issues its own precept on the District Councils. Derbyshire Fire Authority is also independent but issues a levy directly on the two constituent authorities. The County Council element is disclosed in a separate note to the Consolidated Revenue Account together with details of other bodies which issue levies or precepts on the County Council.

A number of services are provided to the Police and Fire Authorities by the County Council ie. financial, legal, personnel IT and property totalling £645,000 in 2002-2003 to the Police Authority and £130,000 to the Fire Authority.

The County Council is the administering authority for the pension fund and a note on the fund's related party transactions is included as a note to the pension fund accounts. In addition, surplus funds held by the pension fund may be lent to the County Council on a temporary basis through the Consolidated Loans Pool. The amount at 31 March 2003 was £5,000,000.

The Authority operates a car loan scheme with loans outstanding to Chief Officers at 31 March 2003 totalling £42,500.

Otherwise no council member or chief officer or parties related to them has undertaken any disclosable related party transactions during the year.

6. Publicity

Under the Local Government Act 1986, local authorities are required to keep a separate account of expenditure on publicity and this is analysed below. Certain classes of publicity are exempt from the provisions of the Act and are therefore excluded from the account eg documents which the authority is required to publish by law, invitations to tender and publicity relating to the provision of social services and the running of educational establishments.

	2002-03	2001-02
	£'000	£'000
Recruitment Advertising	1,268	1,374
Non Recruitment Advertising	200	261
Other Publicity	505	477
Cost of Public Relations and Central Advertising Units not included above	719	695
	<u>2,692</u>	<u>2,807</u>

Notes to County Fund Consolidated Revenue Account (continued...)

7. Operating Leases

- (a) The Authority uses leased vehicles, specialised plant and equipment under the terms of operating leases. The amount paid under these arrangements in 2002-03 was £3,181,000 comprising the following elements:-
- (b) The Authority is committed to making payments of £2,184,445 in 2003-2004 comprising the following:

	£'000
Leases expiring within 1 year	497
Leases expiring between 2-5 years	1,003
Leases expiring after 5 years	<u>684</u>
	<u>2,184</u>

The future cash payments under these leases are:

2004 onwards	£5,629,000
--------------	------------

8. Pension Costs

- (a) *Teachers*
In 2002-03 the County Council paid £15.2 million to the Department for Education and Skills in respect of teachers' pension costs, which represents 8.34% of teachers' pensionable pay.

In addition, the County Council is responsible for annual compensation payments in the form of "added years" awarded on premature retirement. In 2002-03 these, together with annual increases in line with the cost of living, amounted to £3.6 million, representing 2.0% of pensionable pay.

- (b) *Other Employees*
In 2002-03, Derbyshire County Council paid an employer's contribution of £21.2 million into the Pension Fund representing 13.7% of pensionable pay. The contribution rate is certified by the Fund's Actuary based on triennial actuarial valuations, with the 2002-03 contribution rate based on a valuation undertaken as at 31 March 2001.

The Council's contributions, expressed as a percentage of employees' contributions, are 227% for 2002-2003, 244% for 2003-04 and 261% for 2004-05.

The Fund's Actuary has advised that the pension costs that it would have been necessary to provide for in 2002-03 in accordance with UK GAAP are £24.2 million, representing 15.6% of pensionable pay.

In addition the County Council is responsible for annual compensation payments in the form of "added years" awarded on premature retirement. In 2002-03 these amounted to £1.5 million, representing 1% of pensionable pay.

Notes to County Fund Consolidated Revenue Account (continued...)

The capital cost of discretionary increases in pensions payments (ie discretionary "added years") agreed by the Authority:-

- (a) In the year is £0.3 million and:-
- (b) In earlier years for which payments are still being made is 22.3 million*

*This value is calculated in accordance with advice from the Fund's Actuary.

9. Asset Management Revenue Account

This account is required under the capital accounting system introduced in 1994-95. The balance on the account, which represents the excess of capital charges over depreciation and interest charges, is transferred to the consolidated revenue account. Movements on the Account in 2002-2003 were as follows:-

	£'000	£'000
Reversal of capital charges made to services		(75,923)
Capital grants released from the government		(11,427)
Grants deferred account		
External interest payable	13,800	
Provision for depreciation	<u>22,500</u>	<u>36,300</u>
Balance as per Consolidated Revenue Account 31 March 2003		<u>(51,050)</u>

There is a statutory requirement that the authority set aside, each year from its revenue account, a minimum amount as a provision for credit liabilities which is known as the minimum revenue provision (MRP). The provision for depreciation is regarded as part of the MRP and in order to achieve the statutory set aside, a reduction of £12,124,000 has been made to the revenue account in 2002-2003. This represents the difference between MRP and the depreciation charged in the accounts.

10. Officers emoluments

The number of employees whose remuneration in the year, excluding pension contributions, was £40,000 or more in bands of £10,000 were as follows:-

Remuneration Band	Total 2002-03	Total 2001-02
£40,000-£49,999	200	150
£50,000-£59,999	53	34
£60,000-£69,999	17	9
£70,000-£79,999	4	5
£80,000-£89,999	1	1
£90,000-£99,000	1	1

11. Members Allowances

The total of members allowances paid in 2002-2003 to the nearest £'000 was £946,000 compared to £926,000 in 2001-02

Consolidated Balance Sheet

The balance sheet overleaf combines all of the County Council's activities . 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. It excludes the Pension Fund and Trust Funds. The remainder of the book provides further details on these activities.

County Council spending can be divided into two distinct types. Most of the authority's spending is on salaries, wages and running costs. These costs go towards providing Education, Social Services and other services, and are borne year in year out, so long as the services are provided by the County Council. This type of spending is called revenue, since it is met from that year's income from precepts, grants and other sources.

The second type of spending is on the provision of assets which will last a number of years. The building of a school or a road are examples. These assets will provide a benefit to the authority for a number of years. This type of spending is called capital, and it is met from loans and other long term funds. As with all borrowing, it is necessary to repay with interest the sum borrowed. These repayments will be made over the life of the asset, and will be a revenue expense to be met from annual income.

Fixed assets have been included in the balance sheet at their current value ie replacement cost less depreciation, except for infrastructure and community assets which are shown at historical cost. Operational assets are occupied or used in the direct delivery of services. Infrastructure includes facilities required to enable other developments to take place eg roads. Community assets have no determinable useful life but which the authority intends to hold in perpetuity eg parks and historic buildings.

The County Council has liabilities for debt outstanding to finance capital expenditure together with the debt taken over for assets transferred under local government reorganisation. The latter is shown as loan liability transferred from other authorities.

In addition, the County Council owes money to creditors for goods and services supplied at 31st March but not paid for until after that date. These, together with debtors and cash, are analysed between the various activities as a note to the balance sheet.

Consolidated Balance Sheet (continued ...) as at

31 March 2002		Notes	£000	31 March 2003
£000			£000	£000
	Fixed assets	1-5		
693,781	Land & buildings		730,239	
41,569	Vehicles, plant, equipment		39,348	
98,999	Infrastructure		121,482	
1,642	Community		2,057	
28,240	Non-Operational		27,506	920,632
8,051	Deferred Charges	7		9,270
58,446	Long Term Debtors	18		55,597
930,728	Total long-term assets			985,499
	<i>Current Assets</i>			
4,130	Stocks/WIP	13	4,652	
29,231	Debtors	17	36,163	
105,251	Short term investments	11	116,814	157,629
	<i>Current Liabilities</i>			
(67,625)	Creditors	19	(78,875)	
(20,716)	Temporary loans		(11,343)	
(9,010)	Cash overdrawn		(19,665)	(109,883)
971,989	Total assets less current liabilities			1,033,245
(260,257)	Long term Borrowing	14		(277,437)
(7,314)	Loan Liability OLAS			(7,025)
(35,669)	Govt. grants deferred			(45,125)
(4,036)	Provisions Insurance Fund	9		(5,118)
(6,542)	Other			(5,083)
658,171	TOTAL ASSETS LESS LIABILITIES			693,457
	<i>Represented by</i>			
487,707	Fixed Asset Restatement reserve			504,206
133,604	Capital Financing reserve	6-8		140,148
1,022	Usable capital receipts reserve			4,022
	<i>Earmarked Reserves</i>			
267	DLOs			539
13,981	LMS			11,003
14,791	Other			16,402
6,799	County Fund Balance			17,137
658,171	TOTAL EQUITY	12		693,457

Notes to the Consolidated Balance Sheet

1 Fixed Assets

Fixed assets of the Authority have been included in the balance sheet at their current value and details of the valuation policy are given in the Statement of Accounting Policies.

MOVEMENT OF FIXED ASSETS 2002/2003

	OPERATIONAL ASSETS				NON-OPERATIONAL ASSETS		TOTAL £'000
	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Land & Buildings £'000		
VALUE							
Opening Value as at 1 April 2002	719,628	53,755	113,812	1,642	28,240		917,077
Additions	37,826	1,109	25,225	367	620		65,147
Disposals	(5,047)	(173)	-	-	(1,517)		(6,737)
Transfers	3,860	-	-	104	(3,964)		0
Revaluations	11,696	173	-	(56)	4,127		15,940
Value as at 31 March 2003	767,963	54,864	139,037	2,057	27,506		991,427
DEPRECIATION							
Opening Balance 1 April 2002	25,846	12,186	14,813				52,845
Charge for the year	14,522	5,237	2,742	-	-		22,501
Adjustments for							
Revaluations	(2,258)	(1,889)	-	-	-		(4,147)
Disposals	(386)	(18)					(404)
Balance 31 March 2003	37,724	15,516	17,555				70,795
NET BOOK VALUE AT 31 MARCH 2003	730,239	39,348	121,482	2,057	27,506		920,632

Included in the figures above are additions relating to the transfer of assets from the former North East Derbyshire Tertiary College, amounting to £3.676 million.

2 Fixed Assets held by the County Council

A brief analysis of the Authority's principal assets is set out below:

Schools		Nos		Nos
- Nursery		8	Social Services	- Residential centres
- Primary		359		- Day Centres
- Secondary		47	Libraries	
- Special		11	Magistrates Courts	
			Depots	
				54
				39
				48
				7
				28

The Council also holds a number of miscellaneous properties including administrative buildings, dwelling houses, garages and industrial estates.

Notes to the Consolidated Balance Sheet (continued ...)

3. Fixed Asset Valuation

The freehold and leasehold assets which comprise the Authority's fixed asset portfolio have been valued internally as at 1 April 2000 by Adrian Avery MRICS. The valuations are in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors, 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. Buildings regarded by the Authority 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 on the basis of open market value.

Procedures have been put in place for a rolling programme of revaluations at 20% per annum together with ad hoc and additional valuations which will be carried out where it is considered there has been a material change to the asset.

4. Capital Contracts

Listed below are schemes over £500,000 where there is still significant expenditure outstanding as at 31 March 2003.

	Total Estimated Cost £'000	Expenditure Incurred £'000	Expenditure Outstanding £'000
Committee			
Education			
Breadsall Behavioural Support Centre	550		550
Chesterfield Parkside School	872	48	824
Dronfield Gorseybrigg Primary	1,079	223	856
Frederick Gent School	8,729	67	8,662
Queen Elizabeth Grammar School	6,971	6,614	357
Springwell Community School	733	226	507
Swanwick Hall School	957	428	529

5. Deferred Purchase Scheme

The Council has an outstanding sum due under a "Deferred Purchase" scheme entered into in 1988 and renegotiated in 1995. The scheme financed the completion of the Tapton Bypass with repayments up to the year 2005. The balance outstanding at 31 March 2003 was £645,015.

6. Capital Financing Reserve

The Capital Financing Reserve 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 and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principle element of external loans.

7. Deferred Charges

Deferred Charges represent expenditure which may properly be capitalised but which does not represent fixed assets e.g. salaries and maintenance. Expenditure in the year was £1,958,000 which was written off to the capital financing reserve.

In addition charges for the early redemption of loans, which arise from restructuring the Authority's debt portfolio, are written off over the life of the replacement borrowing. Movements in deferred charges during the year were:

Notes to the Consolidated Balance Sheet (continued...)

	£'000
Balance as at 1 April 2002	8,051
Charges for early repayment of PWLB loans	1,522
Written off during year	<u>(303)</u>
Balance as at 31 March 2003	<u>9,270</u>
8. Provision for Credit Liabilities	
The provision for credit liabilities represents sums set aside for the repayment of debt and forms part of the capital financing reserve. Movements in the provision are as follows:-	
	£'000
Balance as at 1 April 2002	6,046
Minimum Revenue Provision	<u>10,377</u>
	16,423
Amounts applied to repay loans	(10,377)
Amounts used for discharge of liabilities under credit arrangement	<u>(118)</u>
Balance as at 31 March 2003	<u>5,928</u>
9. Insurance Fund	
The authority operates an insurance fund primarily to meet the estimated outstanding claims under the 'excess' clauses of the council's insurance policies. Settlement of claims is likely to be spread over a number of years. Movements on the fund during the year were as follows:-	
	£'000
Opening balance 1 April 2002	5,591
plus Internal insurance premiums	2,677
Funding for Risk Management initiatives	100
less Claims settled	<u>(1,990)</u>
Closing balance 31 March 2003	<u>6,378</u>
The fund balance as at 31 March 2003 can be analysed as set out below:-	
	£'000
Provision to meet notified outstanding claims	5,118
Provision to meet risk management initiatives	180
Reserve to meet claims not yet notified	1,042
Reserve to meet risk management initiatives	<u>38</u>
Fund balance 31 March 2003	<u>6,378</u>
That element of the fund relating to provisions represents obligations as at 31 March as a result of past claims and events where a reliable estimate can be made of the obligation. The reserve element is an estimate of possible obligations related to claims or events which have not yet been notified.	

Notes to the Consolidated Balance Sheet (continued ...)

10. Associated Companies

The County Council maintains involvement with a number of companies which are either regulated or influenced ie Derbyshire Waste Ltd, CLASP (1988) Ltd, the National Stone Centre, Creswell Heritage Trust, Creswell Trading Company Ltd and Derbyshire Connexions Partnership Ltd.

The activities of these companies are not considered material to the affairs of the County Council and their assets and liabilities are therefore not included in the Authority's accounts.

The Authority acts as Treasurer to the CLASP Consortium and as at 31 March 2003 is holding cash of £1,275,000 on behalf of the Consortium.

11. Short Term Investments

Investments held by the Consolidated Loans Pool are short term loans to clearing banks and major building societies and are valued at cost. The amount invested at the year-end depends on the cash flow position at that date.

12. Net Assets Employed

The Net Assets of the County Fund can be analysed by activity as follows:-

	31 March 2002	31 March 2003
	£'000	£'000
Revenue	28,635	44,542
Capital	627,109	648,376
Direct Service Organisations	<u>267</u>	<u>539</u>
Total Equity as per Balance Sheet	<u>656,011</u>	<u>693,457</u>

13. Stock and Work in Progress

Stocks and work in progress can be analysed as follows:

	31 March 2002	31 March 2003
	£'000	£'000
Environmental Services	223	256
Property Services - client	311	23
Other	86	75
DLO's - All Roads	688	897
- Property Services	88	97
DSO's - Catering	192	198
- Transport	158	173
Work in progress - Property Services	<u>2,384</u>	<u>2,935</u>
	<u>4,130</u>	<u>4,652</u>

Notes to the Consolidated Balance Sheet (continued ...)

14. Long-term Borrowing

The total loans outstanding by the Consolidated Loans Pool at 31 March 2003 was approximately £288,084,000. £11,293,000 of this relates to temporary borrowing of surplus funds belonging mainly to the Derbyshire Fire Authority and the Derbyshire County Council Pension Fund. The balance of £276,791,000 relates to long-term borrowing and can be analysed as follows:-

	Range of Interest Rates Payable (%)	Total Outstanding at 31 March	
		2003 £'000	2002 £'000
Public Works Loan Board and market debt (Weighted Average Rate 6.3%)	2.9 - 9.625	276,791	259,391
An analysis of loans by maturity is:	£'000		
Maturing within one year -	2,000		
Maturing in 1-2 years	-		
Maturing in 2-5 years	-		
Maturing in 5-10 years	36,400		
Maturing in more than 10 years	<u>238,391</u>		
	<u>276,791</u>		

Total long-term borrowing as shown in the balance sheet is £277,437,000 which also includes £645,000 relating to a deferred purchase scheme, details of which are provided in a separate note to the balance sheet.

15. Trust and Other Funds

The County Council administers a number of Trust Funds. These are funds made up of donations or bequests made to the Authority. The benefactors specify the use to which the fund is to be put in many cases, the most common being the provision of educational prizes. Other funds have been established to provide for the needs of clients in the care of the Social Services Department or for the maintenance of a specific project.

The funds are invested in accordance with the provisions of the Trustee Investments Act 1961. They are generally invested in Government Stocks to provide a high income return and where the fund is large enough to split, partly in unit trusts to provide an element of capital growth.

Other funds include savings held on behalf of residents in the County Councils Part III accommodation. Where savings of any resident exceeds £100 they are transferred to an account with the Derbyshire Building Society in order that interest can be earned on these savings.

The tables on the following page detail the Aggregate Revenue Account and Balance Sheet for all Trust and Other Funds currently administered by the County Council.

Notes to the Consolidated Balance Sheet (continued ...)

2001-2002 Total £'000		2002-2003 Trust Funds £'000	2002-2003 Other Funds £'000	2002-2003 Total £'000
Aggregate Revenue Account				
1489	Opening Balance	589	1055	1644
<u>185</u>	Add Income	<u>47</u>	<u>261</u>	<u>308</u>
1674	Total Funds available in the year	636	1316	1952
<u>30</u>	Less Expenditure	<u>(10)</u>	<u>(19)</u>	<u>(29)</u>
<u><u>1644</u></u>	Closing Balance	<u><u>626</u></u>	<u><u>1297</u></u>	<u><u>1923</u></u>
The funds are represented by:				
49	Investments	50	5	55
762	Building Society Deposits	0	983	983
<u>833</u>	Cash and temporary loans	<u>576</u>	<u>309</u>	<u>885</u>
<u><u>1644</u></u>	Total Assets	<u><u>626</u></u>	<u><u>1297</u></u>	<u><u>1923</u></u>
90	Number of funds	86	7	93
(2)	Increase in unrealised profit on investments included in expenditure	8	(2)	6

16. European Monetary Union and the Euro

The Authority has set up an officer working party to assess the implications of the introduction of the single currency and to co-ordinate planning if the UK enters. Although the Authority has yet to conduct a full assessment of the effects of entry, new financial systems will be Euro-compliant to minimise possible changes in the future. No costs or commitments have been incurred in relation to the Euro.

Notes to the Consolidated Balance Sheet (continued ...)

17. Debtors

Debtors can be analysed as follows:-

	31 March 2002 £'000	31 March 2003 £'000
Amounts falling due within one year		
Government Departments	5,756	6,128
Local and other public authorities	2,869	2,806
Sundry Debtors	<u>21,209</u>	<u>27,998</u>
	29,834	36,932
Less: Provision for bad debts	<u>(603)</u>	<u>(769)</u>
	<u>29,231</u>	<u>36,163</u>

18. Long-term Debtors

Long-term debtors relate primarily to loans which were taken out by the County Council but are now the responsibility of external bodies following reorganisation of functions. They can be analysed as follows:-

	31 March 2002 £'000	31 March 2003 £'000
Derby City Council	54,886	52,692
Derbyshire Police Authority	1,490	1,409
Derby University	223	191
Car Loans	927	812
Other	<u>920</u>	<u>493</u>
	<u>58,446</u>	<u>56,385</u>

19. Creditors

Creditors can be analysed as follows:-

	31 March 2002 £'000	31 March 2003 £'000
Government Departments	30,561	26,550
Local and other public authorities	3,042	5,908
Sundry Creditors	<u>34,022</u>	<u>46,417</u>
	<u>67,625</u>	<u>78,875</u>

Notes to the Consolidated Balance Sheet (continued ...)

20. Pension Liability

In accordance with the requirements of Financial Reporting Standard No 17 - Retirement Benefits (FRS 17) the Authority has to disclose its share of assets and liabilities related to pension schemes for its employees.

As explained in the Statement of Accounting Policies the Authority participates in two schemes which provide members with defined benefits related to pay and service. The Teachers Pension Scheme is administered by the Department for Education and Employment and the underlying liabilities for individual authorities cannot be identified on a consistent and reliable basis.

Staff other than teachers are admitted to the Local Government Pension Fund (LPGS) which is administered by the County Council and details of which are set out below;

The Authorities assets and liabilities at 31 March are:

	2002	2003
	£m	£m
Liabilities		
Funded benefits under the LGPS regulations	(639)	(683)
Unfunded discretionary benefits awarded under LGPS regulations	(23)	(23)
Total	(662)	(706)
Fair value of the Authorities share of assets in the fund	526	435
Net pensions deficit as at 31 March	(136)	(271)

The figures disclosed above have been derived by approximate methods from the full actuarial valuation of the Fund carried out by Watson Wyatt as at 31 March 2001.

The main financial assumptions adopted as at 31 March were:

	2002	2003
a) retail price inflation:	2.5%	2.5%
b) increases in salaries:	4.3%	4.3%
c) increases in pensions and deferred pensions:	2.5%	2.5%
d) discount rate:	6.1%	6.1%

The fair values of each main class of assets held by the whole Fund as at 31 March and the expected rates of return for the ensuing year are set out in the following table:

	2002		2003	
	Fair Value	Expected Return	Fair Value	Expected Return
	£m	%	£m	%
Equities	876	7.5	663	8.5
Gilts	121	5.25	150	4.5
Other bonds	88	6.0	86	5.5
Cash	111	4.5	92	4.0
Property	50	6.0	51	7.0
Total	1,246	6.85	1,042	7.2

There is no provision for unitising the assets of a fund under the LGPS. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

Notes to the Consolidated Balance Sheet (continued ...)

Analysis of the movement in surplus (deficit) in the Fund during the period

	31.3.2003
	£m
Surplus (deficit) in the Fund at beginning of period	(136)
Contributions paid	23
Current service cost	(21)
Past service cost	0
Settlement cost	0
Curtailement cost	(1)
Other finance income (charge)	1
Actuarial gain (loss)	<u>(137)</u>
Surplus (deficit) in the Fund at end of period	<u>(271)</u>

21. Provisions

Included in the total for provisions are the following material items:

	£000
Education provision for inter-authority and hospital recoupment	445
Environmental Services provision for remedial works and work in progress	903
Social Services provision relating to joint arrangements	517

Statement of Total 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 eg. profits and losses upon the disposal of fixed assets.

The statement separates the movements between revenue and capital reserves. The Fixed Asset Restatement Reserve and Capital Financing Reserve cannot be called upon to support revenue spending, the Usable Capital Receipts Reserve can be used to meet expenditure designated as expenditure for capital purposes and the revenue Reserves can be used to meet capital and revenue expenditure.

Statement of Total Movement in Reserves

	CAPITAL RESERVES				REVENUE RESERVES		Total
	Fixed Asset Restatement Reserve	Capital Financing Reserve	Usable Capital Receipts Reserve	Other Capital Reserves	General Fund	Specific Reserves	
	£'000	£'000	£'000	£'000	£000	£000	
Balance as at 1.4.2002	487,707	133,604	1,022	4,776	6,799	24,263	658,171
Net surplus (deficit) for year		(12,305)		1,771	10,338	(2,160)	(2,356)
Unrealised gains (losses) on revaluation of fixed assets	22,719						22,719
Repayment of transferred debt		(1,917)					(1,917)
Discharge of liability on credit arrangement		(118)					(118)
Prior Year adjustment							
Effects of disposal of fixed assets							
Cost or value of assets disposed of	(6,220)						(6,220)
Proceeds of disposals:							
Usable receipts			8,228				8,228
Reserved receipts							
Transfer of reserved receipts							
Deferred charges written down		(1,958)					(1,958)
	504,206	117,306	9,250	6,547	17,137	22,103	676,549
Financing of fixed assets:-							
Capital receipts		5,228	(5,228)				
Reserved receipts							
Revenue contributions/grants		16,908					16,908
Earmarked Reserve		706		(706)			
Balance as at 31 March 2003	504,206	140,148	4,022	5,841	17,137	22,103	693,457

Notes to the Statement of Total Movement in Reserves (continued)

Set out below is an analysis of revenue reserves showing the balance as at 31 March 2003 and movements in the year.

OTHER RESERVES		Balance 31.3.02 £000	Movement £000	Balance 31.3.03 £000
Education	Primary Schools Pool Premium	53	11	64
	Standards Fund Matched Funding	0	964	964
	DESCIT	349	0	349
	Read on Write Away	422	(111)	311
Magistrates	U/spending carried fwd.	96	1	97
Environmental Services	New Roads and Street Works	104	(12)	92
	Laboratory renewals	59	17	76
	Waste Disposal Royalties	1,162	50	1,212
	Matlock /Buxton Rail Study	129	(129)	0
	Brimington Workshop	70	0	70
	PTU computer System	128	0	128
	Capital Salaries Contingency	205	0	205
	IT Reserve	0	157	157
	Highways Premises	465	(465)	0
	Chesterfield Terrapin	51	(51)	0
	DLO Reserve	0	670	670
	Miscellaneous reserves	198	76	274
Corporate	Lottery Treasure Chest	275	(59)	216
	Derbyshire Waste Dividends	400	(281)	119
	Purchasing Equipment Repairs	403	(4)	399
	VAT recovered	94	0	94
	Computer Renewals	800	8	808
	PFI	0	37	37
	VER/VR	253	466	719
	Corporate reserve	892	285	1,177
	Earmarked Budget reserve	1,240	(1,240)	0
Libraries	Miscellaneous	7	1	8
Social Services	Computer Renewals	0	400	400
Capital		4,776	1,065	5,841
Insurance Fund reserve element		1,555	(295)	1,260
TOTAL AS PER BALANCE SHEET 31 March		14,791	1,611	16,402
LMS		13,981	(2,978)	11,003
DSO Appropriation Accounts		267	272	539
Capital		(4,776)	(1,065)	(5,841)
TOTAL AS PER TOTAL MOVEMENT IN RESERVES STATEMENT		24,263	(2,160)	22,103

Cash Flow Statement

This consolidated statement summarises the in-flows and outflows of cash arising from transactions with 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.

Cash Flow Statement (continued ...)

2001-2002 £000	CASH FLOW STATEMENT 2002-03 SUMMARY		Note	£000	£000	2002-2003 £000
	REVENUE					
422,179	Outflows	Employees		445,420		
<u>296,442</u>		Other Operating payments		<u>342,867</u>	788,287	
(187,785)	Inflows	Precepts		(206,269)		
(179,788)		NNDR		(196,947)		
(195,785)		RSG		(181,377)		
(87,615)		Other govt.grants	4	(118,052)		
(95,962)		Cash for goods & services		<u>(122,128)</u>	<u>(824,773)</u>	
(28,314)	Net cash flow revenue activities		1			(36,486)
	SERVICING OF FINANCE					
18,502		Interest paid			21,092	
<u>(7,440)</u>		Interest received			<u>(7,381)</u>	13,711
11,062						
	CAPITAL					
42,823	Outflows	Purchase of Fixed Assets			59,636	
	Inflows					
(1,902)		Sales		(8,228)		
(22,266)		Grants		(10,462)		
<u>(1,886)</u>		Other		(11,564)		
16,769					(30,254)	<u>29,382</u>
(483)	NET CASH (INFLOW) OUTFLOW					6,607
	MANAGEMENT OF LIQUID RESOURCES					
6,250		Net inc/dec s-term deposits			11,564	
1,696		Net inc/dec other liquid resources			<u>9,373</u>	20,937
	FINANCING		3			
523	Outflows	Repaymts. amounts borrowed			510	
(13,001)	Inflows	New loans raised			(17,399)	(16,889)
(5,015)	(INCREASE)/DECREASE IN CASH					10,655

Notes to the Cash Flow Statement

1	RECONCILIATION OF REVENUE CASH FLOW		£000	£000
	Surplus for the year from Consolidated Revenue Account			10,337
	Add non-cash transactions			
	Minimum revenue provision		10,376	
	Contributions to other reserves and provisions		(7,611)	
	Contributions to capital		6,225	8,990
	Items on an accrual basis(revenue only)			
	Increase in debtors		(4,207)	
	Increase in creditors		9,804	
	Increase in stocks		(5)	5,592
	Items classified elsewhere in the Cash Flow Statement			
	Net Interest			11,567
	Revenue Activities Net Cash Flow			36,486
2	MOVEMENT IN LIQUID RESOURCES	31-03-03	31-03-02	
		£000	£000	
	Short -term investments	116,814	105,250	11,564
	Temporary loans	<u>(11,343)</u>	<u>(20,716)</u>	<u>9,373</u>
		<u>105,471</u>	<u>84,534</u>	<u>20,937</u>
3	FINANCING ITEMS			
	Long term borrowing	276,791	259,392	17,399
	Other long term liabilities	<u>7,670</u>	<u>8,180</u>	<u>(510)</u>
		<u>284,461</u>	<u>267,572</u>	<u>16,889</u>

Notes to the Cash Flow Statement (continued ...)

4. GOVERNMENT GRANTS

The Authority receives Revenue Support Grant in aid of services generally (£181,377,000 in 2002-2003). It also receives other grants which are in aid of specific projects or services and which can be analysed for the year as follows:-

	£'000
Education:-	
Threshold Grant	7,914
Standards Fund	38,063
Early Years Payments	4,283
School Standards	9,823
Social Services - Promoting Independence	2,240
Magistrates Courts	4,080
Other	<u>51,649</u>
	<u>118,052</u>

Pension Fund - Foreword to Financial Statements

Investment Policy

Responsibility for policy matters lies with an Investment Committee of six County Councillors, two Derby City and two District Council member representatives. The Investment Committee receives advice from the County Treasurer and from two independent external advisers. Day-to-day management of the Fund is delegated to the County Treasurer and his in-house staff, operating within a policy framework laid down by the Investment Committee. Policy is determined by reference to investment regulations issued under the Superannuation Act, 1972, which require that advice is taken at regular intervals and that the investments are suitably diversified. In addition the regulations place limitations on investments in a single holding and in 'unlisted securities' (no more than 10% in each category).

The return for 2002-03 for the Fund was -18.9% (2001-02, -0.7%) which compares with the average return on local authority funds of -19.5%. Over the last ten years the Fund's return was 6.5% per annum which is 0.3% per annum ahead of the average. For comparison the ten year figures for average earnings and retail price increases are 4.1% and 2.6% respectively. On a year by year basis returns tend to fluctuate significantly according to economic and market conditions and long-term returns are a more appropriate guide to the performance of the Fund.

Members Statistics	2001	2002	2003
Contributors	27,024	28,790	29,633
Pensioners	16,289	16,628	16,962
Deferred Pensions	7,055	7,771	8,504

Actuarial Position of the Fund

1. An actuarial valuation of the Fund was undertaken as at 31 March 2001 in accordance with the provisions of the Local Government Pension Scheme Regulations 1997. The purpose of the valuation was to determine the financial position of the Fund and to set the level of contributions payable by each participating employer for the three years commencing 1 April 2002.
2. The valuation was undertaken using a market value approach. The assets were valued at their market value with market related discount rates used to give the present value of the liabilities. The rates of return adopted were based on assets that closely matched the characteristics of the liabilities and were independent of the actual asset mix of the Fund.
3. The contributions required in respect of future service have been determined using the "projected unit" method. The full rate of employer's contribution provides for the cost of year-by-year accrual of benefits in respect of current Scheme members and the amount required to meet a past service deficiency.
4. The economic assumptions used were as follows:-

	<i>% (nominal)</i>
Rate of price inflation	2.50
Increase in pensionable pay	4.25
Allowance for future pensions increases (applied to all pensions in excess of Guaranteed Minimum pensions)	2.5
Dividend growth	4
Discount rate for liabilities:	
after retirement	5.9
before retirement	6.75

Pension Fund - Foreword to Financial Statements (continued ...)

5. The actuarial value placed on the assets represented 88% of the value of the past service liabilities compared with 91% at the 1998 valuation.
6. The main reasons for the 3% decrease in funding were:-
 - (i) unfavourable investment performance relative to actuary's assumptions despite Derbyshire's Fund performing better than the average local authority fund for the 3 years (-)
 - (ii) payment of contributions in excess of those needed to fund accruing benefits (+)
 - (iii) changes in actuarial basis underlying the valuation (mainly due to improvements in mortality) (-)
7. The revised employers' contributions arising from the 2001 valuation become payable from 2002/2003.

Contributions payable by the County, Unitary and District Councils expressed as a percentage of employees' contributions

Council	2002-03 %	2003-04 %	Stepped or full rate
Derbyshire County	227	244	stepped
Amber Valley Borough	315	315	full
District of Bolsover	323	323	full
Chesterfield Borough	271	271	full
Derby City	237	237	full
Derbyshire Dales	255	255	full
Erewash Borough	274	274	full
High Peak Borough	310	341	stepped
North East Derbyshire	280	329	stepped
South Derbyshire	292	292	full

8. All employing bodies are paying a rate which is sufficient to meet the cost of the year by year accrual of benefits and reduce their past service deficiency.
9. The next valuation of the Pension Fund is at 31 March 2004 with revised employers' contributions payable from 1 April 2005.

Pension Fund - Fund Account

2001-2002 £'000			2002-03 £'000
	Note	Contributions and Benefits	
67,443	3	Contributions receivable	80,279
<u>12,161</u>	4	Transfer values in	<u>14,003</u>
<u>79,604</u>			<u>94,282</u>
55,461	5	Benefits payable	57,894
6,267	6	Leavers – transfer values out	9,668
<u>844</u>	7	Administrative expenses	<u>874</u>
<u>62,572</u>			<u>68,436</u>
<u>17,032</u>		Net additions from dealing with members	<u>25,846</u>
		Returns on investments	
38,035	8	Investment income	36,461
(46,473)	9	Change in market value of investments	(272,959)
<u>(728)</u>	10	Investment management expenses	<u>(1,038)</u>
<u>(9,166)</u>		Net returns on investments	<u>(237,536)</u>
7,866		Net increase (decrease) in the Fund during the year	(211,690)
		Net assets of the scheme	
<u>1,246,026</u>		at 1 April 2002	<u>1,253,892</u>
<u>1,253,892</u>		at 31 March 2003	<u>1,042,202</u>

Pension Fund Net Assets Statement as at 31 March 2003

31 March 2002		31 March 2003	
£'000			£'000
	Note		
	9	Investments	
154,760		Fixed interest securities	136,593
803,022		Equities	596,985
38,623		Index-linked securities	70,797
88,987		Managed and unitised funds	94,354
49,815		Properties	51,110
104,454		Cash deposits and short term loans	84,523
95		Other	69
14,136	11	Current assets and liabilities	7,771
<u>1,253,892</u>		Net assets of the scheme at 31 March 2003	<u>1,042,202</u>

Notes to the Pension Fund Financial Statements

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Scheme Administration) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes.

The financial statements summarise the transactions of the scheme and deal with the net assets available for investment in accordance with policies approved by the Investment Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the foreword of this annual report and these financial statements should be read in conjunction with this.

2. Accounting Policies

Accruals

The accruals concept set out in FRS 18 has been applied in determining all significant categories of income and expenditure.

3. Basis of Valuation

The Fund's investment assets, where quoted on the UK Stock Exchange or overseas, have been valued at the mid-market price at close of business on 31 March 2003. Unquoted investment assets are stated at cost unless clear evidence is available of an increase or fall in value. Real property has been revalued to open market value at 31 March 2003. The property portfolio was independently valued by Edmund Kirby, Chartered Surveyors and Architects. Overseas assets are translated into sterling from local currency at the exchange rates ruling at the balance sheet date.

3. Contributions receivable

	2001-2002	2002-03
	£'000	£'000
Employers normal contributions	42,194	54,184
Employers special contributions	5,553	4,539
Members normal contributions	<u>19,696</u>	<u>21,556</u>
	<u>67,443</u>	<u>80,279</u>

Employers' special contributions are made by participating employers to meet past service deficits identified by the actuary or to meet specific future liabilities. They were larger than usual in 2002-2003 due to two scheme employers opting to make one off payments in respect of shortfalls rather than to spread these over future years.

4. Transfers in

	2001-2002	2002-03
	£'000	£'000
Individual transfers in from other schemes	9,795	12,531
Restitution payments for mis-sold personal pensions	<u>2,366</u>	<u>1,472</u>
	<u>12,161</u>	<u>14,003</u>

5. Benefits payable

	2001-2002	2002-03
	£'000	£'000
Pensions	47,990	49,935
Lump sum retirement benefits	6,397	6,945
Lump sum death benefits	<u>1,074</u>	<u>1,014</u>
	<u>55,461</u>	<u>57,894</u>

Notes to the Pension Fund Financial Statements (continued ...)

6. Payments to and on account of leavers	2001-02	2002-03
	£'000	£'000
Refunds to members leaving service	262	364
Individual transfers to other schemes	<u>6,005</u>	<u>9,304</u>
	<u>6,267</u>	<u>9,668</u>

7. Administrative expenses	2001-02	2002-03
	£'000	£'000
Administration and processing	775	796
Actuarial fees	60	65
Audit fee	<u>9</u>	<u>13</u>
	<u>844</u>	<u>874</u>

8. Investment Income	2001-02	2002-03
	£'000	£'000
Income from fixed interest securities	8,317	8,468
Dividends from Equities	22,932	21,729
Income from Index linked securities	1,212	1,160
Income from managed or unitised funds	335	156
Net rent from properties	3,261	3,830
Interest on cash deposits	<u>4,305</u>	<u>3,366</u>
	<u>40,362</u>	<u>38,709</u>
Irrecoverable taxation	<u>(2,327)</u>	<u>(2,248)</u>
	<u>38,035</u>	<u>36,461</u>

9. Investments	Value at	Purchases	Sales	Change in	Value at
	31.3.2002	at cost	Proceeds	market value	31.3.2003
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	154,760	108,771	(140,168)	13,230	136,593
Equities	803,022	162,275	(93,713)	(274,599)	596,985
Index-linked securities	38,623	41,206	(13,234)	4,202	70,797
Managed and unitised funds	88,987	28,224	(5,762)	(17,095)	94,354
Properties	49,815	-	-	1,295	51,110
Cash deposits & short term loans	104,454	331,612	(351,551)	8	84,523
Other	<u>95</u>	<u>-</u>	<u>(26)</u>	<u>-</u>	<u>69</u>
	<u>1,239,756</u>	<u>672,088</u>	<u>(604,454)</u>	<u>(272,959)</u>	<u>1,034,431</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Notes to the Pension Fund Financial Statements (continued ...)

	31 March 2002 £'000	31 March 2003 £'000
Fixed interest securities		
UK public sector quoted	84,648	81,247
UK quoted	48	50
Overseas public sector - quoted	<u>70,064</u>	<u>55,296</u>
	<u>154,760</u>	<u>136,593</u>
Equities		
UK quoted	592,432	436,411
UK unquoted	200	179
Overseas quoted	<u>210,390</u>	<u>160,395</u>
	<u>803,022</u>	<u>596,985</u>
Index linked securities		
UK quoted	36,699	68,872
Overseas quoted	<u>1,924</u>	<u>1,925</u>
	<u>38,623</u>	<u>70,797</u>
Managed and unitised funds		
Managed funds - property	-	-
- other quoted	-	2,931
- other unquoted	4,054	-
Unit Trusts - property	-	-
- other quoted	67,427	61,744
- other unquoted	<u>17,506</u>	<u>29,679</u>
	<u>88,987</u>	<u>94,354</u>
Properties		
UK Freehold	46,565	47,670
UK Leasehold	<u>3,250</u>	<u>3,440</u>
	<u>49,815</u>	<u>51,110</u>
Cash deposits and short term loans		
Sterling cash deposits	7,063	17,302
Loan to Derbyshire County Council	17,000	5,000
Other Sterling short term loans	80,000	61,183
Foreign Currency	<u>391</u>	<u>1,038</u>
	<u>104,454</u>	<u>84,523</u>
Other		
Insurance policies and fixed assets	<u>95</u>	<u>69</u>

Notes to the Pension Fund Financial Statements (continued ...)

10. Investment Management Expenses	2001-02	2002-03		
	£'000	£'000		
Administration, management and custody	679	987		
Performance measurement services	8	7		
Other advisory fees	<u>41</u>	<u>44</u>		
	<u>728</u>	<u>1,038</u>		
11. Current Assets and Liabilities	31 March 2002	31 March 2003		
	£'000	£'000		
Employers contributions due	6,496	2,683		
Employees contributions due	959	985		
Unpaid benefits	(489)	(957)		
Sundry debtors	7,570	7,419		
Sundry creditors	(557)	(2,453)		
Tax recoverable	<u>157</u>	<u>94</u>		
	<u>14,136</u>	<u>7,771</u>		
12. Fund investments by geographical sector (at market value)	31 March 2002	31 March 2003		
	£'000	%	£'000	%
UK	895,923	72.27	760,940	73.6
N.America	65,118	5.25	74,390	7.2
Europe	169,469	13.67	114,954	11.1
Asia and other	<u>109,246</u>	8.81	<u>84,147</u>	8.1
	<u>1,239,756</u>		<u>1,034,431</u>	

13. Related Party Transactions

Derbyshire County Council is the administering authority for the purposes of the Fund under the Local Government Pension Scheme Regulations 1995. Included in Administrative expenses and Investment Management expenses in 2002-03 are charges from the County Treasurer's Division and other Council Departments of £1,078,168 (2001-02 £1,052,882) for providing these services.

The Fund has also made a loan to Derbyshire County Council, which at 31 March 2003 was £5 million (2002 £17 million). This loan is repayable on demand and earns a market rate of interest (as prescribed by the Local Government Pension Scheme Regulations 1998).

Notes to the Pension Fund Financial Statements (continued ...)

14. Participating Employers

The participating employers in the Fund are Derbyshire County Council (which is also the Administering Authority), the Unitary and District Local Authorities (which are Scheduled Bodies) and a further 67 Scheduled and 14 Admitted Bodies. The Unitary and District Local Authorities are listed in the foreword of this Annual Report.

The Contributions Receivable and the Benefits payable by the fund during the year in respect of each type of participating employer were as follows:-

	2001-2002		2002-03	
	Benefits Payable £'000	Contributions Receivable £'000	Benefits Payable £'000	Contributions Receivable £'000
Derbyshire County Council	28,121	25,210	29,388	31,315
Scheduled Bodies	26,931	41,520	27,669	47,088
Admitted Bodies	<u>409</u>	<u>713</u>	<u>837</u>	<u>1,876</u>
	<u>55,461</u>	<u>67,443</u>	<u>57,894</u>	<u>80,279</u>

Auditor's Opinion

We have audited the financial statements on pages 13 to 37 and 48 to 49 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 8 to 10.

This report is made solely to Derbyshire County Council in accordance with Part II, Section 2 of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Derbyshire County Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Derbyshire County Council for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Chief Financial Officer and Auditors

As described on page 3 the Council's County Treasurer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

We review whether the statement on internal financial control on page 4 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. We report if it does not meet the requirements specified by CIPFA/LASAAC 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 financial control covers all risks and controls, or to form an opinion on the effectiveness of the Council's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

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 relevant auditing standards 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.

Auditor's Opinion (continued...)

Opinion

In our opinion the financial statements present fairly the financial position of Derbyshire County Council as at 31 March 2003 and its income and expenditure for the year then ended.

Certificate

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

Signature: KPMG LLP

Date: 17/12/2003

KPMG LLP
Chartered Accountants
Birmingham

Capital Expenditure

The figures opposite show the analysis of the year's capital expenditure between the major divisions of each Committee's services.

When the Council constructs a building or purchases a piece of land, it treats such expenditure as capital. Expenditure of this nature is of value to the community for many years to come and 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. Details of how the year's capital expenditure has been financed are shown at the foot of the table. In addition, vehicles have been leased during the year, the capital value of which is not included in the table but details are given in a note to the balance sheet.

The statement below shows the position on capital receipts, ie. the proceeds from the sale of land or buildings. Under current legislation capital receipts from the sale of the Authority's assets may be used in full to finance new capital expenditure. The provision for credit liabilities may be used to redeem debt, meet liabilities under credit arrangements, or as a means of financing expenditure authorised by credit approvals without borrowing. The statement shows new receipts in the year, together with the amounts applied either to finance capital expenditure in the year or to repay outstanding debt. Receipts unapplied at the year end are carried forward and shown in the consolidated balance sheet. Of the balance unapplied at the year end £4,021,617 is available to fund new capital expenditure. The remainder (£5,928,070) represents the provision for credit liabilities.

CAPITAL RECEIPTS STATEMENT

2001-2002		2002-2003	
£'000		£'000	£'000
8,074	Balance unapplied at start of year		7,068
	<i>Add</i>		
<u>1,902</u>	Land and Buildings sale proceeds in year		<u>8,228</u>
9,976			15,296
	<i>Less</i>		
	Used for redemption of debt	-	
<u>(2,908)</u>	Used for financing new capital expenditure	<u>(5,346)</u>	<u>(5,346)</u>
<u>£7,068</u>	Balance unapplied at year end		<u>£9,950</u>

Capital Expenditure (continued ...)

Capital Expenditure 2001-2002 £'000	Services	Capital Expenditure 2002-2003 £'000
	Central and Corporate Services	
153	Magistrates Courts	112
246	Housing and Other loans	432
76	Economic Development	(25)
795	County Buildings	852
	Education	
27,756	Schools	31,513
1,423	Youth and Community	1,229
	Environmental Services	
14,284	Highways	25,505
77	Transport	60
526	Countryside	407
1,898	Reclamation of derelict land	1,994
56	Refuse Disposal	-
468	Libraries and Heritage	501
42	Community and Public Protection	83
	Social Services	
670	Residential Services	636
<u>610</u>	Day and Community Support Services	<u>1,046</u>
<u>£49,080</u>		<u>£64,345</u>
	Financed from:	
16,611	Loans	32,009
9,521	Capital Receipts and other internal funds	11,453
<u>22,948</u>	Capital grants and contributions	<u>20,883</u>
<u>£49,080</u>		<u>£64,345</u>

Consolidated Loans Pool

The County Council administers a Consolidated Loans Pool which enables it to meet the accounting requirements of the Local Government and Housing Act 1989 to account for the acquisition and financing of fixed assets. The purpose of the Pool is to draw together and average out the cost of borrowing for capital expenditure. The accounts of the Pool are shown in three parts on these pages.

The capital transactions show the sum raised by loans. These may be by way of stock issues, bonds, mortgages, funds of the council, or temporary loans. The Pool will also make repayments of loans raised as these fall due.

These funds are used to make advances to finance capital expenditure on schools, roads and other lasting assets.

The 1989 Act provides that a minimum amount be set aside from an authority's revenue account each year as a provision for credit liabilities. This is known as the minimum revenue provision, which for 2002-03 is 4% of outstanding debt, ie. approximately £10.4 million.

Interest is payable on all loans raised by the Pool, and receivable on all loans made by the fund. These are shown in the section headed revenue transactions. The interest earned by the Pool reduces the amounts which must be charged to the revenue account. In addition the costs of operating the Pool are charged to borrowing committees at the rate of 0.01% of the balance outstanding. The rate of interest charged to revenue during the year was 6.42%.

Finally, the balance sheet below shows the assets and liabilities of the Pool.

BALANCE SHEET

31 March 2002
£'000

262,786
1,302
105,250
£369,338

259,392
20,716

7,068
5,877
76,285
£369,338

31 March 2003
£'000

Assets

Advances to borrowers
Debtors
Investments

284,418
547
116,814
£401,779

Liabilities

Loans outstanding
Temporary loans

276,791
11,343

Internal funds
Creditors
Cash overdrawn

9,950
2,978
100,717
£401,779

Consolidated Loans Pool (continued ...)

2001-2002 £'000		2002-2003 £'000
	REVENUE TRANSACTIONS	
	Expenditure	
21,777	Interest paid	21,271
<u>81</u>	Other financial transactions	<u>34</u>
<u>£21,858</u>		<u>£21,305</u>
	Income	
16,778	Interest charged to borrowers	16,878
4,999	Interest on investments	4,393
<u>81</u>	Other charges to borrowers	<u>34</u>
<u>£21,858</u>		<u>£21,305</u>
	CAPITAL TRANSACTIONS	
	Expenditure	
	Loans repaid	
10,600	Mortgages	20,600
173,117	Short term loans	79,917
-	Internal Funds	-
865,702	Temporary investments	859,445
<u>16,611</u>	Advances to borrowers	<u>32,009</u>
<u>£1,066,030</u>		<u>£991,971</u>
	Income	
	Loans raised	
23,600	Mortgages	38,000
171,421	Short term loans	70,545
2,476	Internal Funds	22,286
859,452	Temporary Investments repaid	847,882
(1,006)	Sales of Assets	2,881
<u>10,087</u>	Repaid by borrowers	<u>10,377</u>
<u>£1,066,030</u>		<u>£991,971</u>

Glossary of Financial Terms

Best Value

A duty placed on local and other authorities by central government to secure continuous improvement in the provision of services. The regime is supported by an accounting framework issued by CIPFA - the Best Value Accounting Code of Practice - in order that data consistency and comparability are achieved.

Capital Expenditure

The acquisition of fixed assets which will have a long-term value to the authority, eg land, purchasing existing buildings or erecting new ones, furniture and equipment, vehicles.

Capital Charge

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

Capital Receipts

Money received from the sale of land or buildings which is available, subject to certain limitations, to finance other items of capital (but not revenue) expenditure, or to repay outstanding debt on assets originally financed from loan.

Consolidated Loans Pool

The borrowing needs of all services to finance capital expenditure are met by advances from a separate account known as a Loans Pool, which itself is financed by the raising of loans externally. This procedure allows for the best overall borrowing policy to be pursued, and takes maximum advantage of an authority's total cash flow. Advances from the fund are repaid by annual instalments. The total interest paid by the Fund on external borrowings is recharged to all service accounts at an average Loans Pool rate.

Council Tax

Council Tax was introduced as the local tax with effect from 1 April 1993 replacing the Community Charge. It is based on the assessed capital values of domestic properties which are allocated to one of eight valuation bands.

County Fund

The main revenue fund of a County Council, to which costs of services are charged. The main sources of income are precepts, Government grants and fees and charges.

Deferred Charges

Deferred Charges represent expenditure which may properly be capitalised but does not result in, or remain matched with, tangible fixed assets.

Depreciation

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

Fixed Assets

Tangible assets that yield benefits to the local authority for a period of more than one year.

Glossary of Financial Terms (continued ...)

Fixed Asset Restatement Reserve

A reserve created as a result of the new system of capital accounting. It represents the difference between the new valuation of assets in the balance sheet based on current value and the old valuation based on historical cost.

Government Grants

Payment by Government towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (revenue support grant).

Minimum Revenue Provision (MRP)

The minimum amount which must be charged each year to an authority's revenue account to repay the principal element when borrowing for capital purposes.

Public Works Loan Board

A Government agency which provides longer term loans to local authorities at favourable interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a prescribed maximum proportion of their requirements from this source to finance their capital expenditure.

Rateable Value

A value placed on all non-domestic properties subject to rating to which a nationally fixed rate poundages applied to arrive at rates payable. The value is based on a notional rent that a property could be expected to yield after deducting the cost of repairs and management. Rateable values are fixed by Valuers of the Inland Revenue.

National Non-Domestic Rate or Business Rate

All occupiers of non-domestic property eg business premises, factories and public buildings continue to pay rates. The poundage is fixed nationally and local authorities benefit not by the amount of rates collected in their area but by a national standard amount per head of population.

Provisions

Amounts set aside in the accounts for liabilities of uncertain timing or amount to be settled by the transfer of economic benefits.

Revenue Support Grant

A Government grant in aid of local services generally, the objective of which is to supplement authorities' own finances, so that they can each provide the services for which they are responsible to similar standards, whilst making a similar charge to the local tax payer.

Revenue Expenditure

This is the annual expenditure on recurrent council services consisting principally of salaries and wages, debt charges and general running expenses.

Specific Grants

Government grants to local authorities in aid of particular projects or services eg Standards Fund.

Glossary of Financial Terms (continued ...)

Standard Spending Assessment (SSA)

The SSA is the Government's assessment for spending that is used as a method of allocating grant.

Statements of Standard Accounting Practice (SSAPs)

These are methods of accounting approved by the Accounting Standards Committee and are applicable to all accounts which are intended to give a true and fair view. Compliance with these statements is mandatory and any departure from them must be disclosed and explained, but as they originated in the commercial sector some are not relevant to local authority accounts.

UK GAAP

United Kingdom Generally Accepted Accountancy Practice