

# Statement of Accounts 2008-2009



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# EXPLANATORY FOREWORD

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## Introduction

This Statement of Accounts presents the overall financial position of the Council for the year ended 31 March 2009. It has been produced in compliance with both the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement of Recommended Practice (SORP) and Best Value Accounting Code of Practice (BVACOP), which have been based on United Kingdom Generally Accepted Accounting Practice (UK GAAP). UK GAAP is made up of a combination of many individual accounting standards.

The purpose of this foreword is to provide:

- An explanation of the accounting statements which follow.
- A review of the Council's financial performance in 2008-09.
- An indication of the Council's financial position as at 31 March 2009.

## Explanation of the Main Statements

- Statement of Accounting Policies - The purpose of the statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
- Statement of Responsibilities for the Statement of Accounts - The Statement of Responsibilities sets out the respective responsibilities of the Council and the Chief Financial Officer.
- Annual Governance Statement - This statement is an annual review of the system of internal control within the Council.
- Income and Expenditure (I&E) Account - This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.
- Statement of Movement on the General Fund Balance - This statement reconciles the Surplus or Deficit on the I&E Account to the income and expenditure allowable when calculating Council Tax.
- Statement of Total Recognised Gains and Losses - This statement identifies all gains and losses within the Council for the financial year.
- Balance Sheet - The Balance Sheet shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.
- Cash Flow Statement - This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- Group Accounts – Consolidates the financial statements with those of any company the Council has a controlling interest in, after eliminating any transactions between the two organisations.
- Pensions Fund Accounts - The pension fund's financial statements provide information about the financial position and performance of the fund.

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## EXPLANATORY FOREWORD

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### Summary of the Councils Financial Performance for 2008-09

- Capital Expenditure

The Council's capital investment for the year totalled £117,919k (including £6,711k Revenue Expenditure Funded from Capital Under Statute), against an estimated spend of £114,000k. The major schemes were;

	Spend £'000
Ilkeston Asworth Link	5,308
Sharley Park Community Primary	5,019
Etwall John Port Sports Hall	4,049
Kirk Hallam Post 16 Learning	3,303
Aldercar Post 16 Learning Provision	3,201
Chesterfield Abercrombie Primary	2,702
Buxton St Thomas More Rc School - Sports Hall	1,001

The Council funds its capital expenditure with capital grants, contributions, receipts from the sale of surplus assets, revenue funding and borrowing.

The sources of financing capital expenditure are as follows:

	Funding £'000
Grants	43,371
Contributions and other	15,395
Borrowing	33,747
Capital Receipts	8,136
Revenue	17,270
Total	117,919

The Council is committed to helping the local economy through the economic downturn, as part of its 16 point plan the Council has said it will review its tendering procedures to try to make contracts more accessible to local businesses. The Council hopes that capital projects which are being delivered on a local level will bring savings to the Council and deliver better value for money.

- Revenue Expenditure

The council set a net budget requirement in 2008-09 of £459,797k, which relied upon £12,522k use of general revenue reserves to meet one off pressures, and identified a transfer to reserves of £3,637k for risk management. Overall this represented a budgeted net spending of £468,682k. The budget requirement has been funded from Redistributed National Non-Domestic Rates of £144,763k, General Government Grants of £53,251k (details of these grants can be found in note 13 to the financial statements) and the balance of £261,783k from Council Tax. The Council Tax demand represented a band D equivalent of £1,030.98, an increase of 3.5% from 2007-08 which was below the shire county average of 3.9%.

The result of the Council's spending in 2008-09 is an increase in general reserves to a balance of £64,210k. Much of this however is committed to ongoing planned projects (such as core systems), service commitments, and the implementation of the single status agreement. The long term expectation for general reserves remains between £20,000k and £30,000k.

Service departments were set an efficiency target of £7,300k for 2008-09 and after allowing for this, all departments were within budget, with much of any underspends committed to ongoing projects. These are held in General Reserves pending detailed outturn reports for the year end, which will be considered by Cabinet.

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## EXPLANATORY FOREWORD

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- Use of Resources Assessment

The revised Use of Resources Judgement is intended to be an assessment of how well organisations are managing and using their resources to deliver both value for money, and better and sustainable outcomes for local people. The criteria have been expanded beyond purely financial criteria and now cover areas such as performance management, human resources, ICT, natural resources and partnerships.

This revised Use of Resources Judgement presents a wider and harder test. However, the Council has put in place plans to address the new requirements of assessment. The Council's score will be published later this year. The Council is aiming to maintain its overall score of 3 out of 4. A score of 2 indicates a satisfactory level of use of resources.

- Responding to the Economic Downturn

The current financial climate has had an impact on all local authorities in the UK over the past 12 months. The most publicised of these being the investments at risk for a number of local authorities due to the Icelandic banking system collapse. Although Derbyshire County Council was not one of the authorities involved, there are other risks and pressures it has been addressing. Some key examples are;

- Reduced tax base due to the slow down in the housing market means that in order to maintain a low council tax increase, costs also needs to be kept low.
- Increased demand for council services such as free school meals and adult social care.
- Anticipated low increase in Government revenue support grant, which supports all Council services.
- Large increases to fuel bills, the cost of lighting the streets in the country has risen 40%.  
(Source – Audit Commission report 'Crunch Time?' 19/12/08)

The Council has taken steps to respond to the economic climate;

- Revaluation of fixed assets. The Council recognises that the value of property has declined and has responded by impairing its assets accordingly.
- Reviewing the bad debt provision. Steps are in place to ensure that companies are financially viable before providing goods and services to keep the level of bad debt in the Council low.
- Setting aside contingencies for higher fuel costs and other non-standard inflation. The council has reflected the increase in fuel in its 2009-10 budget, however is also working on internal measures to keep costs and consumption as low as possible.
- Investing time in identifying alternative funding sources.

The Council also understands that it has a duty to local taxpayers and small businesses and has recently discussed initiatives it is putting in place to support them through the current economic downturn. The 16 point plan can be found in full on the Councils website. Key points are listed below;

- *Credit Crunch publication* – A guide of help and benefits for individuals and families
- *Trusted Trader* – Waiver registration fees for 2009-10
- *Invoice Payments* – Commitment to paying as quickly as possible
- *Council Tax* – Committed to keeping the 2009-10 increase to a minimum
- *Business Rates* – Campaign to ensure all small businesses claim the relief
- *'Quids In' Campaign* – Targeted welfare benefits campaign
- *Debt Counselling* – In liaison with Citizens Advice Bureaux/Advice Derbyshire promote debt counselling services

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## EXPLANATORY FOREWORD

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### Planned Future Developments

- Carbon Reduction Programme (CRC)

As part of the Government's commitment on mitigating climate change, a mandatory 'cap and trade' scheme will be introduced for carbon dioxide (CO<sub>2</sub>) emissions. The aim of this scheme is to achieve 1.2 million tonnes reduction in carbon dioxide emissions each year by 2020 from business and public sector organisations in the UK. Inclusion in the scheme is determined by an organisation's operational energy consumption. CRC applies to Derbyshire County Council from April 2010 and will have significant financial implications for the Council.

The detail of the CRC involves:

- UK Government capping organisational CO<sub>2</sub> emissions
- Reducing an organisation's operational CO<sub>2</sub> footprint in-line with the cap
- Collating retrospective CO<sub>2</sub> emissions data for all buildings and street lighting
- Projecting future use of CO<sub>2</sub> emissions from these sources
- Buying CO<sub>2</sub> credits based on these projections
- Trading credits to align projections with actual emissions
- For Derbyshire County Council the estimated cost for the first full year of trading is £750k (based on the purchase of allowances of 62,500 tonnes of CO<sub>2</sub> at £12 per tonne)

Organisations will have to start buying CO<sub>2</sub> allowances to cover their carbon emissions, and that will involve measuring and recording energy use and calculating CO<sub>2</sub> emissions (not including transport emissions).

- Introduction of International Financial Reporting Standards

Local Authorities are currently required to produce financial accounts in accordance with UK Generally Accepted Accounting Practice (UK GAAP) as interpreted by the CIPFA SORP. The Chancellors 2008 budget announced that from 1<sup>st</sup> April 2010 there will be a requirement for all Local Authorities to produce accounts in accordance with International Financial Reporting Standards (IFRS). This will mean a change to the accounting policies of the organisation for instance;

- Fixed Assets will be recorded, valued and accounted for in components (e.g. lifts, roofs, windows, land and building all shown separately)
- The format of the main statements will be changed for example with the Income & Expenditure Account shown in reporting segments.
- Cash equivalents will be included on the cash flow statement.

The Private Sector is already compliant, and other areas within the public services (such as the NHS) are currently undertaking implementation. It is hoped that this unity among all public and private organisations internationally will mean that comparisons are clearer and policies are standardised. Therefore the financial performance is much easier to understand.

The Council is committed to making this transition a success and has set up an implementation project team. The team aim to use lessons learned in other organisations who have successfully implemented IFRS, with support from training events and external consultants.

IFRS will change not only the structure of the accounts, but also the numbers which make it up. In order to make the accounts understandable to the reader, the Council will produce IFRS restated 2009-10 accounts alongside the 2010-11 accounts.



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- Single Status

The Council is party to the Single Status Agreement that will ensure gender pay equality across all staff. The Council recognised certain liabilities and entered into agreements with the certain pay groups which bought out any historic claims these pay groups may have; there are other outstanding equal pay claims which are being dealt with. At the same time the Council has been revising all of its pay and grading structures with the intention of implementing a new system from 1<sup>st</sup> April 2010.

It is expected that the new pay and grading system will result in a significant rise to the pay bill, for which the Council has made budgetary provision. In addition the Council recognises there is a contingent liability, and are feel that there are sufficient funds in the General Reserve to meet any outstanding historic liabilities.

- New Core Systems Project

The Council is currently in the latter stages of implementing a new core financial and HR system (SAP) which will 'go-live' on 1<sup>st</sup> April 2010. The system will incorporate;

- Financial / General Ledger System
- Accounts Payable and Accounts Receivable
- Asset Accounting
- E-Procurement
- Human Resources
- Payroll

This is a long term commitment by the Council and the impacts of the new systems will be seen over the coming years. This is the first stage of unifying internal systems to improve efficiency within the council. It is hoped that the system will bring about clearer processes, more efficient use of staff time and deliver real savings to the Council, which will help to keep Council Tax increases to a minimum. As such a project team has been put in place made up of internal staff and external consultants to ensure that the final system is both utilised to its best potential and consistent with internal ways of working.

The new financial ledger system will significantly aid the introduction of IFRS, improving the speed and ease with which the accounts are produced and ensuring that the information detailed within them is clear, concise and correct.

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# STATEMENT OF ACCOUNTING POLICIES

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## 1. General Principles

The Statement of Accounts summarises the council's transactions for the 2008-09 financial year and its position at 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008: a Statement of Recommended Practice* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

## 2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where supplies of significant value are held for future use; they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## 3. Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

## 4. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and they do not represent usable resources for the Council.

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## STATEMENT OF ACCOUNTING POLICIES

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### 5. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

### 6. Retirement Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).
- The Local Government Pension Scheme, administered by Derbyshire County Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees of the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

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

The liabilities of the Derbyshire County Council pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 7.1% [nominal] being the actuary's calculation of the weighted average of "spot yields" on AA rated corporate bonds.

The assets of the Derbyshire County Council pension fund attributable to the council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

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

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account

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## STATEMENT OF ACCOUNTING POLICIES

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- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the Derbyshire County Council pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

### **Discretionary Benefits**

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

### **7. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

### **8. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2008* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### **9. Intangible Fixed Assets**

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

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## STATEMENT OF ACCOUNTING POLICIES

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### 10. Tangible Fixed Assets

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

- **Recognition:** expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.
- **Measurement:** assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:
  - investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
  - land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
  - infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

- **Impairment:** the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:
  - where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
  - otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account. Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

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## STATEMENT OF ACCOUNTING POLICIES

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- **Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. Receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.
  
- **Depreciation:** depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Depreciation is calculated on the following bases:
  - buildings – straight-line allocation over the life of 40 years
  - vehicles – straight-line allocation over the life of asset (3-8 years)
  - furniture and equipment – straight line over 10 year life
  - infrastructure – straight-line allocation over 40 years.

It is the Councils policy not to charge depreciation in the year of acquisition but a full year is charge is made in the year of disposal.

- **Grants and contributions:** where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

### 11. Charges to Revenue for Fixed Assets

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

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

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

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## **STATEMENT OF ACCOUNTING POLICIES**

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### **12. Schools**

There are four types of state school in Derbyshire which all receive funding from the local Council and are included as assets on the Council's balance sheet. These being Community Schools, Foundation Schools, Voluntary-Aided Schools and Voluntary Controlled Schools.

Although not all assets are owned by the Council i.e. Foundation, and Voluntary Controlled Schools, since the provision of schooling forms part of the Education Service of the Council their assets and liabilities have been included in the Council's Balance sheet as per FRS5 Reporting the Substance of Transactions (risks and rewards of ownership).

If the schools were severely impaired, the Council would still have the responsibility of educating the children affected and therefore under FRS5 the Council retains the ultimate risk. All schools are insured with the Council and where some schools decide to arrange insurance themselves, the Council arranges a "contingency" cover should their insurance not cover the loss. This ensures that the Council fulfil its responsibility as an LEA.

The introduction of IFRS in 2010-11 places emphasis in some instances on the control of rights to economic benefits in line with the new SORP 2008 guidance which now also places emphasis on the control aspect. A complete review of all such assets is being undertaken in the next financial year as part of the process towards the move to IFRS. Details of the status of property held by Foundation, Voluntary Controlled and Voluntary-Aided Schools can be found at note 42.

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

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

### **14. Leases**

#### **Finance Leases**

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

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

#### **Operating Leases**

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

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## **STATEMENT OF ACCOUNTING POLICIES**

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### **15. Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus any interest accrued to 31<sup>st</sup> March 2009 and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years.

The council has a policy of spreading the gain/loss over the term of the replacement loan subject to a minimum period of 10 years with the case of discounts. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

### **16. Financial Assets**

Financial assets are classified into two types:

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

### **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any interest accrued to 31<sup>st</sup> March 2009 and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement. However, the council could make loans to organisations at less than market rates (soft loans).

When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.



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## STATEMENT OF ACCOUNTING POLICIES

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

### **Available-for-sale Assets**

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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

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

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

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

### **19. Private Finance Initiative (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the council under a contract are generally charged to revenue to reflect the value of services received in each financial year.

- **Prepayments**

A prepayment for services receivable under the contract arises when assets are transferred to the control of the PFI contractor, usually at the start of the scheme. The difference between the value of the asset at the date of transfer and any residual value that might accrue to the Council at the end of the contract is treated as a contribution made to the contractor and is accounted for as a prepayment. The prepayment is written down (charged) to the respective revenue account over the life of the contract to show the full value of services received in each year. However, as the charge is a notional one, it is reversed out in the Statement of Movement on the General Fund Balance to remove any impact on council tax or rents.

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## **STATEMENT OF ACCOUNTING POLICIES**

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Dowry payments, made at the start of the contract, which result in lower unitary payments over the life of the contract are accounted for by setting up the contribution (dowry) as a prepayment for services receivable and writing the balance down to revenue over the life of the contract as services are received to reflect their real cost.

- **Reversionary Interests**

The council has passed control of certain land and buildings over to the PFI contractor, but this property will return to the council at the end of the scheme (reversionary interests). An assessment has been made of the net present value that these assets will have at the end of the scheme (un-enhanced) and a reversionary interest asset has been created in the council's Balance Sheet. As the asset is stated initially at net present value, over the life of the scheme, the discount will need to be unwound by earmarking (decreasing) part of the unitary payment to ensure the reversionary interest is recorded at current prices when the interests revert to the council.

- **Residual Interests**

Where assets created or enhanced under the PFI scheme are to pass to the council at the end of the scheme at a cost less than fair value (including nil) (residual interests), an amount equal to the difference between the fair value and the payment to be made at the end of the contract is built up as a long-term debtor over the contract life by reducing the amount of the unitary payment charged to revenue.

- **PFI Credits**

Government grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

### **20. Acquired operations**

Any income or expenditure in relation to acquired operations has been shown under the heading acquired operations on the Income and Expenditure Account within the Net Cost of Services. Details of the nature of any acquired operations can be found in the notes to the accounts.

### **21. Area Based Grant**

Area Based Grant has been treated as a General Government Grant and as such is credited to the foot of the Income and Expenditure Account below Net Operating Expenditure.

### **22. Back pay arising from unequal pay claims**

The Council has a contingent liability within its General Reserve to meet any outstanding historic liabilities

### **23. Business improvement districts (BID)**

The Council has no BID schemes in place and there are no plans to introduce a new BID.

### **24. Contingent assets**

Where the Council has a contingent asset this will be disclosed as a note to the accounts.

### **25. Contingent liabilities**

Where the Council has a contingent liability this will be disclosed as a note to the accounts.

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## **STATEMENT OF ACCOUNTING POLICIES**

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### **26. Discontinued operations**

Any income or expenditure in relation to discontinued operations has been shown under the heading discontinued operations on the Income and Expenditure Account within the Net Cost of Services. Details of the nature of any discontinued operations can be found in the notes to the accounts.

### **27. Events after the Balance Sheet date**

Where there is a material post balance sheet event, a disclosure in the notes to the accounts will be included. If this event provides additional evidence of conditions that existed at the Balance Sheet date, and materially affects the amounts to be included in the accounts; adjusting items will have been shown in the accounts.

### **28. Exceptional items, extraordinary items and prior period adjustments**

Exceptional and extraordinary items will have been disclosed separately on the face of the Income and Expenditure Account. In addition, details of any exceptional, extraordinary or prior period items will be shown in the notes to the accounts.

### **29. Landfill allowances trading schemes (LATS)**

The Council receives an annual landfill allowance, permitting it to landfill a certain amount of waste. Allowances are allocated up to 2019-20 and can be traded with other waste disposal authorities.

When an allowance is received it is treated as revenue income, and when it is utilised (as waste is land filled) it is treated as revenue expenditure. Unused allowances are held on the balance sheet at an appropriate value, normally the estimated market value. LATS currently operate in an imperfect market with very few traders and can be sold up to 6 months after the end of the financial year to which they relate. Valuation at 31<sup>st</sup> March in any year is therefore imprecise. Allowances can be carried forward from year to year.

### **30. Provisions for bad and doubtful debts**

In order to suitably reflect the varied nature of debtors within the Council, the basis for providing for bad debts is devolved between individual departments. The general policy followed is;

- No public sector debt is provided for (internal debt, other Local Authorities, NHS or Central Government).
- Specific Adult Social Care debtors are provided for on a 5% of outstanding balance.
- Aged debt is reviewed and a reasonable percentage provided for.
- Specific individual invoices are reviewed and wholly provided for where it is thought to be necessary.

### **31. Research and development**

Any research costs incurred are treated as revenue expenditure at the point in which they are incurred. The Council has no plans for development projects currently.

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# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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## The Council's Responsibilities

The Council 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 Council, that officer is the Director of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts which, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this statement of accounts, the Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent;
- Complied with the local authority SORP.

The Director of Finance has also:

- Kept proper accounting records which were up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Ensured that events after the balance sheet date have been considered.


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## AUTHORISATION OF ACCOUNTS FOR ISSUE

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### Certificate of Director of Finance

I certify that the accounts give a true and fair view of the financial position of the Council at 31 March 2009 and of its income and expenditure for the year then ended.



Graham Hunt  
Director of Finance  
30<sup>th</sup> September 2009

The Statement of Accounts were approved by the Audit Committee on 29<sup>th</sup> June 2009



Councillor Stuart Bradford  
Chair of the Audit Committee  
29<sup>th</sup> June 2009

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# ANNUAL GOVERNANCE STATEMENT

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## **Scope of Responsibility**

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

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

Derbyshire County Council has approved and adopted a code of corporate governance, which is consistent with the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* and demonstrates its commitment to corporate governance stating that “good Corporate Governance underpins credibility and confidence in our public services”.

This statement explains how Derbyshire County Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2009 in relation to the publication of a statement on internal control. This code is available on the Council’s website.

## **The Purpose of the Governance Framework**

The governance framework comprises the systems, processes and values by which the Authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at Derbyshire County Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

## **Key Elements of the Governance Framework and their Contribution to Overall Effectiveness**

### *Policy and Plans*

A clear statement of the Council’s purpose and vision is set out in the Sustainable Community Strategy. The Council Plan also sets out the vision, goals and values of the Council which are supported by Resources Strategies, Departmental Service Plans and Council Strategies, Policies and Plans. The Council monitors and reports on the progress of the Council Plan every six months and an annual review of the Council’s performance is produced in its Annual Report. The outcomes of the review of performance are used to update the Plan each year.

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## ANNUAL GOVERNANCE STATEMENT

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The Authority operates Financial Regulations and Standing Orders which are subject to annual review by the Audit Committee. Codes of Conduct defining the standards of behaviour for Members and officers have been established and complaints in this arena are monitored by the Standards Committee. The Council operates a Confidential Reporting Code (whistle blowing policy) and a complaints procedure. In addition the Council has an Anti Fraud/Anti Corruption Strategy Policy Statement which is subject to annual review. The Council has in place an effective risk management framework and business continuity plans. The Strategic Risk Register is subject to regular review and project specific risk registers are in place for major projects and partnerships which are subject to ongoing review. Emerging risks are identified by the reviews and from ongoing audit work.

### *Leadership*

To ensure effective leadership throughout the Authority Members and officers work together to deliver a common purpose with clearly defined functions and roles. The County Council's Constitution includes details of the roles and responsibilities of the Executive, Committees, full Council and Chief Officers and the rules under which they operate. Policy and decision making are facilitated by a clear framework of delegation set out in the Council's Constitution which provides for delegation to officers within the framework laid down by the Council. The Constitution is subject to review. The Council's political structure and the roles and responsibilities of Cabinet Members are detailed on the Council website.

Chief Officers play a key role in implementing policy decisions. The County Secretary is the designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by the Council, Cabinet, its Committees and officers, providing support and advice on the maintenance of ethical standards and advising the Standards Committee. The Director of Finance is the nominated Section 151 Officer and is responsible for the proper administration of the Council's financial affairs.

The Council's Head of Internal Audit carries out an annual review of the Council's corporate governance arrangements. Based on the evidence from audit work the Head of Internal Audit produces an Annual Report which is considered by the Audit Committee and highlights both significant areas of good practice and those where improvements can be made. The Annual Report includes the formal Assurance Statement by the Head of Internal Audit on the effectiveness of the Authority's systems of internal control.

### *Role of the Audit Committee*

The Council has an Audit Committee which operates in accordance with prescribed terms of reference, its function being defined in the Constitution. It is responsible for ensuring the continued adequacy and effectiveness of the Authority's internal control framework and for undertaking an annual review of the regulatory framework which is comprised of:-

- Financial Regulations and Standing Orders
- Codes of Conduct for both Members and officers
- Confidential Reporting Code (whistle blowing policy)
- Anti Fraud/Anti Corruption Strategy Policy Statement

The Audit Committee receives, approves and monitors the Audit Plans for both internal and external audit and receives internal and external audit reports. It also monitors the effectiveness of the Authority's risk management arrangements.

The Audit Committee plays a key role in monitoring and reviewing the effectiveness of the system of internal control, systems established to combat fraud and corruption and ensuring that an adequate risk management framework is in place.

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# ANNUAL GOVERNANCE STATEMENT

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## *The Internal Control Framework*

Derbyshire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Authority has established a Governance Group of senior officers, chaired by the County Secretary, to review and monitor the Authority's governance arrangements. This review is supported by the work of Strategic Directors which from 2009/10 will be formalized by the completion of Assurance Framework matrices which, together with the work of internal audit, will demonstrate that good governance practices are embedded throughout the Authority. Further assurance is provided by the Head of Internal Audit's Annual Report, and also by comments made by the external auditor and other review agencies and inspectorates e.g. Ofsted, Care Quality Commission. As part of the Audit Commission's Comprehensive Performance Assessment, the Council achieved a 4 star overall performance in 2008. In addition, the Council was judged to be 'improving well' under the framework for assessing the 'Direction of Travel'.

## *Role of Internal Audit*

The effectiveness of the Council's internal controls is examined in detail through the work of Audit Services. The Unit has a Strategic Audit Plan from which the Annual Audit Plan is formulated based on key risks identified in the Council's Strategic Risk Register and through consultation with the Chief Executive, Strategic Directors, External Audit and other key stakeholders. The plan is flexed within the year to address emerging risks and optimize the Authority's Audit resource. Audit findings are reported to the relevant Strategic Directors and Senior Managers, together with recommendations for improvement in the form of prioritized action plans. Checks are undertaken by Audit Services to ensure agreed recommendations have been implemented and regular progress reports on the work of Audit Services are considered by the Audit Committee.

A detailed review of the effectiveness of the system of internal audit was undertaken in 2007-08 by the Director of Finance utilizing an objective assessment tool and concluded that the internal audit arrangements within the Council are effective. A further light touch review in 2009 affirmed this conclusion.

Audit Services carry out a wide range of audit work on both financial and operational systems within the Authority, including an annual review of Corporate Governance arrangements, and report the outcome of their work on a regular basis. In addition External Audit and other external agencies eg Ofsted contribute to the review of the Council's compliance with its policies, laws and regulations.

## *Role of Improvement and Scrutiny*

Improvement and Scrutiny Committees support the work of the Executive and the Council as a whole, by reviewing and/or scrutinizing decisions, producing reports and making recommendations and exercising the right to call-in for reconsideration decisions made but not yet implemented by the Executive. The role of Improvement and Scrutiny is defined in the Constitution and Reports produced by these Committees can be accessed via the County Council's website.

## *Role of Standards Committee*

The Standards Committee has a duty to monitor and review the operation of the Constitution and the ethical framework. The Monitoring Officer (County Secretary) has a key role in making recommendations to ensure that the Constitution achieves its purposes. Changes to the Constitution are only made following approval by full Council. The role of Standards Committee is defined in the Constitution and Reports issued by this Committee can be accessed via the County Council's website.

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# ANNUAL GOVERNANCE STATEMENT

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## *Member and Staff Development*

The Council provides training for Members to assist them in their roles. Staff induction, training and personal development reviews are undertaken and feed into training plans which are subject to review. The management competency framework supports the development of employees.

## *Consultation and Delivery in Partnership*

The Authority's vision and intended outcomes are communicated to citizens through a range of media including the Council's website and the Council Tax leaflet.

The Authority ensures that clear channels of communication are in place with all sections of the community and other stakeholders e.g. Its Your Shout, Workers' groups, Citizens' Panel, Youth Forum, 50+ Forum, BME Forum, Local Area Fora, School Councils and service user groups. Corporate Communications are managed by staff of the Chief Executive's Office.

The Authority operates a partnership protocol, toolkit and database; specific requirements of partnership working are defined in Financial Regulations and partnership arrangements are subject to annual review by Audit Services.

## **Future Improvements**

The reviews of effectiveness undertaken by both internal and external audit have advised that the Council's overall financial management and corporate governance arrangements are sound. A full review of the Council's governance arrangements has been undertaken in order to produce this statement utilizing an objective assessment process recommended by the Chartered Institute of Public Finance. This has highlighted opportunities to further strengthen present arrangements and the responsibility for monitoring progress in this regard is monitored by the Governance Group. A detailed action plan has been formulated to address these areas which includes further development of:-

- Communication strategy in relation to the Code of Corporate Governance
- Performance management and trend information
- Risk management communication protocols and formalizing risk management responsibilities in job descriptions

It is proposed over the coming year to take steps to address these remaining matters and further enhance governance arrangements.

*Nick Hodgen.*



**Chief Executive**  
29<sup>th</sup> June 2009

**Leader of the Council**  
29<sup>th</sup> June 2009



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## Independent auditor's report to Members of Derbyshire County Council

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### Opinion on the Authority accounting statements

I have audited the Authority and Group accounting statements and related notes of Derbyshire County Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement and the related notes. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Derbyshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

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### Respective responsibilities of the Director of Finance and auditor

The Director of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and

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# AUDITORS OPINION

- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority and Group accounting statements and related notes and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements and related notes. My responsibilities do not extend to any other information.

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## Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

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## Opinion

In my opinion:

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## AUDITORS OPINION

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- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Group as at 31 March 2009 and its income and expenditure for the year then ended.

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### Opinion on the Derbyshire County Council pension fund accounts

I have audited the Derbyshire County Council pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Derbyshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

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### Respective responsibilities of the Director of Finance and auditor

The Director of Finance's responsibilities for preparing the Derbyshire County Council pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Derbyshire County Council pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts and the Annual Report. This other information comprises the Explanatory Foreword published in the financial statements. I consider the implications for my report if I become aware of

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# AUDITORS OPINION

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any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. My responsibilities do not extend to any other information.

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## Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Derbyshire County Council pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

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## Opinion

In my opinion the Derbyshire County Council pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

### Authority's Responsibilities

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

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# AUDITORS OPINION

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## Auditor's Responsibilities

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

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## Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, I am satisfied that, in all significant respects, Derbyshire County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

## Certificate

I certify that I 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.

Ian Sadd

(Officer of the Audit Commission)

Rivermead House  
Grove Park  
Enderby  
Leicester  
LE19 1SU

30 September 2009

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# AUDITORS OPINION

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## **Independent auditor's report to the Members of Derbyshire County Council**

I have audited the pension fund accounts for the year ended 31 March 2009. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Derbyshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### ***Respective responsibilities of the Director of Finance and auditor***

The Director of Finance is responsible for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008. In preparing the pension fund accounts, the Director of Finance is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgments and estimates that were reasonable and prudent;
- keeping proper accounting records which were up to date;
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

My responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year. I also report to you whether, in my opinion, the information which comprises the commentary on the financial performance included within the Pension Fund Annual Report, is consistent with the pension fund accounts.

I review whether the governance compliance statement published in the Pension Fund Annual Report reflects compliance with the requirements of Regulation 34(1) (e) of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. I report if it does not meet the requirements specified by the Department of Communities and Local Government or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the remaining elements of the Pension Fund Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. My responsibilities do not extend to any other information.

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# AUDITORS OPINION

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## ***Basis of audit opinion***

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

## ***Opinion***

In my opinion:

- the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- the information given in the commentary on financial performance included within the Pension Fund Annual Report is consistent with the pension fund accounts.

Ian Sadd

(Officer of the Audit Commission)

Rivermead House  
Grove Park  
Enderby  
Leicester  
LE19 1SU

30 September 2009

## INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2007-08 Restated		Note	2008-09		
Net Expenditure £'000			Gross Expenditure £'000	Income £'000	Net Expenditure £'000
4,009	Central Services to the Public		29,001	(21,508)	7,493
43,965	Cultural, Environmental & Planning Services		51,984	(7,741)	44,243
86,382	Education and Children Services		713,764	(611,524)	102,240
40,498	Highways, Roads & Transport Services		84,070	(29,547)	54,523
161,156	Adult Social Services		271,551	(86,879)	184,672
833	Courts Services		1,298	(332)	966
7,834	Corporate & Democratic Core		9,957	(500)	9,457
18,159	Non Distributed Costs		6,095	0	6,095
0	Acquired Operations		0	0	0
<b>362,836</b>	<b>Net Cost of Services</b>		<b>1,167,720</b>	<b>(758,031)</b>	<b>409,689</b>
(1,333)	(Surplus) on Trading Operations	4			(1,327)
18,378	Interest Payable and Similar Charges				20,547
(17,029)	Interest and Investment Income				(15,412)
9,878	Pensions Interest Cost & Expected Return on Pension Assets	39			24,269
(1,546)	(Gain) / Loss on Disposal of Assets				5,759
256	Levies & Precepts				239
<b>371,440</b>	<b>Net Operating Expenditure</b>				<b>443,764</b>
(251,759)	Council Tax				(261,783)
(117,796)	National Non-Domestic Rates				(144,763)
(21,919)	General Government Grants	13			(53,251)
<b>(20,034)</b>	<b>(Surplus) for the Year</b>				<b>(16,033)</b>



## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007-08 Restated £'000		2008-09 £'000
(20,034)	(Surplus) for the year on the Income and Expenditure Account	<b>(16,033)</b>
2,953	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(7,118)
<b>(17,081)</b>	<b>(Increase) in General Fund Balance for the Year</b>	<b>(23,151)</b>
(51,466)	General Fund Balance brought forward	(68,547)
<b>(68,547)</b>	<b>General Fund Balance carried forward</b>	<b>(91,698)</b>
(31,541)	Amount of General Fund Balance held by governors under schemes to finance schools	(27,488)
(37,006)	Amount of General Fund Balance generally available for new expenditure	(64,210)
<b>(68,547)</b>		<b>(91,698)</b>

The Statement of Recommended Practice which Local Authorities follow requires a note to the accounts that breaks down the amounts apart from the outturn on the Income and Expenditure Account required by statute or non-statutory proper practices to be debited or credited to the General Fund for the year. This is the Note of Reconciling Items to the Statement of Movement on the General Fund Balance.

## NOTE OF RECONCILING ITEMS TO THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007-08 Restated £'000		Note	2008-09 £'000
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
(34,007)	Depreciation and impairment of fixed assets	25	(49,899)
26,333	Government Grants Deferred amortisation		17,802
1,546	Net gain / (loss) on disposal of fixed assets		(5,759)
3,496	Private Finance Initiative residual interest		2,248
(10,174)	Revenue expenditure funded from capital under statute		(6,711)
(1,685)	Principal transferred debt		(2,107)
(57,608)	Net charges made for retirement benefits in accordance with Financial Reporting Standard (FRS) 17		(68,396)
<b>(72,099)</b>			<b>(112,822)</b>
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
18,124	Minimum revenue provision for capital financing		18,700
7,334	Revenue Contributions to Capital Outlay		17,261
(183)	Reversal of effective interest rate		177
45,381	Employer's contributions payable to Derbyshire Pension Fund and Teachers Pensions Agency		47,644
<b>70,656</b>			<b>83,782</b>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
4,396	Net transfer to / (from) earmarked reserves		21,922
<b>2,953</b>	<b>Net additional amount required to be credited or debited to the General Fund balance for the year</b>		<b>(7,118)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

<b>2007-08 Restated £'000</b>		<b>Note</b>	<b>2008-09 £'000</b>
(20,034)	(Surplus) on the income and expenditure account		(16,033)
(24,523)	(Surplus) arising on revaluation of fixed assets		(26,905)
74,493	Actuarial (gains)/losses on pension fund assets and liabilities		(77,816)
531	Equalisation of Lender Option Borrower Option Debt		0
(67)	Other movements		138
<b>30,400</b>	<b>Total (gains) and losses for the year</b>		<b>(120,616)</b>

## BALANCE SHEET

2007-08 Restated £'000		Note	2008-09	
			£'000	£'000
	<i>Tangible Fixed Assets</i>			
1,325,195	Land & Buildings		1,366,876	
49,846	Vehicles, Plant & Equipment		49,161	
205,472	Infrastructure Assets		229,769	
3,508	Community Assets		4,989	
76,255	Non-Operational Assets		89,629	1,740,424
0	Intangible Fixed Assets			208
64,669	Long Term Debtors			63,154
0	Long Term Investments			16,276
<b>1,724,945</b>	<b>Total Long-Term Assets</b>			<b>1,820,062</b>
	<i>Current Assets</i>			
4,558	Stocks / Work in Progress		3,840	
50,789	Debtors		54,651	
289,476	Short Term Investments		287,878	
3	Landfill Usage Allowances		0	346,369
	<i>Current Liabilities</i>			
(129,540)	Creditors		(124,004)	
(16,122)	Temporary Loans		(27,082)	
(6,002)	Short Term Loans – Public Works Loan Board		(31,973)	
(21,053)	Cash Overdrawn		(15,156)	(198,215)
<b>1,897,054</b>	<b>Total Assets Less Current Liabilities</b>			<b>1,968,216</b>
(414,480)	Long Term Borrowing		(382,701)	
(5,689)	Loan Liability - OLAS		(5,457)	
(157,317)	Government Grants and Contributions Deferred		(195,536)	
(6,945)	Insurance Provisions	31	(7,061)	
(6,150)	Other Provisions	32	(7,436)	(598,191)
(478,499)	Liability Relating to Defined Benefit Pension Scheme			(421,435)
<b>827,974</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>948,590</b>
	<b>Represented By:</b>			
24,523	Revaluation Reserve			50,312
1,135,125	Capital Adjustment Account			1,138,098
(700)	Financial Instruments Adjustment Account			(524)
23,302	Useable Capital Receipts Reserve			17,899
37,006	General Fund Balance			64,210
31,541	Schools Balances			27,488
5,676	Capital Earmarked Reserves			621
50,000	Revenue Earmarked Reserves			71,921
(478,499)	Pensions Reserve			(421,435)
<b>827,974</b>	<b>TOTAL EQUITY</b>			<b>948,590</b>

## CASH FLOW STATEMENT

Restated 2007-08 £'000		Note	2008-09	
			£'000	£'000
	<b>REVENUE</b>			
	<i>Cash Outflows;</i>			
(602,960)	Employees		(667,167)	
(457,641)	Other Operating Payments		(497,984)	(1,165,151)
(1,060,601)				
	<i>Cash Inflows;</i>			
251,759	Precepts		261,783	
117,796	NNDR		144,763	
19,769	RSG		53,251	
572,692	Other Government Grants		574,965	
146,665	Cash for Goods and Services		190,941	
				1,225,703
<b>48,080</b>	<b>Net Cash Flows from Revenue Activities</b>			<b>60,552</b>
	<b>SERVICING OF FINANCE</b>			
	<i>Cash Outflows;</i>			
(21,162)	Interest Paid		(20,536)	
	<i>Cash Inflows;</i>			
15,657	Interest Received		15,412	
<b>(5,505)</b>	<b>Net Cash Flows from Servicing of Finance</b>			<b>(5,124)</b>
	<b>CAPITAL</b>			
	<i>Cash Outflows;</i>			
(92,105)	Purchase of Fixed Assets		(98,527)	
	<i>Cash Inflows;</i>			
(2,686)	Sales		2,733	
70,837	Grants		56,021	
0	Other		0	
68,151				58,754
<b>(23,954)</b>	<b>Net Cash Flows from Capital Activities</b>			<b>(39,773)</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>			
	<i>Cash Outflows;</i>			
(30,675)	Short Term Deposits		(14,678)	
	<i>Cash Inflows;</i>			
13,247	Other Liquid Resources		36,931	
<b>(17,428)</b>	<b>Net Cash Flows from Liquid Resources</b>			<b>22,253</b>
	<b>FINANCING</b>			
	<i>Cash Outflows;</i>			
(274)	Repayments of Amounts Borrowed		(32,011)	
	<i>Cash Inflows;</i>			
307	New Loans Raised		0	
<b>33</b>	<b>Net Cash Flows from Financing</b>			<b>(32,011)</b>
<b>1,226</b>	<b>(INCREASE) / DECREASE IN CASH</b>			<b>5,897</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 1. Acquired Or Discontinued Operations

From 1<sup>st</sup> April 2008 the responsibility for the delivery of the functions undertaken by Connexions became the responsibility of Local Authorities. As such the Council had a number of options, Delivery 'in-house'; setting up a new company to deliver the service; splitting Connexions Derbyshire Ltd into two separate companies each under the independent control of Derbyshire County Council and Derby City Council; or to continue the current Connexions Derbyshire Ltd company under joint control of Derbyshire County Council and Derby City Council.

The decision was taken to continue the current company under a joint agreement. As the Authority has incurred no additional costs associated in the acquired operation, the continuing contribution made by the Council to Connexions is shown within the Children's Services line. Group accounts have been produced to show the combined wealth of Derbyshire County Council and its element of Connexions Derbyshire Ltd.

There have been no discontinued operations during the financial year.

### 2. Exceptional / Extraordinary Items And Prior Year Adjustments

No exceptional or extraordinary items have occurred during the financial year. The following adjustments have been made to the previous year balances.

- The Statement of Movement in the General Fund Balance has been adjusted by £31,541k to include schools balances which are earmarked reserves within the General Fund.
- The Pensions liability in the balance sheet has been adjusted by £1,724k to reflect the revaluation of FRS17 assets at bid prices rather than mid-market prices. Pension's costs reflected in the I&E Account, the Statement of Movement on the General Fund Balance and the Statement of Total Recognised Gains and Losses have also been adjusted.
- £1,306k of unused grant income was treated as income in advance, rather than being transferred to reserves.
- £40,395k in relation to children's social care has been moved from Adult Social Services to Education and Children's Services category in line with the 2007-08 BVACOP.
- An audit adjustment of £4,083k from 2007-8 was found to be incorrect and has been reversed, this plus other minor adjustments to bring fixed assets in line with the asset management system have been adjusted on the balance sheet.
- During the external audit of the 2008-09 draft accounts in June, £1,542k which related to the DLO accounts was found to have been incorrectly included in the Revaluation Reserve in 2007-08. This balance should have been included in the Capital Adjustment Account.

### 3. Outstanding Obligations Arising From Long-Term Contracts

The Council is required by the SORP to disclose information about all the contracts under which the Council has committed material revenue resources for future financial years. Details of all material contracts are:

Day care for clients with Physical Disabilities – the Council has obligations estimated at £1,588k per annum under a contract with Leonard Cheshire the contract expires in 2011.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Day care for clients with Learning Disabilities – the Council has estimated at £1,807k per annum under a contract with McIntyre the contract expires in 2016.

Safeguarding – the Council has obligations of £2,400k for 2009-10 in relation to contracts that last up to 5 years with Action for Children, Barnardos, Adullam Housing and Trident. Several of these contracts expire in 2010-11, the annual obligation will reduce to £330k.

Preventative Services for children and families including disabled children – the Council has obligations of approx £2,400k per annum in relation to a number of contracts with mainly voluntary/charitable organisations that last until 2011.

Short Breaks for Disabled Children - the Council has obligations of approx £900k per annum in relation to a number of contracts with mainly voluntary/charitable organisations.

PFI Schools - The Council currently has 4 schools under PFI arrangements. The total revenue committed through unitary charges for 2009-10 is anticipated to be £9,380k.

The Council is currently implementing a new core system SAP, CAPGEMINI are the implementation partners. The Council has obligations of £700k per annum for this project.

#### 4. Trading Operations

The council has the following trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations.

2007-08 Net Surplus £'000		Expenditure £'000	2008-09 Income £'000	Net Surplus £'000
(1,333)	Industrial Development Activities	517	(1,844)	(1,327)
(1,333)	<b>Total (Suplus) on Trading Activities</b>	517	(1,844)	(1,327)

Industrial Development Activities relate to factory units throughout the County which provide accommodation for companies and provides a number of small business centers.

#### 5. Section 137 Expenditure

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The council's expenditure under this power is shown below.

2007-08 £'000		2008-09 £'000
286	Grants to voluntary organisations	274
27	Community Venture Scheme	27
313	<b>Total Section 137 Expenditure</b>	301

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6. Publicity

Per the requirements of section 5(1) of the Local Government Act 1986, the Council's spending on publicity was:

2007-08 £'000		2008-09 £'000
1,247	Recruitment Advertising	1,338
377	Non Recruitment Advertising	290
1,833	Other Publicity	1,911
<b>3,457</b>		<b>3,539</b>

### 7. Building Control Account

Derbyshire County Council does not have a building control function.

### 8. Agency Services

The Council has had no agency agreements during the financial year.

### 9. Transport Act 2000

Under Schedule 12 of the Transport Act 2000, details of the Income and Expenditure in relation to road charging schemes should be disclosed. The Council has no such schemes in place.

### 10. Business Improvement District Schemes

The Council has no BID schemes in place for the financial year.

### 11. Local Authorities (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies, such as Derbyshire Police Authority. The charges made to other public bodies has been based on estimated costs of providing the service.

2007-08 £'000		2008-09 £'000
135	Education Services	182
132	Computer Services	129
416	Financial Services	164
170	Legal Services	149
693	Vehicle Maintenance	810
0	Shared Service Centre	221
45	Other	26
<b>1,591</b>		<b>1,681</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 12. Pooled Funds and Similar Arrangements

Section 31 of the Health Act 1999 and the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000 enable establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds enable health bodies and local authorities to work collaboratively to address specific local health issues. A key feature of the pool is that the use of resources contributed to the pool should be dictated by the needs of clients who meet the criteria established for the pool, rather than the respective contributions of the partners. Thus, it is to be expected that health service resources could be used to deliver local authority services and vice versa.

Derbyshire County Council and Derbyshire Primary Care Trust have a pooled budget arrangement for Derbyshire Integrated Community Equipment. Details of the pooled budget for the year are below.

2007-08 Total Pooled Funding £'000		Derbyshire County Council £'000	2008-09 Derbyshire Primary Care Trust £'000	Total Pooled Funding £'000
30	Employees	50	60	110
0	Room Hire/Refreshments Equipment	0	1	1
6,360	Purchase of Equipment	3,020	3,692	6,712
624	Delivery Costs	340	415	755
150	Repairs	71	87	158
(3,234)	Collections Rebate	(1,575)	(1,925)	(3,500)
<b>3,930</b>	<b>Total</b>	<b>1,906</b>	<b>2,330</b>	<b>4,236</b>

### 13. General Government Grants

The General Government Grants figure shown in the I&E Account is made up of various general grants as detailed below. The Council has authority to use these grants however it sees necessary, either to support the general budget requirement, or specific allocation to projects, ensuring full local control over how the funding is used.

2007-08 £'000		2008-09 £'000
19,769	Revenue Support Grant (RSG)	20,152
0	Area Based Grant (ABG)	32,660
103	Public Service Agreement (PSA) phase 2 reward grant	0
2,047	Local Authority Business Growth Incentive (LABGI)	439
<b>21,919</b>	<b>Total General Government Grants</b>	<b>53,251</b>

There has been a significant increase to the balance of General Government Grants; this is due to the introduction of the Area Based Grant (ABG) in 2008-09. The ABG is a general grant which supports overall spending within the Council. It replaces several specific grants which in previous years would have been shown within the Net Cost of Services, in the I&E Account.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. Members' Allowances

The total members' allowances paid in 2008-09 were £1,057k. In 2007-08 this figure was £1,052k.

### 15. Officers' Emoluments

The number of employees whose remuneration (total salary plus bonus and benefits, excluding employer's pension contributions) was £50k or more in bands of £10k:

2007-08				2008-09		
Teachers £'000	Other £'000	Total £'000		Teachers £'000	Other £'000	Total £'000
			Between:			
222	56	278	£50,000 and £59,999	265	70	335
24	6	30	£60,000 and £69,999	46	9	55
14	17	31	£70,000 and £79,999	13	14	27
6	7	13	£80,000 and £89,999	7	8	15
0	1	1	£90,000 and £99,999	2	5	7
0	1	1	£100,000 and £109,999	0	0	0
0	2	2	£110,000 and £119,999	0	2	2
0	0	0	£120,000 and £129,999	0	1	1
0	0	0	£130,000 and £139,999	0	0	0
0	1	1	£140,000 and £149,999	0	0	0
0	0	0	£150,000 and £159,999	0	1	1
<b>266</b>	<b>91</b>	<b>357</b>		<b>333</b>	<b>110</b>	<b>443</b>

### 16. Related Party Transactions

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

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with government departments are set out in a note relating to the Cash Flow Statement.

Members of the Council have direct control over the Council's financial and operating policies. During 2008-09, works and services to the value of £12k were commissioned from a company in which a co-opted member had an interest. Contracts were entered into in full compliance with the Council's standing orders.

In addition, in some circumstances Members and Chief Officers are nominated by the Council to sit on outside bodies. However, the Council's representation on the management board of such organisations has not influenced any contracts, only how funding will be used.

The Council operates a car loan scheme with loans outstanding to Chief Officers at 31 March 2009 totalling £36k.

## NOTES TO THE CORE FINANCIAL STATEMENTS

A number of services are provided to the Peak District National Park Authority(PDNPA), Police and Fire Authorities by the County Council i.e. financial, legal, personnel, Information Technology, property and fleet services totalling £1,039k in 2008-09 to the Police Authority and £142k to the Fire Authority.

The Council also held temporary deposits for both the PDNPA and the Derbyshire Fire Authority during 2008-09. Details are as follows;

	PDNPA £'000	Derbyshire Fire £'000
Average Balance	4,786	9,268
Balance at 31 <sup>st</sup> March 2009	3,289	6,793
Total Interest	187	338

During the financial year, the pension fund had an average balance of £11,901k of surplus cash deposited with the Council. The Council paid the fund a total for interest of £398k on these deposits.

The balance relating to this at 31<sup>st</sup> March was £17,000k. In addition, £338k was paid by the Council to the pension fund as its share of interest on credit balances held at the Co-Operative Bank.

The Council charged the fund £1,293k for expenses incurred in administering the fund.

### 17. Audit Costs

The Audit Commission became the new appointed auditors with effect from 1<sup>st</sup> April 2008. The Council incurred the following fees for 2008-09 relating to external audit and inspection;

2007-08 £'000		2008-09 £'000
294	Fees payable with regard to external audit services carried out by the appointed auditor	288
84	Fees payable in respect of statutory inspection	15
20	Fees payable for the certification of grant claims and returns	28
4	Fees payable in respect of other services provided by the appointed auditor.	2
<b>402</b>		<b>333</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. Summary of Capital Expenditure and Fixed Asset Disposals

#### *i. Movement on Fixed Assets*

Fixed assets of the Council 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.

The following table shows the change in the value of fixed assets during the year:

	OPERATIONAL ASSETS				NON OPERATIONAL ASSETS			TOTAL £'000
	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets for Disposal £'000	
<b>COST OR VALUATION</b>								
At 1st April 2008	1,406,382	80,640	244,648	3,509	21,820	0	37,574	<b>1,794,573</b>
Prior Period	(15,760)	0	0	0	(79)	0	16,941	<b>1,102</b>
Additions	48,853	7,451	29,741	1,488	146	8,150	15,608	<b>111,437</b>
Donations	0	0	0	0	0	0	0	<b>0</b>
Disposals	(6,878)	(1,398)	0	0	0	0	(4,827)	<b>(13,103)</b>
Reclassifications	(2,875)	(14)	0	(8)	25	5,545	(2,673)	<b>0</b>
Revaluations	14,198	0	0	0	(6,526)	0	(2,075)	<b>5,597</b>
<b>At 31st March 2009</b>	<b>1,443,920</b>	<b>86,679</b>	<b>274,389</b>	<b>4,989</b>	<b>15,386</b>	<b>13,695</b>	<b>60,548</b>	<b>1,899,606</b>
<b>DEPRECIATION AND IMPAIRMENTS</b>								
At 1st April 2008	(65,404)	(30,853)	(39,176)	(15)	0	0	0	<b>(135,448)</b>
Prior Period	(23)	60		15				<b>52</b>
Charge for Year	(20,475)	(7,886)	(5,444)	0	0	0	0	<b>(33,805)</b>
Disposals	3,778	1,161	0	0	0	0	0	<b>4,939</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Revaluations	5,080	0	0	0	0	0	0	<b>5,080</b>
<b>At 31st March 2009</b>	<b>(77,044)</b>	<b>(37,518)</b>	<b>(44,620)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(159,182)</b>
<b>OPENING VALUE AT 1st APRIL 2008</b>	<b>1,340,978</b>	<b>49,787</b>	<b>205,472</b>	<b>3,494</b>	<b>21,820</b>	<b>0</b>	<b>37,574</b>	<b>1,659,125</b>
<b>CLOSING VALUE AT 31st MARCH 2009</b>	<b>1,366,876</b>	<b>49,161</b>	<b>229,769</b>	<b>4,989</b>	<b>15,386</b>	<b>13,695</b>	<b>60,548</b>	<b>1,740,424</b>
<b>NATURE OF ASSET HOLDING</b>								
Owned	1,366,876	49,161	229,769	4,989	15,386	13,695	60,548	<b>1,740,424</b>
Finance Lease	0	0	0	0	0	0	0	<b>0</b>
PFI	0	0	0	0	0	0	0	<b>0</b>
	<b>1,366,876</b>	<b>49,161</b>	<b>229,769</b>	<b>4,989</b>	<b>15,386</b>	<b>13,695</b>	<b>60,548</b>	<b>1,740,424</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### ii. *Capital Expenditure and Financing*

When the Council constructs a building or purchases a piece of land, it treats such expenditure as capital. Below are details of the capital expenditure during the year analysed by the major divisions of each service. Details of how this expenditure has been financed are at the foot of the table.

2007-08 £'000		2008-09 £'000
	<b>CENTRAL AND CORPORATE SERVICES</b>	
2,688	Change Management and Other	3,661
684	Economic Development	0
1,561	County Buildings	1,717
	<b>CHILDREN AND YOUNGER ADULTS</b>	
50,896	Schools	56,005
1,381	Youth and Community	1,357
	<b>ENVIRONMENTAL SERVICES</b>	
26,880	Highways	28,413
322	Countryside	408
17,883	Reclaim of Derelict Land	16,952
1,453	Refuse Disposal	2,132
510	<b>CULTURAL AND COMMUNITY SERVICES</b>	450
	<b>ADULT SOCIAL SERVICES</b>	
5,167	Residential Services	3,836
3,561	Day and Community Support Services	2,988
<b>112,986</b>		<b>117,919</b>
	<b>FINANCED FROM</b>	
21,764	Loans	33,747
19,709	Revenue Contributions, Capital Reserves and Capital Receipts	28,151
71,513	Capital Grants and Contributions	56,021
<b>112,986</b>		<b>117,919</b>

Included in the above is £6m of Revenue Expenditure Funded from Capital Under Statute, and £111m of capital additions.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 19. Commitments Under Capital Contracts

Listed below are schemes over £500k where there is still significant expenditure outstanding as at 31<sup>st</sup> March 2009.

	Total Estimated Cost £'000	Expenditure Incurred £'000	Expenditure Outstanding £'000
<b>Children and Younger Adults</b>			
Abercrombie Primary School	4,345	2,449	1,896
Aldercar Secondary School	3,517	3,376	141
Clay Cross Primary School	5,437	5,271	166
Etwall John Port School	5,781	3,733	2,048
Glossopdale Community Centre	1,056	345	711
Herbert Strutt Primary School	3,719	3,311	408
Kirk Hallam Secondary School	3,929	3,339	590
New Mills Childrens Centre	572	187	385
Risley CE Primary School	732	424	308
<b>Adult Social Services</b>			
Alfreton Parkwood Hostel	2,132	279	1,853
Bolsover Thomas College Home for Older People	815	620	195
Staveley Residential & Community Care Centre	6,575	1,694	4,881
<b>Environmental Services</b>			
MEGZ - Markham Growth Zone - Phase 4	796	338	458
MEGZ - Landscape - Phase 1	698	242	456
MEGZ - Northern Loop - Phase 1	14,000	10,668	3,332
	<b>54,104</b>	<b>36,276</b>	<b>17,828</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 20. Information on Assets Held

Details of fixed assets owned by the Council are given below. This table shows the total number of assets in relation to a particular type of assets i.e. there are 1,780 assets in relation to schools made up of elements such as the land, the building, swimming pool's on site etc.

	<b>Number of Assets 2008-09</b>
<b>Land &amp; Buildings</b>	
Area Offices	21
Community Centres	38
Day Centres	109
Residential (Elderly)	72
Residential (Other)	11
Investment Properties	101
Offices and Council Buildings	85
Schools	1,780
Libraries	78
Other	309
<b>Total Land &amp; Building</b>	<b>2,604</b>
<b>Vehicles, Plant &amp; Equipment</b>	
Equipment and Furniture	663
Vehicles and Plant	135
<b>Total Vehicles, Plant &amp; Equipment</b>	<b>798</b>
<b>Infrastructure Assets</b>	
Land	2
Other	29
<b>Total Infrastructure Assets</b>	<b>31</b>
<b>Community Assets</b>	
Land	14
Other	59
<b>Total Community Assets</b>	<b>73</b>
<b>Non-Operational Assets</b>	
Assets Under Construction:	
Childrens Centres	2
Residential Home (Elderly)	1
Residential Home (Other)	1
School Sites	3
Assets Held for Sale:	
Schools	8
Land	12
Other	35
<b>Total Non-Operational Assets</b>	<b>62</b>
<b>Total Assets</b>	<b>3,568</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 21. Assets Held Under Leases

The Council uses leased vehicles and specialised plant and equipment under the terms of operating leases. The amount paid in the financial year was £1,048k (£1,540k in 2007-08).

The Council is committed to making payments in relation to operating leases as detailed below.

	Vehicles, Plant and Equipment £'000
Leases expiring within 1 year	410
Leases expiring between 2 to 5 years	63
Leases expiring after 5 years	0
	<b>473</b>

### 22. Assets Held For Leases

The council has no assets held for leasing purposes.

### 23. Private Finance Initiative Schemes

The Council has two Private Finance Initiative (PFI) schemes in which a private sector provider builds, maintains and services accommodation for use by the County Council. Payment is made by an annual Unitary Charge over the life of the contract, subject to satisfactory performance in delivering the serviced accommodation in line with the Council's requirements.

#### (a) Schools Phase 1

In 2001 the Council signed a contract for the provision of two new secondary schools at Tupton and Chapel-en-le Frith. The capital cost of the schools was £25,558k and they were completed and occupied in April 2003 under a 26 year contract. The Unitary Charge for 2008-09 was £4,508k.

The Council will gain ownership of the two schools at the end of the contract period at nil cost. This is known as the acquisition of the residual interest. The schools are currently valued at £38,260k and an element of the annual Unitary Charge is deemed to relate to the acquisition of the residual interest over the life of the contract and transferred to long-term debtors. For 2008-09 this figure was £1,041k. As this adjustment is notional a matching transfer is made to the Capital Adjustment Account. Unitary Charge payments of £4,505k are anticipated to be charged to the revenue account in 2009-10.

#### (b) Schools Phase 2

During 2004-05 the Council signed a contract for the provision of two further secondary schools at Newbold and Long Eaton. They were built at a cost of £32,945k and became operational in February 2006. The Council made a payment of £1,500k to the provider at the time of contract signature to secure a reduction in the level of future Unitary Charge. This has been treated as a prepayment in the accounts and is charged to revenue in equal instalments over the life of the contract, starting in 2006-07.

The schools are valued at £38,030k and a residual interest element of £1,207k has been debited to long-term debtors with a matching transfer to the Capital Adjustment Account. The Unitary Charge for the year 2008-09 was £4,765k and is expected to be £4,875k for the year 2009-10.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 24. Fixed Asset Valuation

The following statement shows the progress of the council's rolling programme for the revaluation of fixed assets. The valuations are carried out by RICS qualified valuer who is internal to the Council. The basis for valuation is set out in the statement of accounting policies.

	OPERATIONAL ASSETS				NON OPERATIONAL ASSETS			TOTAL £'000
	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets for Disposal £'000	
<b>VALUED AT HISTORICAL COST</b>	118	41,561	199,968	4,989	730	13,695	0	<b>261,061</b>
<b>VALUED AT CURRENT COST</b>								
2008-09	171,160	7,600	29,801	0	12,079	0	20,251	<b>240,891</b>
2007-08	45,083	0	0	0	0	0	0	<b>45,083</b>
2006-07	54,814	0	0	0	1,513	0	25,431	<b>81,758</b>
2005-06	425,468	0	0	0	149	0	9,807	<b>435,424</b>
2004-05	670,233	0	0	0	915	0	5,059	<b>676,207</b>
	<b>1,366,876</b>	<b>49,161</b>	<b>229,769</b>	<b>4,989</b>	<b>15,386</b>	<b>13,695</b>	<b>60,548</b>	<b>1,740,424</b>

### 25. Depreciation Methodology

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 Council'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.

Details of depreciation charged during the year can be found in note 18.

### 26. Changes In Depreciation Methods

There have been no changes to the depreciation methodology during the financial year.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 27. Intangible Fixed Assets

Intangible Assets relate to software licences for the Council which are being written off over five years in line with its current amortisation policy.

The Council does not have a significant amount of intangible assets due to its current Financial System being written in house. However, there will be a considerable increase in future years due to the implementation of the new SAP Financial System on 1<sup>st</sup> April 2010.

	2008-09			
	Purchased Software Licences £'000	Trademarks £'000	Patents £'000	Total £'000
<b>ORIGINAL COST</b>	0	0	0	0
Amortisations to 1 April 2008	0	0	0	0
Balance at 1 April 2008	0	0	0	0
Expenditure in Year	208	0	0	208
Written off to revenue in year	0	0	0	0
Balance at 31 March 2009	208	0	0	208

### 28. Changes in Amortisation Methods For Intangible Fixed Assets

There have been no changes to the amortisation methodology during the financial year.

### 29. Analysis Of Net Assets Employed

There is a requirement to disclose the net assets by the General Fund, and trading undertakings, as shown below.

2007-08 £'000		2008-09 £'000
	GENERAL FUND:	
(362,943)	REVENUE	(261,032)
1,188,626	CAPITAL	1,206,930
2,291	TRADING OPERATIONS	2,692
<b>827,974</b>		<b>948,590</b>

### 30. Interests In Companies

The County Council has involvement in a number of companies which are either regulated or influenced by the Council. These are Derbyshire Waste Ltd, CLASP (1988) LTD, the National Stone Centre, Creswell Heritage Trust and Creswell Trading Company Ltd.

The activities of these companies are either considered to not be material to the affairs of the Council or the shareholding is below 20% and their assets and liabilities are therefore not included in the accounts.

Connexions Derbyshire Ltd is a company which is jointly owned by Derbyshire County Council and Derby City Council. Derbyshire County Council have 50% of the voting rights and as such Connexions has been treated as a joint venture, and all assets and liabilities have been consolidated into group accounts on a 50% equity basis. Responsibility for delivery of the Connexions services transferred to the authorities on 1<sup>st</sup> April 2008.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council acts as treasurer to the CLASP consortium and as of the 31<sup>st</sup> March had cash holdings of £981k on behalf of the consortium. These funds are not part of the Council's accounts.

### 31. Insurance Provisions

The Council 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. The fund is made up of both provisions and reserve balances. The 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.

	<b>2008-09 £'000</b>
<b>INCOME AND EXPENDITURE ACCOUNT:</b>	
<b>Expenditure</b>	
External Premiums	2,249
General Charges and Expenses	64
Claims paid in the year	990
<b>Total Expenditure</b>	<b>3,303</b>
<b>Income</b>	
Income from Schools	(2,892)
General Fund Contribution	(3,002)
Other Income	(449)
<b>Total Income</b>	<b>(6,343)</b>
<b>Transfer to Provisions and Reserves</b>	
Contribution to Provision	2,130
Contribution to Reserve	910
	<b>3,040</b>
<b>PROVISIONS:</b>	
<b>OPENING BALANCE</b>	6,945
Contribution from Revenue	2,130
Claims Paid and Risk Management Expenditure	(2,014)
<b>CLOSING BALANCE ON PROVISIONS</b>	<b>7,061</b>
<b>RESERVES:</b>	
<b>OPENING BALANCE</b>	10,111
Contribution from Revenue	910
Interest on Balances	642
<b>TOTAL RESERVES</b>	<b>11,663</b>
<b>Fund balance at 31 March</b>	<b>18,724</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 32. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by the transfer of economic benefits. Provisions are charged to the appropriate service revenue account in the year the Council becomes aware of the obligations, based on the best estimate of the likely settlement. Details of the Council's provisions are shown below.

Balance at 31 March 2008 £'000		Provisions Made £'000	Provisions Used £'000	Balance at 31 March 2009 £'000
(2,564)	Education provision for inter-authority and hospital recoupment	(1,876)	1,952	<b>(2,488)</b>
(3,586)	Other	(1,362)	0	<b>(4,948)</b>
<b>(6,150)</b>		<b>(3,238)</b>	<b>1,952</b>	<b>(7,436)</b>

### 33. Reserves

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

*Revaluation Reserve-*

Store of gains on revaluation of fixed assets not yet realised through sales

*Available-for-Sale Financial Instruments Reserve-*

Store of gains on revaluation of investments not yet realised through sales

*Capital Adjustment Account-*

Store of capital resources set aside to meet past expenditure

*Financial Instruments Adjustment Account-*

Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments

*Useable Capital Receipts Reserve-*

Proceeds of fixed asset sales available to meet future capital investment

*Pensions Reserve-*

Balancing account to allow inclusion of Pensions Liability in the Balance Sheet

*General Fund Balance-*

Resources available to meet future running costs for non-schools services

*Schools Balances-*

Resources available to meet future running costs for schools services

*Capital Earmarked Reserves-*

Voluntary reserves held for specific capital projects

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Revenue Earmarked Reserves-

Voluntary reserves held for specific revenue projects

Details of the councils reserve balances are shown below.

Balance at 31 March 2008 £'000		Gain / (Loss) During the Year £'000	Balance at 31 March 2009 £'000
24,523	Revaluation Reserve	25,789	50,312
1,135,125	Capital Adjustment Account	2,973	1,138,098
(700)	Financial Instruments Adjustment Account	176	(524)
23,302	Useable Capital Receipts Reserve	(5,403)	17,899
37,006	General Fund Balance	27,204	64,210
31,541	Schools Balances	(4,053)	27,488
5,676	Capital Earmarked Reserves	(5,055)	621
50,000	Revenue Earmarked Reserves	21,921	71,921
(478,499)	Pensions Reserve	57,064	(421,435)
<b>827,974</b>		<b>120,616</b>	<b>948,590</b>

### 34. Contingent Liabilities And Contingent Assets

The following contingent liabilities have been identified.

- Work on Single Status is still in progress, as a result there is the possibility that the Council may incur costs. Details of Single Status can be found in the Explanatory Foreword.

### 35. Authorisation Of Accounts For Issue

The pre-audit accounts were approved by the Audit Committee on 29<sup>th</sup> June 2009. Following the audit of accounts by the Audit Commission, the Audit Committee approved the final 2008-09 accounts on 30<sup>th</sup> September 2009.

The formal statement of approval can be found on page 18.

### 36. Events After The Balance Sheet Date

There have been no events after the balance sheet date, which require disclosure or adjustment to the accounts.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 37. Trust Funds

The County Council administers a number of Trust Funds. These are funds made up of donations or bequests made to the Council. Generally the benefactors specify the use to which the fund is to be put, the most common being the provision of educational prizes.

The tables below detail the Aggregate Revenue Account and Balance Sheet for all Trust and Other Funds currently administered by the County Council but these funds are not part of the Council's accounts.

2007-08 Total £'000		Trust Funds £'000	2008-09 Other Funds £'000	Total £'000
	<b>AGGREGATE REVENUE ACCOUNT</b>			
<b>3,561</b>	<b>Opening Balance</b>	<b>1,278</b>	<b>2,655</b>	<b>3,933</b>
703	Add Income	80	563	<b>643</b>
(331)	Less Expenditure	(125)	(64)	<b>(189)</b>
<b>3,933</b>	<b>Closing Balance</b>	<b>1,233</b>	<b>3,154</b>	<b>4,387</b>
	<b>REPRESENTED BY</b>			
45	Investments	36	0	36
2,113	Building Society Deposits	0	2,376	2,376
1,775	Cash & Temporary Loans	1,197	778	1,975
<b>3,933</b>	<b>Total Assets</b>	<b>1,233</b>	<b>3,154</b>	<b>4,387</b>
(2)	Increase in unrealised profit on investments included in expenditure	(7)	0	(7)
99	Number of Funds (actual)	60	17	77

### 38. Reserves And Balances Held By Schools Under Delegated Schemes

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG).

DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget can be spent on educational services provided directly by maintained schools (via the Individual Schools Budget-ISB) or by central teams.

Details of the deployment of DSG receivable for 2008-09 are as follows.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Notes		Central Expenditure £'000	ISB £'000	Total £'000
A	Final DSG for 2008-09	55,557	351,236	406,793
B	Brought forward from 2007-08	3,572	0	3,572
C	Carry forward to 2009-10 agreed in advance	0	0	0
<b>D</b>	<b>Agreed budgeted distribution in 2008-09</b>	<b>59,129</b>	<b>351,236</b>	<b>410,365</b>
E	Actual central expenditure	54,052		54,052
F	Actual ISB deployed to schools		350,179	350,179
G	Local authority contribution for 2008-09	0	0	0
<b>H</b>	<b>Carry forward to 2009-10</b>	<b>5,077</b>	<b>1,057</b>	<b>6,134</b>

A: DSG figure as issued by DCSF on 19 June 2008

B: Figure brought forward from 2007-08 as agreed with DCSF.

C: Amount the Council decided to carry forward to 2009-10 rather than distribute in 2008-09

D: Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum.

E: Actual amount of central expenditure items in 2008-09

F: Amount of ISB actually distributed to schools

G: Any contribution by the Council in 2008-09

H: Carry forward to 2009-10

### 39. Retirement Benefits

The Council participates in two pension schemes:

- Local Government Pension Scheme for non-teaching employees, administered by the County Council - this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Teachers Pension Scheme is an unfunded scheme, administered by the Department for Children, School and Families. The pension cost charged to the accounts is the contribution rate set by the Department for Children, School and Families on the basis of a notional fund. In 2008-09 the County Council paid £32,703k to the Department for Children, School and Families in respect of teachers' pension costs, which represent 14.1% of teachers' pensionable pay.

For the Local Government Pension Scheme and the Teachers' Pension Scheme we recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement on the General Fund Balance. The following transactions were made during the year.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme		Teachers Additional Unfunded Pension Scheme	
	2008-09 £'000	2007-08 £'000	2008-09 £'000	2007-08 £'000
Net Cost of Services:				
• Current service cost	43,402	35,943	0	0
• Past service costs/Effect of Curtailments	104	11,423	621	353
Net Operating Expenditure:				
• Interest cost	79,257	63,931	3,651	3,070
• Expected return on assets in the scheme	(58,639)	(57,123)	0	0
Amounts to be met from Government Grants and Local Taxation:				
• Movement on pensions reserve	(20,710)	(12,834)	(42)	618
Actual amount charged against council tax for pensions in the year:				
• Employer's contributions payable to scheme	<b>43,414</b>	<b>41,340</b>	<b>4,230</b>	<b>4,041</b>

The actuarial gains and losses identified on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March.

### a) Local Government Pension Scheme

	2008-09 £'000	%	2007-08 £'000	%	2006-07 £'000	%	2005-06 £'000	%	2004-05 £'000	%
Differences between the expected and actual return on assets	214,272	29.10	43,308	5.00	2,489	0.30	(112,156)	14.30	(23,883)	3.90
Differences between actuarial assumptions about liabilities and actual experience	(283,667)	25.70	27,296	2.10	(59,823)	5.10	118,572	10.20	171,909	17.30
Actuarial (gain)/loss for the year	<b>(69,395)</b>	<b>6.30</b>	<b>70,604</b>	<b>5.50</b>	<b>(57,334)</b>	<b>4.90</b>	<b>6,416</b>	<b>0.60</b>	<b>148,026</b>	<b>14.90</b>

### b) Teachers Pension Scheme - Unfunded Liabilities

	2008-09 £'000	%	2007-08 £'000	%	2006-07 £'000	%	2005-06 £'000	%	2004-05 £'000	%
Differences between the expected and actual return on assets	0	0.00	0	0.00	0	0.00	0	0.00	310	0.50
Differences between actuarial assumptions about liabilities and actual experience	(8,421)	15.70	3,717	6.00	(1,699)	2.90	2,801	4.60	7,293	12.50
Actuarial (gain)/loss for the year	<b>(8,421)</b>	<b>15.70</b>	<b>3,717</b>	<b>6.00</b>	<b>(1,699)</b>	<b>2.90</b>	<b>2,801</b>	<b>4.60</b>	<b>7,603</b>	<b>13.10</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

c) Assets in the pension fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	Long Term Return %	31st March 2009 %	31st March 2008 %
Equities	7.5	63.5	69.4
Gilts	4.0	20.9	16.7
Other Bonds	6.0	3.5	1.6
Property	6.5	7.1	4.9
Cash	0.5	4.7	6.3
Other	7.5	0.3	1.1
<b>Total</b>		<b>100.0</b>	<b>100.0</b>

d) The Local Government Pension Scheme assets and liabilities at 31 March are:

	2008-09 £'000	2007-08 £'000	2006-07 £'000	2005-06 £'000	2004-05 £'000
Estimated liabilities in scheme	(1,103,247)	(1,291,046)	(1,179,524)	(1,161,573)	(993,282)
Estimated assets in scheme	735,403	874,517	848,249	786,218	619,580
<b>Net assets / (liabilities)</b>	<b>(367,844)</b>	<b>(416,529)</b>	<b>(331,275)</b>	<b>(375,355)</b>	<b>(373,702)</b>

The above figures have been based on an FRS17 disclosure calculated by the Council's actuary, Mercer using the approach outlined in the CIPFA guide, "Financial Reporting Standard 17 – Calculation Guide for Local Authorities". Whilst this approach is approximate in that assumptions are made regarding the progression of the liabilities between full triennial valuations of the Pension Fund, the investment returns are actual experience. This method of updating FRS17 calculations between full valuations is commonly used across the public and private sectors.

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The liability of £367,844k has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains relatively healthy.

The present value of scheme liabilities at 31 March has been reconciled to the opening balance as follows:

	2009 £'000
Estimated liabilities in scheme at 1st April 2008	1,291,046
Current service cost	43,402
Interest on pension liabilities	79,257
Member contributions	14,720
Actuarial (gains)/losses on liabilities	(283,667)
Curtailments	104
Benefits/transfers paid	(41,615)
<b>Estimated liabilities in scheme at 31st March 2009</b>	<b>1,103,247</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The fair value of scheme assets at 31 March has been reconciled to the opening balance as follows:

	<b>2009 £'000</b>
Estimated assets in scheme at 1st April 2008	874,517
Expected return on scheme assets	58,639
Actuarial gains/(losses) on assets	(214,272)
Employer contributions	43,414
Member contributions	14,720
Benefits/transfers paid	(41,615)
<b>Estimated assets in scheme at 31st March 2009</b>	<b>735,403</b>

The main financial assumptions adopted as at 31 March were:

	<b>2009 £'000</b>	<b>2008 £'000</b>
Rate of price inflation	3.3%	3.6%
Increases in salaries	4.8%	5.1%
Increases in pensions and deferred pensions	3.3%	3.6%
Discount rate	7.1%	6.1%
Life expectancy of male (female) future pensioner aged 65 in 20 years' time	22.2 (25.0) years	22.2 (25.0) years
Life expectancy of male (female) current pensioner aged 65	21.2 (24.0) years	21.1 (24.0) years
Proportion of employees opting to take a commuted lump sum	50.0%	50.0%

The expected rate of employer contributions for the Local Government Pension Scheme in 2009-10 is 17.95% of pensionable pay.

### e) Teachers Pension Scheme - Unfunded Liabilities

	<b>2008-09 £'000</b>	<b>2007-08 £'000</b>	<b>2006-07 £'000</b>	<b>2005-06 £'000</b>	<b>2004-05 £'000</b>
Estimated liabilities accruing to the Authority at 31 March	(53,591)	(61,970)	(58,871)	(61,213)	(58,125)

The present value of scheme liabilities at 31 March has been reconciled to the opening balance as follows:

	<b>2009 £'000</b>
Estimated liabilities in scheme at 1st April 2008	61,970
Interest on pension liabilities	3,651
Past service cost	107
Actuarial (gains)/losses on liabilities	(8,421)
Curtailments	514
Benefits/transfers paid	(4,230)
<b>Estimated liabilities in scheme at 31st March 2009</b>	<b>53,591</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2009 £'000	2008 £'000
<b>The financial assumptions adopted by the actuary as at 31 March were:</b>		
Rate of inflation	3.3%	3.6%
Rate of increase in pensions	3.3%	3.6%
Discount rate	7.1%	6.1%
Life expectancy of male (female) future pensioner aged 65 in 20 years' time	22.2 (25.0) years	22.2 (25.0) years
Life expectancy of male (female) current pensioner aged 65	21.2 (24.0) years	21.1 (24.0) years

#### 40. Notes Relating To The Cash Flow Statement

- i. Reconciliation of net surplus/deficit on the Income and Expenditure Account to the revenue activities net cash flow*

<b>Surplus for the year from the Income and Expenditure Account</b>	<b>16,033</b>
Non cash transactions	25,993
Items on an accrual basis (revenue only)	
Increase in debtors	(13,096)
Decrease in creditors	25,781
Decrease in stocks	717
Items classified elsewhere in the Cash Flow Statement	
Net Interest	5,124
<b>Revenue activities net cash flow</b>	<b>60,552</b>

- ii. Movement in cash reconciled to the movement in net debt*

	£'000
<b>Increase in cash</b>	<b>5,897</b>
Cash inflow from increase in debt	22,253
Cash outflow from increase in liquid resources	(32,011)
<b>Movement in net debt for the period</b>	<b>(3,861)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### iii. Reconciliation of items under Financing and Management of Liquid Resources

	2008-09 £'000	2007-08 £'000	Movement £'000
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Short term Investments	(287,878)	(289,476)	1,598
Long Term Investments	(16,276)	0	(16,276)
Temporary Loans	27,082	16,122	10,960
Other Short Term Loans - PWLB	31,973	6,002	25,971
	<b>(245,099)</b>	<b>(267,352)</b>	<b>22,253</b>

	2008-09 £'000	2007-08 £'000	Movement £'000
<b>FINANCING</b>			
Long Term Borrowing	382,701	414,480	(31,779)
Other Long Term Liabilities	5,457	5,689	(232)
	<b>388,158</b>	<b>420,169</b>	<b>(32,011)</b>

### iv. Analysis of Government Grants

REVENUE GRANTS	£'000
Revenue Support Grant	20,152
Non Domestic Rate Income	144,763
Dedicated Schools Grant	406,793
Other Revenue Grants	
Standards Fund	46,220
Area Based Grant	32,660
Learning and Skills Council	40,606
School Standards	23,126
Supporting People	17,261
Surestart and Childcare	17,072
PFI Revenue Support	6,527
	<b>755,180</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

CAPITAL GRANTS	£'000
Learning and Skills Council	6,936
Devolved Formula Capital	14,587
Schools Travel Plan	420
Extended Schools	1,230
Building Schools for the Future	619
Targeted Capital Fund	1,515
Targeted Capital Fund - Standards & Diversity	280
Specialist Schools Capital	525
Social Care Single Capital Pot	396
Mental Health Single Capital Pot	281
Safer Stronger Communities	259
De Trunking 8/9	569
Integrated Transport	9,381
Waste Infrastructure Capital Grant	1,343
ICT Capital Grant for Mobile Technology Childrens Social	78
Integrated Childrens System Grant	53
Home Access for Targeted Groups	281
Road Safety Grant	352
Megz	6,729
Ilkeston Awsworth	4,712
Etwall John Port Sports Hall	1,110
Reclamation Grant	1,803
Sure Start Capital Grant	16,883
DDEP College of the Peak	70
YCF Grant	340
	<b>70,752</b>

Prior to the 2008 SORP, English authorities used deferred charges to recognise expenditure that regulations permitted to be funded from capital resources, but which did not satisfy the SORP's criteria to be classified as capital expenditure. Examples of deferred charges included work on property not owned by the authority and grants for economic development purposes (where the grant was to be spent on capital items). The 2008 SORP has effectively replaced deferred charges with a new category of expenditure – Revenue Expenditure Funded from Capital under Statute.

Deferred charges were previously included in the capital activities section of the Cash Flow statement. As Revenue Expenditure Funded from Capital under Statute is included in the Income and Expenditure Account, it is now included in the revenue activities section of the Cash Flow Statement, along with any grants credited to the revenue account. This amounts to a change in accounting policy, and the Cash Flow statement for the comparative period has been restated.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 41. Financial Instrument Disclosures

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

	Long Term		Current	
	31 Mar 2008 £'000	31 Mar 2009 £'000	31 Mar 2008 £'000	31 Mar 2009 £'000
<b>Financial liabilities (principal amount)</b>	<b>(418,143)</b>	<b>(386,523)</b>	<b>(22,124)</b>	<b>(58,702)</b>
Financial liabilities at amortised cost	(414,480)	(382,701)	(22,124)	(59,055)
Financial liabilities at fair value through the I&E				
<b>Total borrowings</b>	<b>(414,480)</b>	<b>(382,701)</b>	<b>(22,124)</b>	<b>(59,055)</b>
<b>Loans and receivables (principal amount)</b>	<b>0</b>	<b>16,000</b>	<b>284,657</b>	<b>285,905</b>
Loans and receivables	0	16,276	289,476	287,878
Available-for-sale financial assets	0	0	0	0
Financial assets at fair value through the Income & Expenditure	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
<b>Total investments</b>	<b>0</b>	<b>16,276</b>	<b>289,476</b>	<b>287,878</b>

Note 1 – Under accounting requirements the financial instrument value shown in the balance sheet include the principal amount borrowed or lent plus accrued interest and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation).

### Financial Instruments Gains/Losses

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

	Liabilities Measured at Amortised Cost £'000	Loans & Receivable £'000	Available for Sale Assets £'000	Fair Value through the I&E £'000	Total £'000
<b>Interest Expense</b>					
Loses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable & similar charges	(22,961)	0	0	0	(22,961)
<b>Interest Income</b>					
Gains on derecognition	0	0	0	0	0
Interest & investment income	0	15,504	7	0	15,511
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the Income & Expenditure account after impairment	0	0	0	0	0
Surplus arising on the revaluation of financial assets	0	0	0	0	0
<b>Net Gain/(Loss)</b>	<b>(22,961)</b>	<b>15,504</b>	<b>7</b>	<b>0</b>	<b>(7,450)</b>

From time to time during the year the Council held investments in UK Treasury Bills. The gains on these are shown above. The Council had no investment in Treasury Bills at the year end.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Fair value of assets and liabilities carried at amortised cost

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

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;

Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the same as amortised cost, being the principal outstanding plus accrued interest at 31 March or the billed amount; the fair value of trade and other receivables is taken to be the invoiced or billed amount. Non-collection of debtor amounts is expected to be minimal. Prudent provision is made for doubtful debts.

Local Government reorganisations in both 1974 and 1997 created national debt transfers to and from the County Council. In reality the Council manages the debt (£40.728m) and charges Derby City Council and Derbyshire Police Authority the interest and repayment costs associated with it. Similarly debt (£4.018m) is managed by Derby City Council and Derbyshire District and Borough Councils.

The fair values calculated are as follows:

	Carrying amount		Fair value	
	31 Mar 2008 £'000	31 Mar 2009 £'000	31 Mar 2008 £'000	31 Mar 2009 £'000
Public Works Loan Board	386,810	354,988	424,449	406,397
Lender Option Borrower Option	27,670	27,713	30,849	31,050
Loan Liability OLAS	5,689	5,457	5,689	5,457
<b>Total Long Term Debt</b>	<b>420,169</b>	<b>388,158</b>	<b>460,987</b>	<b>442,904</b>
Short Term Debt – Public Works Loan Board	6,002	31,973	6,002	31,973
Short Term Debt - Temporary Loans	16,122	27,082	16,122	27,082
Creditors	109,604	47,124	109,604	47,124
	<b>551,897</b>	<b>494,337</b>	<b>592,715</b>	<b>549,083</b>

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

	Carrying amount		Fair value	
	31 Mar 2008 £'000	31 Mar 2009 £'000	31 Mar 2008 £'000	31 Mar 2009 £'000
Short Term Investments - Money Markets	289,476	287,878	289,476	287,878
Long Term Investments - Money Markets	0	16,276	0	16,802
Debtors	38,589	54,462	38,589	54,462
	<b>328,065</b>	<b>358,616</b>	<b>328,065</b>	<b>359,142</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

### **Nature and Extent of Risks in Relation to Financial Instruments**

#### **Key Risks**

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

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

#### **Overall Procedures for Managing Risk**

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

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

These are required to be reported and approved before the start of the year to which they relate. The items are reported with the annual treasury management strategy which outlines the Council's approach to managing risk in relation to its financial instrument exposure. Actual performance is also reported annually to Members.



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### Credit Risk

The Council does not expect any losses from non-performance by any of its counterparties in relation to its deposits.

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Council's counterparty list is based on the above credit assessment and is approved each year as part of the Council's Investment Strategy in which a limit is fixed for each counterparty. The credit ratings are monitored throughout the year, significant changes are reported to the Cabinet, and adjustments deemed necessary are recommended.

The Annual Investment Strategy also imposes a maximum amount and maximum loan duration for each counterparty. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Council's maximum exposure to credit risk. The table (from Fitch) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period 1990 – 2007 on investments out to 5 years.

	Amount 31 Mar 2009 £'000	Historical experience of default %	Adjustment for market conditions 31 Mar 2009 %	Maximum exposure to default <i>Estimated</i> £'000
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	35,534	0.00%	0.00%	0
AA rated counterparties	118,321	0.06%	0.06%	71
A rated counterparties	150,299	0.65%	0.65%	977
Trade debtors	53,002	Local experience	Local experience	Local experience
<b>Total</b>	<b>357,156</b>			

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

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties. The assessment is not limited to credit rating alone, with the likelihood of Government support and knowledge of the institution also taken into account.

The Council does not generally allow credit for its trade debtors, such that £12,304k of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

## NOTES TO THE CORE FINANCIAL STATEMENTS

2007-08 £'000		2008-09 £'000
4,869	Less than three months	10,057
499	Three to six months	547
495	Six months to one year	608
986	More than one year	1,092
<b>6,849</b>	<b>Total</b>	<b>12,304</b>

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures described above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council generally receives a large proportion of its income (grants, precepts) in advance of meeting its main items of expenditure and has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to set a balanced budget in accordance with the Local Government Finance Act 1992, and holds a prudent level of reserves which ensures sufficient monies are available to cover annual expenditure. There is therefore no significant risk that it will be unable to meet its commitments.

### Refinancing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

2008 £'000	Total Outstanding at 31 March	2009 £'000
151,664	Maturing within one year	181,333
11,812	Maturing in 1-2 years	15,494
23,444	Maturing in 2-5 years	28,678
35,456	Maturing in 5-10 years	23,253
349,457	Maturing in more than 10 years	320,733
<b>571,833</b>		<b>569,491</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The maturity analysis of financial assets is as follows:

2008 £'000	Total Outstanding at 31 March	2009 £'000
340,265	Maturing within one year	343,722
0	Maturing in 1-2 years	16,276
<b>340,265</b>		<b>359,998</b>

Range of Interest Rates Payable 3.7% - 9.625%

Weighted Average Rate 5.41%

### Interest Rate Risk

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

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

A fall in interest rates would have the opposite effect.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations for the following year, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Director of Finance monitors market interest rates within the year and adjusts exposures appropriately.

For instance during periods of falling interest rates, and where economic circumstances make it favorable, fixed rate investments may be taken for longer periods to secure better long term returns.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	£000s
Increase in interest payable on variable rate borrowings	345
Increase in interest receivable on variable rate investments	(3,514)
<b>Impact on Income and Expenditure Account</b>	<b>(3,169)</b>
Decrease in fair value of fixed rate investment assets	248
Impact on STRGL	0
<b>Decrease in fair value of fixed rate borrowings liabilities</b>	<b>54,074</b>

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

When setting revenue budgets, the Council makes prudent assumptions to take account of potential interest rate volatility.

### Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds. Treasury Bills are generally held until maturity.

### Foreign exchange risk

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

### 42. Status of Property held by Foundation, Voluntary Controlled and Voluntary-Aided Schools

As at 31 March 2009	Number	Value of Land and Buildings £'000
Foundation School	15	164,666
Voluntary Controlled Schools		
Fully owned by DCC	7	14,708
Partially owned by DCC	34	82,856
No DCC Ownership	43	64,425
Voluntary Aided Schools	47	452 *
* (Land Value only - owned by DCC)		

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## **GROUP ACCOUNTS EXPLANATORY FOREWORD**

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### **INTRODUCTION**

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

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

Connexions Derbyshire Limited, transferred responsibility for the delivery of its functions jointly to Derbyshire County Council and Derby City Council as of the 1<sup>st</sup> April 2008. Control of the company is made up of two members and two officers from each Council.

Consolidation has been based on a joint venture relationship (50% consolidation after removal of inter group transactions).

The accounts have been prepared on a merger accounting basis as Connexions Derbyshire Limited was already within Government control.

### **CONTACT INFORMATION FOR CONNEXIONS DERBYSHIRE**

Additional information or copies of the accounts for Connexions can be obtained from  
Carolyn Davis  
2 Godkin House  
Park Road  
Ripley  
Derbyshire  
DE5 3EF

Connexions Derbyshire Limited is audited as a single entity by  
Horwath Clark Whitehill LLP  
Foley House  
123 Stourport Road  
Kidderminster  
Worcestershire  
DY11 7BW

## GROUP ACCOUNTS

### GROUP INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the group entity during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. Any transactions between individual entities within the group have been eliminated.

Restated 2007-08		Note	2008-09		
Net Expenditure £'000			Gross Expenditure £'000	Income £'000	Net Expenditure £'000
4,009	Central Services to the Public		29,001	(21,508)	7,493
43,965	Cultural, Environmental & Planning Services		51,984	(7,741)	44,243
86,537	Education and Children Services		713,307	(611,058)	102,249
40,498	Highways, Roads & Transport Services		84,070	(29,547)	54,523
161,156	Adult Social Services		271,551	(86,879)	184,672
833	Courts Services		1,298	(332)	966
7,834	Corporate & Democratic Core		9,957	(500)	9,457
18,159	Non Distributed Costs		6,095	0	6,095
<b>362,991</b>	<b>Net Cost of Services</b>		<b>1,167,263</b>	<b>(757,565)</b>	<b>409,698</b>
(1,333)	(Surplus) / Deficit on Trading Operations				(1,327)
18,430	Interest Payable and Similar Charges				20,547
(17,065)	Interest and Investment Income				(15,429)
9,931	Pensions Interest Cost & Expected Return on Pension Assets				24,269
(1,546)	(Gain) / Loss on Disposal of Assets				5,759
256	Levies & Precepts				239
7	Corporation Tax Paid on Ordinary Activities				5
<b>371,671</b>	<b>Net Operating Expenditure</b>				<b>443,761</b>
(251,759)	Council Tax				(261,783)
(117,796)	National Non-Domestic Rates				(144,763)
(21,919)	General Government Grants				(53,251)
<b>(19,804)</b>	<b>(Surplus) / Deficit for the Year</b>				<b>(16,036)</b>

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## GROUP ACCOUNTS

### RECONCILIATION OF SINGLE ENTITY TO GROUP SURPLUS

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This statement is a reconciliation to show how the various group entities have contributed to the overall surplus/deficit on the Group Income and Expenditure Account. Details of each surplus/deficit can be found in each entity's single entity accounts.

Restated 2007-08		2008-09
<b>Net Expenditure £'000</b>		<b>Net Expenditure £'000</b>
(20,034)	(Surplus)/deficit for the year on Derbyshire County Council I&E Account	(16,033)
461	(Surplus)/deficit for the year for Connexions Limited (Joint Venture - 50% consolidation)	(6)
<b>(19,804)</b>	<b>(Surplus) / Deficit for the Year on the Group I&amp;E Account</b>	<b>(16,036)</b>

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## GROUP ACCOUNTS

### GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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The Statement of Total Gains and Losses reconciles all gains and losses within the group boundary and balances to the movement in net equity shown on the group balance sheet.

<b>Restated 2007-08 £'000</b>		<b>Note</b>	<b>2008-09 £'000</b>
(19,804)	(Surplus)/deficit on the income and expenditure account		(16,036)
(24,523)	(Surplus)/deficit arising on revaluation of fixed assets		(26,905)
75,575	Actuarial (gains)/losses on pension fund assets and liabilities		(78,973)
531	Equalisation of Lender Option Borrower Option Debt		0
(67)	Other movements		138
<b>31,712</b>	<b>Total (gains) and losses for the year</b>		<b>(121,776)</b>



## GROUP ACCOUNTS GROUP BALANCE SHEET

Restated 2007-08 £'000		Note	2008-09	
			£'000	£'000
	<i>Tangible Fixed Assets</i>			
1,325,196	Land & Buildings		1,366,876	
49,937	Vehicles, Plant & Equipment		49,239	
205,472	Infrastructure Assets		229,769	
3,508	Community Assets		4,989	
76,255	Non-Operational Assets		89,629	1,740,502
0	Intangible			208
64,669	Long Term Debtors			63,154
0	Long Term Investments			16,276
<b>1,725,037</b>	<b>Total Long-Term Assets</b>			<b>1,820,140</b>
	<i>Current Assets</i>			
4,558	Stocks / Work in Progress		3,840	
51,128	Debtors		55,172	
289,476	Short Term Investments		287,878	
3	Landfill Usage Allowances		0	346,890
	<i>Current Liabilities</i>			
(130,727)	Creditors		(124,971)	
(16,122)	Temporary Loans		(27,082)	
(6,002)	Short Term Loans – Public Works Loan Board		(31,973)	
(20,103)	Cash Overdrawn		(14,591)	(198,617)
<b>1,897,248</b>	<b>Total Assets Less Current Liabilities</b>			<b>1,968,413</b>
(414,480)	Long Term Borrowing		(382,701)	
(5,689)	Loan Liability - OLAS		(5,457)	
(157,317)	Government Grants and Contributions Deferred		(195,536)	
(6,945)	Insurance Provisions	31	(7,061)	
(6,150)	Other Provisions	32	(7,436)	(598,191)
(482,920)	Liability Relating to Defined Benefit Pension Scheme			(424,699)
<b>823,747</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>945,523</b>
	<b>Represented By:</b>			
24,523	Revaluation Reserve			50,312
0	Available-for-Sale Financial Instruments Reserve			0
1,135,125	Capital Adjustment Account			1,138,098
(700)	Financial Instruments Adjustment Account			(524)
23,302	Useable Capital Receipts Reserve			17,902
37,191	General Fund Balance			64,395
31,541	Schools Balances			27,488
5,685	Capital Earmarked Reserves			630
50,000	Revenue Earmarked Reserves			71,921
(482,920)	Pensions Reserve			(424,699)
<b>823,747</b>	<b>TOTAL EQUITY</b>			<b>945,523</b>

**GROUP ACCOUNTS**  
**GROUP CASH FLOW STATEMENT**

Restated 2007-08 £'000		Note	2008-09	
			£'000	£'000
	<b>REVENUE</b>			
	<i>Cash Outflows;</i>			
(602,960)	Employees		(667,167)	
(437,226)	Other Operating Payments		(484,947)	(1,152,114)
(1,040,186)				
	<i>Cash Inflows;</i>			
251,759	Precepts		261,783	
117,796	NNDR		144,763	
19,769	RSG		53,251	
572,692	Other Government Grants		574,965	
146,665	Cash for Goods and Services		190,941	1,225,703
<b>68,495</b>	<b>Net Cash Flows from Revenue Activities</b>			<b>73,589</b>
	<b>SERVICING OF FINANCE</b>			
	<i>Cash Outflows;</i>			
(21,162)	Interest Paid		(20,536)	
	<i>Cash Inflows;</i>			
15,692	Interest Received		15,412	
<b>(5,470)</b>	<b>Net Cash Flows from Servicing of Finance</b>			<b>(5,124)</b>
	<b>CAPITAL</b>			
	<i>Cash Outflows;</i>			
(112,511)	Purchase of Fixed Assets		(111,949)	
	<i>Cash Inflows;</i>			
(2,686)	Sales		2,733	
70,837	Grants		56,021	
0	Other		0	
68,151				58,754
<b>(44,360)</b>	<b>Net Cash Flows from Capital Activities</b>			<b>(53,195)</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>			
	<i>Cash Outflows;</i>			
(30,675)	Short Term Deposits		(14,678)	
	<i>Cash Inflows;</i>			
13,247	Other Liquid Resources		36,931	
<b>(17,428)</b>	<b>Net Cash Flows from Liquid Resources</b>			<b>22,253</b>
	<b>FINANCING</b>			
	<i>Cash Outflows;</i>			
(274)	Repayments of Amounts Borrowed		(32,011)	
	<i>Cash Inflows;</i>			
307	New Loans Raised		0	
<b>33</b>	<b>Net Cash Flows from Financing</b>			<b>(32,011)</b>
<b>1,270</b>	<b>(INCREASE) / DECREASE IN CASH</b>			<b>5,512</b>

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# PENSION FUND ACCOUNTS

## EXPLANATORY FOREWORD

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### **Investment Policy**

Responsibility for policy matters lies with an Investment Committee of seven County Councillors, two Derby City Councillors, two representatives of the Local Government Association (Derbyshire) and three Trades Union representatives attending as non-voting members. The Investment Committee receives advice from the Director of Finance and from two independent external advisers. Day-to-day management of the Fund is delegated to the Director of Finance 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 including maximum investment in a single holding and in 'unlisted securities' (no more than 10% in each category).

The return for 2008-09 for the Fund was -17.2% (2007-08, -2.3%) which compares with the average return on local Council funds of -19.9%. Over the last five years the Fund's return was 4.0% pa which compares with the average return of 3.1%. Over ten years the Fund's return was 2.7% per annum which is 0.7% per annum ahead of the average. For comparison the ten year figures for average earnings and retail price increases are 3.7% 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. World equity market performance over the last two years has had a significant impact on both short and longer term performance.

<b>Members Statistics</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Contributors	35,966	36,497	37,273
Pensioners and Dependants	18,676	19,376	19,957
Deferred Pensions	13,463	16,445	17,331

### **Actuarial Position of the Fund**

Every three years an actuarial valuation of the Fund is undertaken in accordance with the provisions of the Local Government Pension Scheme Regulations 1997. The purpose of the valuation is to determine the solvency of the Fund and to set the level of contributions payable by each participating employer for the following three years. A valuation of the Fund was undertaken as at 31 March 2007 to set the level of employer contributions for the three years commencing 1 April 2008. The rate for 2007-08 was set at the 2004 valuation. The Net Assets of the Pension Fund at 31 March 2007, including Additional Voluntary Contributions, were £2,094,289k.

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 Fund members and the amount required to meet a past service deficiency.

The valuation was undertaken using a market value approach. The assets were valued at their market value with market related discount rates used as the basis for determining the present value of the liabilities. There are a number of assumptions used in determining the value of past service liabilities, which are detailed in Note 4.

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

The financial assumptions used were as follows:-

	<b>Past Service</b>	<b>Future Service</b>
Fixed interest gilts yield:	4.4%	n/a
Index linked gilts real yield:	1.3%	n/a
Asset Out-performance Assumption (pre-retirement)*	2.5%	n/a
Asset Out-performance Assumption (post retirement)*	1.0%	n/a
Real Earnings Inflation	1.5%	1.5%
Discount rate (pre retirement)	6.9%	6.5%
Discount rate (post retirement)	5.4%	6.5%
Price inflation	3.1%	2.8%
Salary Increases	4.6%	4.25%
Pension Increases	3.1%	2.75%

\*Asset out-performance assumptions represent the expected out-performance of investment returns relative to gilts. This partly depends on the proportion of the Fund invested in equities.

The actuarial value placed on the assets represented 80% of the value of the past service liabilities compared with 70% at the 2004 valuation. This is being dealt with in accordance with the Funding Strategy Statement, which is available on the Council's website at [www.derbyshire.gov.uk/pensions](http://www.derbyshire.gov.uk/pensions).

The main reason for the improvement in funding was favourable investment performance relative to the actuary's assumptions. In common with other local authorities, Derbyshire's Fund benefited from strong equity markets in the 3 years to 31 March 2007 on which the actuarial valuation was based. This was offset by a lowering of gilt yields (and therefore the discount rate for liabilities) and an increased life expectancy for Fund members.

Employers were given the option of paying either a full rate of contributions for the whole of the period covered by the actuary's valuation certificate or to achieve this by a stepped approach over a period of time.

**Contributions payable by the County, Unitary and District Councils** expressed as a percentage of pensionable payroll:

<b>Council</b>	<b>2008-09 %</b>	<b>Stepped or full rate</b>	<b>2009-10 %</b>	<b>Stepped or full rate</b>
Derbyshire County	17.7	stepped	17.95	stepped
Amber Valley Borough	21.9 plus £357,109	full	21.9 plus £373,536	full
District of Bolsover	20.2	full	20.2	full
Chesterfield Borough	20.7	full	20.7	full
Derby City	17.8	full	17.8	full
Derbyshire Dales	19.6	full	19.6	full
Erewash Borough	20.9	full	20.9	full
High Peak Borough	23.8	full	23.8	full
North East Derbyshire	20.2 plus £427,624	full	20.2 plus £447,295	full
South Derbyshire	19.9	full	19.9	full

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## **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

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All employing bodies are paying a rate which is sufficient to meet the cost of future service and reduce their past service deficiency over a period of time.

For 2007-08 employees paid 6% of their pay excluding non-contractual overtime. The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 came into force on 1 April 2008 and employees paid between 5.5% and 7.5% of their pay, excluding non-contractual overtime, depending on their pay banding. Certain contributors (previously classed as manual workers paying at a rate of 5%) had a protected rate of 5.25% in 2008-09. The protected rate rises to 5.5% for 2009-10.

The Derbyshire Pension Fund Statement of Investment Principles, Funding Strategy Statement, Actuarial Valuation Report, Governance Compliance Statement, Communications Policy Statement, Annual Report and Annual Business Plan are available on the Derbyshire County Council's website at [www.derbyshire.gov.uk/pensions](http://www.derbyshire.gov.uk/pensions).

## PENSION FUND ACCOUNTS NOTES TO THE PENSION FUND

### PENSION FUND ACCOUNT

Restated 2007-08 £'000		Note	2008-09 £'000
	<b>Contributions and Benefits</b>		
122,114	Contributions	4,19	133,761
11,160	Transfers in	5	6,235
133,274			139,996
85,644	Benefits	6,19	90,669
7,465	Payments to and on account of leavers	7	3,902
1,067	Administrative expenses	8	1,070
94,176			95,641
<b>39,098</b>	<b>Net additions from dealings with members</b>		<b>44,355</b>
	<b>Return on investments</b>		
72,563	Investment income	9	72,960
(4,378)	Taxation	10	(4,064)
(121,782)	Change in market value of investments	11	(422,805)
(2,482)	Investment management expenses	13	(2,557)
<b>(56,079)</b>	<b>Net return on investments</b>		<b>(356,466)</b>
<b>(16,981)</b>	<b>Net decrease in the Fund during the year</b>		<b>(312,111)</b>
2,087,881	Net assets of the Fund at 1 April 2008		2,070,900
<b>2,070,900</b>	<b>Net assets of the Fund at 31 March 2009</b>		<b>1,758,789</b>

### PENSION FUND NET ASSETS STATEMENT

Restated 31 March 08 £'000		Note	31 March 09 £'000
2,067,366	Investment assets	11,12	1,758,609
(3,451)	Investment liabilities	11,12	(7,165)
7,679	Current assets	15	8,359
(694)	Current liabilities	16	(1,014)
<b>2,070,900</b>	<b>Net assets of the Fund at 31 March 2009</b>		<b>1,758,789</b>

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Investment Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Pension Fund – Foreword to Financial Statements and the actuarial statement included in the Annual Report and these accounts should be read in conjunction with them.

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# PENSION FUND ACCOUNTS

## NOTES TO THE PENSION FUND

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### 1. Basis of preparation

The accounts have been prepared in accordance with the Statement of Recommended Practice ("SORP"): Financial Reports of Pension Schemes (Revised May 2007) insofar as it is relevant.

The amount of separately invested Additional Voluntary Contributions ("AVCs") paid by members during the year and their value at the net assets statement date are not included in the Pension Fund financial statements in accordance with regulation 5(2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (S1 1998 No 1831). The previous year's figures did include AVCs and have been restated. The effect of this adjustment is a reduction in net assets at 1 April 2008 of £6,545,000.

In accordance with the SORP, certain other adjustments have been made to restate the previous year's figures. These adjustments are reclassifications and have no effect on total net assets. The adjustments are:

- debtors and creditors directly connected with investments are disclosed separately as other investment assets and other investment liabilities, respectively. Such items were previously included in current assets and liabilities and these balances have been restated;
- gains and losses on currency hedging contracts at the reporting date have been disclosed separately within investment assets and investment liabilities, respectively. Such items were previously included within investment assets as cash deposits and this balance has been restated;
- current assets and liabilities previously included the gross value of currency hedging contracts and have been restated;
- investment income and taxation are disclosed separately in the fund account. Income was disclosed net of taxation in the previous year and has been restated.

### 2. Accounting policies

#### Contributions

Employee contributions are accounted for when deducted from members' pay.

Employer normal contributions are accounted for in the period to which the corresponding pay relates.

Other employer contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a cash basis.

#### Benefits

Benefits and payments to leavers are accounted for in the period they fall due for payment.

Where a member has a choice about the form of their benefit, the benefit is accounted for and the liability is recognised when the member notifies the Council of their decisions as to what form of benefit they will take.

Where a member has no choice about the form of benefit, the benefit is accounted for in the period of leaving/retirement/death, being the period in which the liability to pay the benefit arises.

#### Transfers

Where past service liabilities do not transfer between schemes until assets/liabilities have been transferred, transfers are accounted for on a cash basis.

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## **PENSION FUND ACCOUNTS**

### **NOTES TO THE PENSION FUND**

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Where trustees have agreed to accept past service liabilities in advance of the transfer of funds, the transfer is accounted for in accordance with the terms of the agreement.

The numbers of transfer payments primarily from and to other local authority pension funds were lower than expected in the year. Whilst applications were received, these could not be processed until revised transfer factors and guidance had been issued by the Department for Communities and Local Government and subsequent changes were made to the computerised pension administration system. The back-log will be cleared in the first half of 2009-10.

#### **Expenses**

Administrative and Investment expenses are accounted for on an accruals basis.

#### **Investment income**

Dividends from quoted securities are accounted for when the securities are quoted ex-dividend.

Rent is accounted for in accordance with the terms of the lease.

Interest on cash and bonds is accrued on a daily basis.

Income arising on the underlying investments of accumulation funds is accounted for within change in market value of investments.

#### **Foreign currency translation**

Overseas assets are translated into Sterling from local currency at the exchange rate ruling at the balance sheet date.

Exchange gains and losses are treated as follows:

- those relating to the translation of investments are accounted for as part of change in market value included in the Fund Account;
- those relating to current assets and liabilities are accounted for within the Fund Account under an appropriate heading.

### **3. Basis of valuation**

Investments are valued on the net assets statement at their market value as at 31 March 2009.

Quoted securities are included at closing bid prices.

Fixed interest stocks are valued excluding accrued income.

Unquoted investments are included at cost unless clear evidence is available of an increase or fall in value.

Pooled investment vehicles are included at closing bid price for funds with bid/offer spreads, or if single priced, at the closing price.

Property is included at open market value as at 31 March 2009, determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. The property portfolio was independently valued by Edmund Kirby, Chartered Surveyors and Architects.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract on that date. All gains and losses arising on forward foreign exchange contracts are reported within "Change in Market Value".



## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND

4. Contributions	Restated 2007-08 £'000	2008-09 £'000
Employers		
Normal	52,143	70,038
Deficit Funding	38,663	28,310
Augmentation	115	939
Members		
Normal	<u>31,193</u>	<u>34,474</u>
	<b><u>122,114</u></b>	<b><u>133,761</u></b>

The rates of employers' contributions payable in 2007-08 were set as part of the 2004 valuation of the Fund whereas the contributions for 2008-09 resulted from the 2007 valuation. As the overall funding level in 2007 had increased from 70.5% to 80.2%, the actuary reduced the deficit funding contributions by 2% of pensionable pay. However, the normal contributions (for future service) increased by around 3% of pensionable pay overall due to the higher cost of the "new-look" Fund, improved mortality and a reduction in the assumed rate of return on investments. The above amounts relate to the whole Fund whereas in practice each employer has its own contributions rate that reflects its experience.

5. Transfers in	Restated 2007-08 £'000	2008-09 £'000
Individual transfers in from other schemes	10,981	6,235
Restitution payments for mis-sold personal pensions	<u>179</u>	<u>-</u>
	<b><u>11,160</u></b>	<b><u>6,235</u></b>

6. Benefits	Restated 2007-08 £'000	2008-09 £'000
Pensions	64,468	69,518
Commutation of pensions and lump sum retirement benefits	19,162	19,021
Lump sum death benefits	<u>2,014</u>	<u>2,130</u>
	<b><u>85,644</u></b>	<b><u>90,669</u></b>

7. Payments to and on account of leavers	Restated 2007-08 £'000	2008-09 £'000
Refunds of contributions	12	16
Individual transfers out to other schemes	7,453	3,330
Group transfers out	<u>-</u>	<u>556</u>
	<b><u>7,465</u></b>	<b><u>3,902</u></b>

8. Administrative expenses	2007-08 £'000	2008-09 £'000
Administration and processing	1,021	969
Actuarial fees	40	37
Audit fee	<u>6</u>	<u>64</u>
	<b><u>1,067</u></b>	<b><u>1,070</u></b>

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND

9. Investment income	Restated 2007-08 £'000	2008-09 £'000
Income from fixed interest securities	12,622	13,688
Dividends from equities	45,934	46,418
Income from index-linked securities	2,046	2,413
Income from pooled investment vehicles	779	785
Net rents from properties	3,473	5,188
Interest on cash deposits	<u>7,709</u>	<u>4,468</u>
	<b><u>72,563</u></b>	<b><u>72,960</u></b>

10. Taxation	Restated 2007-08 £'000	2008-09 £'000
Irrecoverable taxation	<b><u>4,378</u></b>	<b><u>4,064</u></b>

#### 11. Investment assets and liabilities

	Restated Value at 1.4.08 £'000	Purchases at cost & currency hedging payments £'000	Sales proceeds & currency hedging receipts £'000	Change in market value £'000	Value at 31.3.09 £'000
Investment assets					
Fixed interest securities	262,254	295,952	(281,170)	11,217	<b>288,253</b>
Equities	1,199,558	378,766	(276,660)	(363,560)	<b>938,104</b>
Index-linked securities	110,610	194,906	(185,926)	8,664	<b>128,254</b>
Pooled investment vehicles	276,512	11,237	(4,566)	(43,393)	<b>239,790</b>
Properties	70,750	23,444	-	(26,134)	<b>68,060</b>
Currency hedging contracts	117	47,286	(39,881)	(6,747)	<b>775</b>
Insurance policies	26	-	-	(12)	<b>14</b>
	<b>1,919,827</b>	<b>951,591</b>	<b>(788,203)</b>	<b>(419,965)</b>	<b>1,663,250</b>
Cash deposits & short term loans	130,791				<b>81,733</b>
Other investment balances	16,748				<b>13,626</b>
	<b>2,067,366</b>				<b>1,758,609</b>
Investment liabilities					
Currency hedging contracts	(620)	39,266	(36,597)	(2,840)	<b>(791)</b>
Other investment balances	(2,831)				<b>(6,374)</b>
	<b>(3,451)</b>				<b>(7,165)</b>
	<b>2,063,915</b>			<b>(422,805)</b>	<b>1,751,444</b>

The total change in market value of investment assets and investment liabilities is a decrease of £422,805k.

Included within the above purchases and sales figures are transaction costs of £1,505k. These comprise stamp duty (£924k) and commissions paid to stockbrokers (£581k).

Costs are also incurred by the Fund through the bid-offer spread on investments within pooled investment vehicles. Such costs are not separately identifiable.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND

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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.

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts. The Fund's objective is to decrease risk in the portfolio by entering into futures positions to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets. At the year end there were four currency hedging contracts, all with less than one year to expiry, with a gross contract value of £46,070k (2008 was £35,647k).

	<b>Restated 31 March 2008 £'000</b>	<b>31 March 2009 £'000</b>
<b>Fixed interest securities</b>		
UK public sector quoted	224,860	243,337
UK corporate quoted	-	11,560
Overseas public sector quoted	<u>37,394</u>	<u>33,356</u>
	<b><u>262,254</u></b>	<b><u>288,253</u></b>
<b>Equities</b>		
UK quoted	751,084	568,998
Overseas quoted	<u>448,474</u>	<u>369,106</u>
	<b><u>1,199,558</u></b>	<b><u>938,104</u></b>
<b>Index-linked securities</b>		
UK public sector quoted	87,332	91,187
Overseas public sector quoted	<u>23,278</u>	<u>37,067</u>
	<b><u>110,610</u></b>	<b><u>128,254</u></b>
<b>Pooled Investment Vehicles</b>		
Property – unquoted	44,045	36,553
Other quoted	189,450	156,307
Other unquoted	<u>43,017</u>	<u>46,930</u>
	<b><u>276,512</u></b>	<b><u>239,790</u></b>
<b>Properties</b>		
UK freehold	55,840	46,510
UK leasehold	<u>14,910</u>	<u>21,550</u>
	<b><u>70,750</u></b>	<b><u>68,060</u></b>
<b>Cash deposits and short term loans</b>		
Sterling cash deposits	33,062	28,955
Money market funds	17,969	20,592
Other Sterling short term loans	79,000	32,000
Foreign currency	<u>760</u>	<u>186</u>
	<b><u>130,791</u></b>	<b><u>81,733</u></b>

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND

The proportion of the market value of net investment assets managed in-house and by each external manager at the year end is set out below. Collective investment vehicles held as stock selection decisions are included under in-house.

	Restated			
	31 March 2008		31 March 2009	
	£'000	%	£'000	%
In-house	1,701,026	82.4	1,448,088	82.7
Wellington Management International Ltd	146,063	7.1	147,742	8.4
UBS Global Asset Management (UK) Ltd	<u>216,826</u>	<u>10.5</u>	<u>155,614</u>	<u>8.9</u>
	<b><u>2,063,915</u></b>	<b><u>100.0</u></b>	<b><u>1,751,444</u></b>	<b><u>100.0</u></b>

All fund managers operating the pooled investment vehicles are registered in the United Kingdom except for:

Fund	Country of registration of fund manager
Montanaro Focus Fund	Channel Islands
Atlantis Asian Recovery Fund	Ireland
Baring Australia Fund	Ireland
Aberdeen Global Japan Smaller Companies Fund	Luxembourg
J P Morgan Funds Latin American Equity Fund "A"	Luxembourg
Martin Currie Global Funds - Greater China Fund	Luxembourg
Martin Currie Global Funds - Japan Mid-Cap Fund	Luxembourg

#### 12. Fund investments by geographical sector (at market value)

	Restated			
	31 March 2008		31 March 2009	
	£'000	%	£'000	%
UK	1,385,568	67.1	1,165,908	66.6
N America	176,661	8.6	190,731	10.9
Europe	248,431	12.0	185,589	10.6
Asia and other	<u>253,255</u>	<u>12.3</u>	<u>209,216</u>	<u>11.9</u>
	<b><u>2,063,915</u></b>	<b><u>100.0</u></b>	<b><u>1,751,444</u></b>	<b><u>100.0</u></b>

	2007-08	2008-09
	£'000	£'000
Administration, management and custody	2,284	2,376
Performance measurement services	9	8
Legal and other advisory fees	<u>189</u>	<u>173</u>
	<b><u>2,482</u></b>	<b><u>2,557</u></b>

#### 14. Additional Voluntary Contributions

In accordance with Regulation 5(2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, the accounts do not include employees' Additional Voluntary Contributions ("AVCs"). The amounts involved are not material in relation to the size of the overall pension fund.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND

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Members may make Additional Voluntary Contributions which are invested separately from the Fund's assets. These investments are specifically allocated to the provision of additional benefits for those members. These are money purchase arrangements where the member uses the invested amount to provide an additional lump sum or to purchase an annuity or buy additional benefits in the Local Government Pension Scheme.

The total value of funds provided by these contributions was:

	31 March 2008 £'000	31 March 2009 £'000
Equitable Life Assurance Society		
- with profits fund	462	445
- unit-linked funds	729	574
- building society fund	<u>9</u>	<u>10</u>
Total Equitable Life Assurance Society	<u>1,200</u>	<u>1,029</u>
Standard Life		
- Sterling fund	9	1
- managed fund	420	305
- cautious managed fund	60	34
- protection fund	28	38
- ethical fund	87	67
- with profits fund	<u>412</u>	<u>340</u>
Total Standard Life	<u>1,016</u>	<u>785</u>
Prudential Assurance Company Ltd		
- deposit fund	<u>3,745</u>	<u>3,812</u>
Clerical Medical		
- with profits fund	505	452
- unit linked fund	<u>79</u>	<u>56</u>
	<u>584</u>	<u>508</u>
<b>Total AVC Investments</b>	<b><u>6,545</u></b>	<b><u>6,134</u></b>
Death in Service Cover		
Equitable Life	<u>740</u>	<u>707</u>

Death in Service cover is payable by the AVC provider where an employee has opted to pay an extra life insurance sum. The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) increased the death grant payable for contributors to three times their "final pay" (in the case of a part-time employee it is three times their actual pensionable pay). The maximum amount insurable is, therefore, restricted to an amount equivalent to "final pay" and in the case of a part-time contributor, their actual pensionable pay. "Final pay" is defined in the above Regulations.

## PENSION FUND ACCOUNTS NOTES TO THE PENSION FUND

	Equitable Life £'000	Prudential £'000	Standard Life £'000	Clerical Medical £'000	Total £'000
<b>Value at 1.4.2008</b>	<b>1,200</b>	<b>3,745</b>	<b>1,016</b>	<b>584</b>	<b>6,545</b>
Income					
Contributions received	22	409	57	77	565
Interest and bonuses and change in market value	(96)	142	(163)	(28)	(145)
Transfers in	-	18	-	4	22
Expenditure					
Life assurance premiums	(3)	-	-	-	(3)
Retirement benefits	(93)	(487)	(116)	(45)	(741)
Transfers out and withdrawals	(1)	(8)	-	(83)	(92)
Contribution repayments	-	(7)	(9)	(1)	(17)
<b>Value at 31.3.2009</b>	<b>1,029</b>	<b>3,812</b>	<b>785</b>	<b>508</b>	<b>6,134</b>

### 15. Current assets

	<b>Restated 31 March 2008 £'000</b>	<b>31 March 2009 £'000</b>
Employers' contributions due	4,214	5,020
Employees' contributions due	1,517	1,638
Transfers due	76	-
Sundry debtors	<u>1,872</u>	<u>1,701</u>
	<b><u>7,679</u></b>	<b><u>8,359</u></b>

Employers' and employees' contributions due at 31 March 2009 have been received since the year-end.

### 16. Current liabilities

	<b>Restated 31 March 2008 £'000</b>	<b>31 March 2009 £'000</b>
Unpaid benefits	669	965
Sundry creditors	<u>25</u>	<u>49</u>
	<b><u>694</u></b>	<b><u>1,014</u></b>

### 17. Related Party Transactions

Derbyshire County Council is the administering authority for the purposes of the Fund under the Local Government Pension Scheme (Administration) Regulations 2008. Included in administrative expenses and investment management expenses in 2008-09 are charges from the Corporate Finance Division and other Council departments of £1,363k (2007-08, £1,546k) for providing services.

The Fund has also made a loan to Derbyshire County Council at various times throughout the year of between £2 million and £22 million. At 31 March 2009 the balance was £17 million (2008, £5 million). This loan is repayable on demand and earns a market rate of interest (as prescribed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998).

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND

#### 18. Investment Commitments

Investment commitments are commitments to private equity investments, not yet drawn down by the managers. At the end of the financial year investment commitments in respect of future payments were:

	31 March 2008 £'000	31 March 2009 £'000
Unquoted investments	<u>4,915</u>	<u>4,164</u>

#### 19. Participating Employers

The participating employers in the Fund are Derbyshire County Council (which is also the Administering Authority), Derby City Council (Unitary Authority) and 8 district Councils (which are Scheduled Bodies) and a further 50 Scheduled and 29 Admission Bodies. The Unitary and district Councils are listed in the foreword of this Annual Report. Other participating employers are listed below.

The contributions receivable and the benefits payable by the Fund during the year in respect of each type of participating employer were as follows:-

	Restated 2007-08		2008-09	
	Benefits payable	Contributions receivable	Benefits payable	Contributions receivable
	£'000	£'000	£'000	£'000
Derbyshire County Council	40,593	51,585	42,883	58,247
Scheduled Bodies	42,416	66,699	45,932	72,491
Admission Bodies	<u>2,635</u>	<u>3,830</u>	<u>1,854</u>	<u>3,023</u>
	<b><u>85,644</u></b>	<b><u>122,114</u></b>	<b><u>90,669</u></b>	<b><u>133,761</u></b>

	2008-09 Total contribution rate % of pensionable payroll	2009-10 Total contribution rate % of pensionable payroll
<b>Scheduled Bodies</b>		
National Probation Service - Derbyshire	15.1	15.1
Peak District National Park Authority	15.7	15.7
Chesterfield Crematorium	27.1	27.1
Derbyshire Valuation Tribunal	43.8	43.8
The University of Derby	13.8	13.8
Chesterfield College	15.3	15.3
South East Derbyshire College	12.6	12.6
Derby College	14	14
Derbyshire Police Authority	14.5	14.5
Derbyshire Fire Authority	16	16
Derby Homes Limited	14.7	14.7
High Peak Community Housing Ltd	11.8	11.8
Rykneld Homes Ltd	14.6	14.6
Landau Forte College	11	11
Connexions Derbyshire Limited	15.2	16.6
Town and Parish Councils - Group 1	22.6	22.6
Town and Parish Councils - Group 2	14.1	14.1

# PENSION FUND ACCOUNTS

## NOTES TO THE PENSION FUND

### Town and Parish Councils

Group 1		Group 2
Derwent & Hope Woodlands Parish Council	Staveley Town Council	Alfreton Town Council
New Mills Town Council	Matlock Town Council	Wingerworth Parish Council
Clay Cross Parish Council	Whaley Bridge Town Council	Heanor & Loscoe Town
Pinxton Parish Council	Willington Parish Council	Darley Dale Town Council
Wirksworth Town Council	Shirebrook Town Council	Morton Parish Council
Old Bolsover Town Council	Bakewell Town Council	Burnaston Parish Council
Belper Town Council	Doveridge Parish Council	Newton Solney Parish Council
Killamarsh Parish Council	Duffield Parish Council	North Wingfield Parish Council
Ashbourne Town Council	Eckington Parish Council	Tupton Parish Council
Dronfield Town Council	Elmton Parish Council	Tibshelf Parish Council
Whitwell Parish Council	Smalley Parish Council	Glapwell Parish Council
Chinley, Buxworth & Brownside Parish Council		

The following Admission Bodies also participate:

	2008-09 Total contribution rate % of pensionable payroll	2009-10 Total contribution rate % of pensionable payroll
Three Valleys Housing Limited	16.5	17.5
Amber Valley Housing Limited	12.6	12.6
Dales Housing Limited	16.4	18.2
Tramway Museum Society	8.8 plus £8,800	8.8 plus £9,200
Derbyshire Coalition for Inclusive Living	16.4 plus £17,800	16.4 plus £21,800
Chesterfield Care Group	16.4 plus £5,100	16.4 plus £5,300
Belper Sports Centre	12 plus £23,900	12 plus £25,000
Derbyshire Student Residences Limited	12.9	12.9
Commission for Social Care Inspection	6.2	6.2
Derby and Derbyshire Economic Partnership	12.9	12.9
Derby Cityscape Ltd	17.9	17.9
Cleanaway Ltd (Contract with Chesterfield BC)	5.7	5.7
Cleanaway Ltd (Contract with Amber Valley BC)	16.1	16.1
Rentokil Initial Management Services Ltd	34.4	34.4
CSB Contract Services Ltd	22.8	22.8
Norwest Holst Ltd	17.3	17.3
Initial Facilities Management Ltd	19.3	19.3
Initial Catering Services Ltd	17.5	17.5
DC Leisure Management Ltd (contract with Amber	13.9	13.9
Leisure and Community Partnership Ltd (contract with	13.9	13.9
Vale Contract Services Ltd	14.1	14.1
Balfour Beatty Power Networks Ltd	15.1	15.1
Macintyre Care Ltd	16.6	16.6
SIV Enterprises Ltd	15.5	15.5
Veolia Ltd (contract with High Peak BC)	15.4	15.4
KGB Cleaning & Support Services	15.9	15.9
APCOA	17.9	17.9
DC Leisure Management Ltd (High Peak BC)	13.3	13.3
Leisure & Community Partnership Ltd (High Peak BC)	13.3	13.3



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## **GLOSSARY OF TERMS**

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### **Accountable Body**

An accountable body is an organisation which takes financial responsibility for the management of funds which comprise of contributions from multiple organisations; the fund itself is not a legal entity.

### **Accrual**

The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is paid or received.

### **Actuarial Basis**

The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

### **Appropriation**

The process of transferring balances from revenue to reserves and vice versa.

### **Area Based Grant**

General Government Grant introduced in 2008-09 to replace many specific Government Grants.

### **Assets**

Right or other access to future economic benefits.

### **Best Value Accounting Code of Practice (BVACOP)**

Establishes 'proper practice' with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.

### **Bonds**

Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.

### **Budget**

The financial plan reflecting the Council's policies and priorities over a period of time.

### **Cabinet**

A group of councillors who provide the executive function of the Council, their decision-making powers are set out in the Council's Constitution.

### **Capital Expenditure**

Expenditure on the acquisition of, or enhancement to fixed assets. This cannot be merely to maintain the value of an existing asset.

### **Capital Financing**

The cost of financing capital expenditure.

### **Capital Receipts**

Money received from the sale of fixed assets. Subject to certain limitations, this can be used to finance other capital expenditure, or to repay outstanding debt associated with the asset.

### **Central Support Services**

The provision of services by the central departments of the County Council. Examples finance, personnel, legal, administration, information technology and property.

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## GLOSSARY OF TERMS

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### **Community schools**

Schools which the Council run, employ the staff and normally owns and maintains the land and buildings (with the exception of PFI schools).

### **Constitution**

The document that sets out how the Council operates, how decisions are made and the procedures which are followed.

### **Contingent Liability**

Potential costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.

### **Council**

The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

### **Council Tax**

Council Tax is a local taxation that is levied on dwellings within the local Council area, and funds all Council services.

### **Council Tax Base**

This is a figure that expresses the total band D equivalent properties. The amount to be funded by Council Tax is divided by this, and charges for all other bands of property are based on this charge.

### **Council Tax Precept**

The amount of income due to the County Council from the District Authorities, who are responsible for collecting Council Tax.

### **General Fund Balance**

The reserve held by the County Council for general purposes, i.e. against which there are no specific commitments.

### **Credit**

A credit represents income to an account.

### **Creditors**

Represents the amount that the Council owes other parties.

### **Debit**

A debit represents expenditure against an account.

### **Debt Charges**

This represents the interest payable on outstanding debt.

### **Debtors**

Represents the amounts owed to the Council.

### **Dedicated Schools Grant (DSG)**

A specific grant paid to Local Authorities to fund the cost of running its schools.

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## GLOSSARY OF TERMS

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

This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.

### **Deficit**

Arises when expenditure exceeds income or when expenditure exceeds available budget.

### **Depreciation**

The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed aka wear and tear.

### **Direct Revenue Financing**

The cost of capital projects that is charged against revenue budgets.

### **Equities**

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.

### **Finance Lease**

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

### **Financial Instruments**

Financial instruments are formally defined in the SORP as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### **Fixed Assets**

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

### **Formula Grant**

The general grant paid to Local Authorities by the Government to support the day to day costs of running its services.

### **Foundation schools**

Schools run by their own governing body, which employs the staff and sets the admissions criteria. Land and buildings are usually owned by the governing body or a charitable foundation.

### **Going Concern**

The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

### **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 (formula grant).

### **Government Grants Deferred**

Grants and other external contributions towards capital expenditure are written off to the income and expenditure account as the assets to which they relate are depreciated.

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## **GLOSSARY OF TERMS**

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### **Group Accounts**

Where a Council has a controlling interest in another organisation, group accounts have to be produced. These accounts report the financial position of all of the group entities.

### **Impairment**

Impairment of an asset is caused either by a consumption of economic benefits, a deterioration in the service provided by an asset, or by a general fall in prices of that particular asset.

### **Income and Expenditure Account**

This statement shows the cost of delivering the Councils services and summarises all of the funding that the Council has generated, consumed or set aside in providing services during the year

### **Inflow**

This represents cash coming into the Council.

### **Investments**

An asset which is purchased with a view to making money by providing income, capital appreciation or both.

### **Joint Venture**

An organisation which the Council has partial control and ownership, but decisions require the consent of all participants.

### **Leases**

A method of funding expenditure by payment over a defined period of time.

### **Liabilities**

An obligation to transfer economic benefits. Current liabilities are payable within one year.

### **Liquid Resources**

These are resources that the Council can easily access and use, e.g. cash or investments of less than 1 year.

### **Local Authority Business Growth Incentive (LABGI)**

Incentive for local authorities to promote economic growth. The scheme allows the retention of a proportion of increases in revenue derived from national non-domestic rates.

### **Local Public Service Agreements (LPSA)**

A voluntary agreement, negotiated between a local authority and the government, which aims to improve local public services by focusing on targeted outcomes for local people.

### **Materiality**

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

### **Minimum Revenue Provision (MRP)**

A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

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## GLOSSARY OF TERMS

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### **National Non Domestic Rates (NNDR)**

Taxation that is levied on business properties, billing authorities collect this on behalf of the Government. The Government then redistribute these resources to Councils.

### **Net Book Value**

The amount at which fixed assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.

### **Net Expenditure / Net Cost of Service**

The actual cost of a service to an organisation after taking account of all income charged for services provided.

### **Operating Lease**

A lease where an asset is used only for a small proportion of its economic life.

### **Outflow**

This represents cash going out of the Council.

### **Prior Period Adjustments**

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

### **Private Finance Initiative (PFI)**

A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.

### **PFI Credits**

The financial support provided to Local Authorities to part fund PFI capital projects.

### **Provisions**

Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.

### **Public Works Loans Board (PWLB)**

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.

### **Reserves**

Sums are set aside in reserves for future purposes rather than to fund past events.

### **Revaluation Reserve**

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

### **Specific Grant**

A grant awarded to a Council for a specific purpose or service that can not be spent on anything else.

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## GLOSSARY OF TERMS

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### **Statement of Recommended Practice (SORP)**

A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts.

### **Subsidiary**

An organisation that is under the control of the Council aka the Council is the majority share holder.

### **Surplus**

Arises when income exceeds expenditure or when expenditure is less than available budget.

### **Trading Accounts**

A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.

### **UK GAAP**

United Kingdom Generally Accepted Accountancy Practice

### **Usable Capital Receipts Reserve**

Represents the resources held by the Council that have arisen from the sale of fixed assets that are yet to be spent on other capital projects.

### **Voluntary-aided schools**

Schools which are mainly religious or 'faith' schools, the governing body, employs the staff, and sets the admission criteria. Buildings and land are normally owned by a charitable foundation.

### **Voluntary-controlled schools**

Schools which the Council run, employ staff, set admission criteria, and maintain land & buildings. But normally are owned by a charity, who appoints members to the governing body.

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## CONTACT US

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A summary of this document maybe made available in Braille, on audio tape or in large print on request from the Call Derbyshire contact centre:

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