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

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Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the County Treasurer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts.

The Accounts were approved by Cabinet on 25 July 2005.



Councillor J G Williams
Chair, Cabinet

The County Treasurer's responsibilities

The County Treasurer is responsible for the preparation of the authority's statement of accounts which, in terms of the Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2005.

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

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

The County Treasurer has also:

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

Certificate of County Treasurer

I certify that the Statement of Accounts present fairly the financial position of Derbyshire County Council at 31 March 2005 and its income and expenditure for the year then ended.



Peter Swaby
County Treasurer

2005

Explanatory Foreword

Introduction

These accounts set out the financial results of the Council's activities for the year ended 31 March 2005. The County Council manages its affairs to ensure the economic, efficient and effective use of resources and safeguard its assets. This is vital if the Council is to continue to play a leading role in the community and provide high quality services for the benefits of all its residents. This task is shared by all Members and Officers of the Council under the leadership of Cabinet and the Chief Executive. The Director of Corporate Resources and County Treasurer play a particular role in ensuring financial stewardship.

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

The purpose of this foreword is to provide the reader with:

- An explanation of the accounting statements which follow
- A review of the Council's financial performance in 2004-05
- An indication of the Council's financial position as at 31 March 2005
- An overview of the Council's plans for future priorities in service delivery

A glossary of terms is provided on page 62 to assist the reader.

The Statements

The main statements, and their purpose within the accounts, are:

- *Statement of Responsibilities for the Statement of Accounts* which outlines the relative responsibilities of the Council and the County Treasurer for preparing the accounts.
- *Statement on the System of Internal Financial Control* which sets out the framework within which financial control is managed and reviewed and the main components of the system.
- *Statement of Accounting Policies* which explains the basis for recognition, measurement and disclosure of transactions and other events in the accounts.
- *County Fund Consolidated Revenue Account (CRA)* which gives details of the cost of services which the County Council provides and shows how the net cost after income and movements to and from reserves has been financed from Revenue Support Grant and local Council Tax payers.
- *Consolidated Balance Sheet* which summarises the financial position of the County Council. It provides a statement of the Council's assets and liabilities as at the year end.
- *Statement of Total Movement in Reserves* which summarises movements in the Council's revenue and capital reserves.
- *Cash Flow Statement* which summarises the total external cash movements during the year for revenue and capital purposes.
- *Pension Fund* - The County Council administers the Derbyshire Pension Fund. Other participating authorities include Derby City Council, all 8 District Councils and 75 other admitted and scheduled bodies.
- *Capital Expenditure Statement* - Although not a required statement the Council considers this statement showing capital expenditure in the year and its method of financing to provide the reader with a full picture of the Council's financial transactions in the year.

Legislation requires the Council also to produce Group Accounts consolidating the Council's main accounts with those of any subsidiary or associate companies whose turnover is material. Whilst the Council does have such companies it considers their turnover to be immaterial to the overall position and is not therefore required to consolidate.

Explanatory Foreword (continued ...)

Summary of the Council's financial performance for the year 2004-05

During 2004-05 the County Council was assessed as an organization by the Audit Commission through a Comprehensive Performance Assessment. One element of this assessment was in relation to Use of Resources. The County Council scored a maximum 4 out of 4 for its Use of Resources, as it had done in the previous year. Despite this score the Council has developed an action plan to improve further in anticipation of a reassessment during 2005.

Revenue Expenditure

There were significant changes in the Council's responsibilities in 2004-05. Both the Derbyshire Fire Authority and the Peak District National Park Authority which had previously levied on the County Council became precepting authorities in their own right. As a result the County Council's expenditure reduced by almost £24m. In addition Environment Agency levies reduced by almost £3m as Flood Defence became funded predominantly by central government.

The Council set a total revenue budget for the year of £667.9m, an increase of £37.9m or 6.0% after adjusting for changes in function. Government support in the form of Revenue Support Grant and a share of National Non Domestic Rates rose to £446.0m, an increase of 7.2%. This resulted in an increase in Council Tax of 2.94%, the lowest of any county council in the country, where the average increase was 5.2%. The budget was set having taken account of savings of £1.6m on procurement, bringing the cumulative identified total to £12m over the last three years and enabled the Council to invest an additional £17m in Education and almost £12m in Social Services. Central government also provides finance by way of specific grants to ensure local authorities provide particular services it considers highest priority and for Derbyshire these rose by 18% to £126.3m.

The Code defines how the Council's expenditure on services should be split for Statement of Accounts purposes (page 24). Expenditure is however controlled at departmental level and the table below shows that expenditure compared to the original and revised estimates.

Department/Service	Original Estimate	Revised Estimate	Actual Expenditure
	£000	£000	£000
Chief Executives	2,944	3,711	599
Corporate Resources	331	4,273	2,520
Cultural & Community Services	14,862	15,622	15,501
Education	371,497	378,981	378,848
Environmental Service	65,399	66,018	65,616
Social Services	164,194	169,248	167,294
Corporate	23,206	10,920	-3,422
Service Total	642,433	648,773	626,956
Capital Financing Costs	27,330	27,330	26,865
Transfers to/(from) balances	-1,820	-8,260	14,022
Expenditure to be financed	667,943	667,843	667,843
Revenue Support Grant	259,590	259,590	259,590
NNDR	186,373	186,373	186,373
Council Tax	221,980	221,880	221,880
Total financed	667,943	667,843	667,843

The revised estimate for service expenditure increased from the original estimate as a result of approvals for the carry forward of the previous year underspends to be financed from balances. The revised estimate for corporate expenditure reduced arising from a change in the accounting treatment of superannuation costs relating to previous years.

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

Explanatory Foreword (continued ...)

- Change Management expenditure of £3.6m was capitalized resulting in a revenue saving.
- No calls on the Risk Management provision (£3.5m) were necessary.
- Interest earned on balances was £3.5m higher than the revised estimate.
- PSA Performance Award Grant of £4.8m, that had not been budgeted for, was received.

The table on page 5 shows Revenue Support Grant (RSG) as unchanged between original estimate and actual. During the year Central Government made a retrospective adjustment to the Council's RSG entitlement for 2003-04 of £1.087m. Although this adjustment will be deducted from the 2005-06 entitlement and the Council has budgeted for it in 2005-06, accounting principles require it to be accounted for in 2004-05, hence the different figure in the Consolidated Revenue Account on page 25.

County Fund Reserves and Balances

At 1 April 2004 the Council had uncommitted general reserves of almost £16m and was anticipating that this would rise by £3m by the end of 2004-05. Given the favourable position on the revenue account uncommitted reserves have risen to almost £24m at the end of the year although services have made proposals to utilize some of this.

Capital Expenditure

The original estimate for capital expenditure was £85.773m but additional approvals during the year resulted in final expenditure of £97.934m. This represents a 50% increase on the comparative figure for two years ago.

Major spend areas were Education, primarily schools, at £42.537m and Environmental Services, structural maintenance of roads and bridges and integrated transport measures, at £21.169m.

The expenditure was financed mainly from grants (47%) and borrowing (44%) with the remainder from revenue, reserves and capital receipts.

Pension Fund

The Pension Fund's overall return for 2004-05 was 12.2% (2003-04 22.7%) which compares with the average return on local authority funds of 11.7%. Over the last 10 years the return was 7.9% per annum which is 0.1% pa ahead of the average. For comparison the 10 year figures for average earnings and retail prices are 4.1% pa and 2.6% pa respectively.

The Fund's latest Actuarial Valuation was carried out as at 31 March 2004 at which point it was calculated that the Fund's assets represented 70% of its past service liabilities compared with 88% at the March 2001 Valuation. The main reasons for the decrease in funding level were the unfavourable performance of equity markets relative to the actuary's assumptions and the fall in gilt yields.

The Fund's strategy for reducing its deficit is contained within its Funding Strategy Statement.

Accounting Policies

The only significant change relates to the discount rate used in the calculation of assessing liabilities for retirement benefits. Details are provided on page 18.

Planned Future Developments

In setting its budget for 2005-06 the Council continued with its strategy of setting a low Council Tax whilst investing in its priority services as identified through extensive public consultation. The resultant Council Tax increase of 2.25% was, once again, the lowest of any county council in the country. By identifying savings and other financing measures of almost £9m the Council was able to maintain all services, invest an additional £9m in support for vulnerable people and increase spending in schools in real terms (after funding inflation) by almost £10m. Central government's "Gershon initiative" requires the Council to identify £6m in efficiency savings during 2005-06 and the Council is confident it can meet that target given its performance over recent years.

Explanatory Foreword (continued ...)

The Council is also committed to improving its building stock as a contribution towards service improvement. Key strands of this policy are:

- A further two new secondary schools built under the PFI initiative will open in 2006
- The Council intends to renew all secondary schools in the north east of the county over the next few years under the government's Building Schools for the Future initiative
- Using its new powers to borrow for capital investment prudently, targeting schemes where the initial capital investment will lead to longer term revenue savings

At the same time the Council is attempting to continue its policy of gradually adding to reserves to enable it to deal with any unplanned costs it may incur. Given that the authority has a record of strong financial control unplanned costs are only likely to arise from factors outside the Council's control.

More detail on the 2005-06 financial position can be found in the reports to Cabinet and Council on the budget and the Council's budget book which are available on the web site www.derbyshire.gov.uk.

Peter Swaby
County Treasurer

Statement on the System of Internal Control

1. Scope of Responsibility

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

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

2. The Purpose of the System of Internal Control

The system of internal control is an ongoing process designed to support the Council's operation and manage risk in a balanced and effective manner, acknowledging that an element of risk is inevitable if policies, aims and objectives are to be achieved.

3. The next section outlines the internal control environment in which the Council operates and reviews the effectiveness of the controls. This system of internal control has been in place at the Council for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts.

4. The Internal Control Environment

The key elements of control are described below:

- (a) The Council sets out its objectives through a series of Plans, the major of these being the Council Plan and Service Plans, Asset Management Plans, together with Action Plans arising from Best Value Reviews and External Inspection reports, and Revenue and Capital Budgets. Systems to monitor outcomes are also in place.
- (b) The Council facilitates policy and decision making through a series of mechanisms designed with effectiveness, efficiency, economy, transparency and accountability to local people as prime objectives, all within the statutory framework within which the Council operates. The Council's policy and decision making process is set out in the Council's Constitution which describes how the Council operates and how decisions are made through Council and Cabinet, explains the role of Standards, Improvement & Scrutiny and the Council's Staff, and sets out the rights of Citizens in respect of their dealings with the Council.

The Constitution is supplemented by a range of policies and processes to support the operation of the Council, including schemes of delegation to officers, standing orders relating to the business of the Council, forward plan of key decisions, codes of conduct for members and officers, an anti-fraud/corruption strategy, a confidential reporting code, and member and employee training. The Council also undertakes both external and internal consultation exercises to inform strategic planning and budget decisions, and to identify and promote best practice.

It has also developed an Information Management Strategy.

- (c) The financial management of the Council is integrated with and influenced by many of the above processes, and includes processes for forward planning of expenditure and resources, budget consultation, setting and monitoring, and completion of final accounts, all aimed to be accurate, informative and timely. The Council also has in place financial regulations designed to support sound financial management policies and procedures, and adherence thereto, and also to reflect the Council's current political and management structure and business activities.

Statement on the System of Internal Control (continued)

- (d) In order to ensure compliance with policies, procedures and statutory requirements, the Council has a range of controls and processes in place, as set out below. These processes also assist the authority in ensuring the economical, effective and efficient use of resources, in securing continuous improvement in exercising its functions, and provide for an effective performance management and reporting process.

Review of Effectiveness of Internal Controls

The table below lists the controls in operation, together with a review of their effectiveness and related assurances.

Control	Review of Effectiveness
<p>Statutory roles of the Council's Monitoring Officer and Section 151 Officer to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure legality and sound financial standing.</p>	<p>Council, Cabinet, Committees and Chief Officers have a full range of professional officer advice to enable them to carry out their functions effectively and in compliance with statutory requirements. The External Auditor is satisfied with the Council's arrangements (Annual Audit & Inspection Letter 2003-04) and commented on the importance of further developing the forward financial plan to ensure effective risk management and strong links to all council plans, strategies and service planning.</p> <p>On setting the budget for 2005-06, Council was also advised on the financial prospects over the next 3 years, including possible future levels of council tax.</p>
<p>Internal Audit provide independent and objective assurances across the whole range of the authority's activities.</p>	<p>The External Auditor is able once again to place reliance on the work of the Section (Annual Audit Letter 2003-04) and commented that it is important that Internal Audit continues to develop its role in respect of risk management and also aligns its plans to the risks facing the Council. The External Auditor has held a joint meeting with Internal Audit and Chief Officers Management Team to develop the focus of both Internal and External Audit work in line with the risks facing the Council.</p> <p>The Section will continue to develop a new risk assessment framework in conjunction with its external partner.</p> <p>The Internal Audit Plan for 2005-06 has been agreed by Chief Officers and by the Audit Committee for approval and monitoring.</p> <p>The Head of Audit Services produces a statement on the adequacy of the Council's control framework as part of the Unit's Annual Audit Report (Cabinet 7 September 2004 covering 2003-04 accounts). A similar statement will be included in the Unit's 2004-05 Report.</p> <p>Fraud awareness publicity and training is to be further reviewed and developed.</p>

Statement on the System of Internal Control (continued)

Control	Review of Effectiveness
<p>External Audit provide a further source of assurance by reviewing and reporting upon the Council's internal control processes and any other matters relevant to their statutory functions and codes of practice.</p>	<p>The Annual Audit & Inspection Letter for 2003-04 commented positively on the Council's service performance and future plans, the management of its financial affairs and standards of financial conduct, and that the External Auditor was able to place reliance on the work performed by Internal Audit as set out above.</p> <p>The External Auditor made a presentation to Council on 20 April 2005, and the Letter incorporated the Council's response to the recommendations.</p>
<p>Risk Management policies and procedures are in place with the objective of ensuring that the risks facing the authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed, and these arrangements are approved and reviewed by Cabinet following advice from the Chief Executive and all Chief Officers.</p>	<p>The Risk Management Policy and the Corporate Risk Register (an identification of the most significant risks) were reviewed and approved by Cabinet (6 April 2004) and a further review was undertaken during the latter part of 2004, and the results reported to Cabinet on 14 December 2004. Quarterly reviews have been instigated from March 2005. Risk considerations are incorporated into the budget process and service planning. Risk awareness training for managers has taken place and will continue.</p> <p>It is also important to ensure that there is a joint understanding with the Council's many partners, on the Council's procedures, requirements and reporting mechanisms relating to legal, financial, personnel or any other relevant operational issues, all designed to assist effective partnership working. This is an area which requires continued monitoring and review, with added emphasis arising from the recent implementation of Local Area Agreement status within Derbyshire.</p> <p>In August 2004 all employees received a communication providing advice on risk management issues. Articles in the employee newsletter "Workforce" and website entries are planned. A programme of member training will also be developed.</p> <p>The recently developed 'Project Appraisal & Management Toolkit' incorporates a risk assessment module to assess risks relating to new projects or initiatives.</p> <p>Insurance policies and funds are in place and are regularly reviewed to ensure the Council is adequately safeguarded.</p> <p>A 'Corporate Insurance Strategy', setting out a framework for dealing with insurable risks, including internal/external funding, the role of insurance brokers, actuarial reviews and procurement processes, was approved by Cabinet on 22 June 2004.</p> <p>A policy for the financial vetting of contractors was approved by Cabinet on 22 February 2005.</p> <p>Cabinet, on 12 April 2005, adopted in full the provisions of the Money Laundering Regulations 2003, and the County Treasurer will implement the detailed arrangements.</p>

Statement on the System of Internal Control (continued)

<p>Provision of effective, efficient and responsive systems of financial management.</p>	<p>To support forward planning and ensure the Council can meet its objectives, financial strategy will be further developed. Procedures have been reviewed to ensure the requirement for earlier completion of final accounts is achieved. As part of the CPA process, the Council received the top rating of 4 for its policies and procedures, in relation to use of resources. However, the Audit Commission have consulted on and agreed a revised set of standards which appear more stringent. The Council will need to have plans in place for achieving compliance with the revised standard.</p> <p>Financial Regulations - new and revised regulations were implemented from 1 April 2002 and generally they have worked successfully to date. Internal Audit, as part of their standard work processes, test compliance against the regulations across Departments, and will shortly also carry out a review of the operation of the new regulations.</p> <p>The External Auditor has made a number of recommendations relating to the control framework for the administration of grant claims. Action will be taken to implement the recommendations in the near future.</p> <p>For budget monitoring purposes, an exercise has commenced to identify material volatile items of expenditure/ income which will then be subject to more frequent monitoring. The information gained will also aid budget setting.</p> <p>The Council has adopted a procurement strategy (Cabinet 2 November 2004) to ensure effective use of resources and compliance with relevant statutory requirements.</p> <p>It is essential that financial management systems are in place to deliver the framework necessary to identify, quantify and monitor "Gershon" savings. The initial stage in this process was the preparation of the Council's first annual efficiency statement (Forward Look 2005-06), which was approved by Cabinet on 12 April 2005.</p> <p>A Chief Officer Working Group has been established to further develop the integration of corporate and service planning, financial planning and performance management, in line with External Auditor recommendations.</p>
<p>Codes of practice are issued by external bodies in respect of Council services and processes, with which the Council is expected to comply.</p>	<p>The Council has complied with the 2003 CIPFA Code relating to Capital Finance & Treasury Management. (Approved by Cabinet 2 February 2005 and Council 9 February 2005).</p> <p>In preparing its Funding Strategy Statement (FSS), that sets out a strategy for dealing with employers' pension liabilities in the longer term, the Council has had regard to the guidance issued by CIPFA in its publication, "CIPFA Pensions Panel Guidance on Preparing and Maintaining a Funding Strategy Statement". (The FSS was approved by the Pensions Committee on 24 March 2005.)</p>

Statement on the System of Internal Control (continued)

Control	Review of Effectiveness
<p>The scrutiny function is carried out and developed through Improvement & Scrutiny Committees covering a wide range of Council functions.</p> <p>The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members.</p>	<p>The Improvement & Scrutiny Committees have continued to carry out reviews across a wide range of functions and Cabinet has received reports and recommendations from the Committees. The Council has developed a Service Improvement Programme for 2005-06 which includes a series of further reviews to be considered by the Committees.</p> <p>The Standards Committee has met on four occasions in the last financial year to consider issues including Standards Board annual reviews, consultations and guidance; revised arrangements for Comments, Compliments and Complaints; Government consultation in respect of Code of Conduct for Employees, Ombudsman Annual Report.</p>
<p>A performance management framework is in place to measure progress against objectives, and to provide for remedial action where appropriate, and to inform planning and decision making.</p>	<p>The Council's processes are considered to be effective and will continue to be developed through the implementation of new performance management systems and continued emphasis on establishing robust performance targets and monitoring processes.</p> <p>The External Auditor commented positively on the Council's performance management framework, and recommended that the Council should continue to develop its performance management framework, ensuring that it is embedded in the organisation, and that the framework adequately reflects the increased partnership working. Existing and planned developments are in place to meet these requirements.</p>
<p>Continued implementation of best value reviews and related improvement plans.</p>	<p>While it is not an obligation as an 'excellent council', a programme of Best Value Reviews is in place.</p> <p>In line with External Auditor recommendations the Council needs to demonstrate that completed Best Value reviews have delivered the expected benefits.</p> <p>A Service Improvement Programme for 2005-06 has been developed, and was approved by Cabinet on 26 April 2005.</p> <p>Investment in the Change Management Programme continues and systems are in place to monitor and measure the benefits gained.</p> <p>Asset Management Plans and a Capital Strategy are in place, and will be subject to review in the next few months.</p>

Statement on the System of Internal Control (continued)

Control	Review of Effectiveness
<p>Reports received recently from external agencies and inspectorates, which would encompass major services, and other specific external evaluations.</p>	<p>The Council's 'excellent' status under CPA was reaffirmed in December 2004, achieving improved performance across its services with Education, Social Services and Environmental Services all achieving the highest rating. Two thirds of its Best Value Performance Indicators are above average and show continued improvement.</p> <p>In the last 12 months, the whole of the Education Department has received good judgements in the inspections of the Adult Community Education and Youth Services and the OFSTED LEA Inspection.</p> <p>The Council achieved considerable success under the Government's Public Service Agreement (PSA1) receiving reward grant of £8.8m for meeting performance targets under the Agreement. The Council is also participating in PSA2.</p>
<p>Delivery of services by trained, skilled and experienced personnel.</p>	<p>The Council is staffed by suitably qualified and experienced employees, selected against accurate and specific job descriptions and person specifications.</p> <p>The Council has demonstrated its commitment through IIP accreditation, due priority to employee training needs and competencies, work aids, such as IT facilities, and improved communication with staff, including an Employee Attitude Survey. Induction and awareness training (eg Freedom of Information and Sustainability) is in place.</p> <p>The Council is investing in a Learning Management System to support training development, recording and monitoring across the Council.</p>

Links to information and documents to evidence the above controls/reviews are attached at Appendix 1.

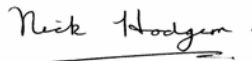
The Statement is also integral to the 'Local Code of Corporate Governance', which provides additional assurances in respect of Community Focus, Service Delivery Arrangements, Structures and Processes, and Standards of Conduct.

The internal controls will be subject to further review and monitoring over the next 12 months to ensure their continued effectiveness.

5. Significant Internal Control Issues

This statement refers to a number of areas for development and further action, however, based on CIPFA criteria, it is considered that there are no significant internal control issues.

Signed



Chief Executive

Signed:



Chair of Cabinet

Statement on the System of Internal Control (continued)

APPENDIX 1

Evidence for SIC

1. **Annual Audit & Inspection Letter 2003-04**
 - DCC Website - search 'Annual Audit Letter'
 - Dnet - Democratic Services - Council - 20/4/05 meeting
2. **Budget 2005-06** – Dnet – Democratic Services – Council 9/2/05
3. **Annual Internal Audit Report 2004-05**
 - Dnet - Democratic Services - Cabinet – 7/9/04
4. **Risk Management Policy, Corporate Risk Register Update and Corporate Insurance Strategy**
 - Dnet - Democratic Services - Cabinet - 06/04/2004 meeting and 14/12/04 - Risk Management; Cabinet - 22/06/2004 - Corporate Insurance Strategy; Cabinet 22/02/05 – Financial Vetting of Contractors; Cabinet 12/4/05 – Money Laundering Regulations
 - Dnet - Financial Information - Risk Management - Risk Management Toolkit.
5. **Project Appraisal and Management Toolkit**
 - Dnet - Project Appraisal and Management Toolkit.
6. **Financial Regulations**
 - Dnet - Financial Information - Financial Regulations.
7. **CIPFA's Code for Capital Finance & Pension Fund Strategy Statement**
 - Dnet - Democratic Services - Council Meeting 09/02/2005, Cabinet Meeting 02/02/2005 - Prudential Code for Capital Finance and Treasury Management Strategy; Pensions Committee 24/03/05 – Funding Strategy Statement.
8. **Improvement & Scrutiny Committees**
 - Dnet - Democratic Services - Member meetings - Improvement and Scrutiny Committees.
9. **Standards Committee**
 - Dnet - Democratic Services - Member meetings - Regulatory Committees - Standards.
10. **Procurement Strategy**
 - Dnet - Democratic Services – Cabinet – 02/11/04

Statement on the System of Internal Control (continued)

11. **Gershon Savings**
 - Dnet - Democratic Services – Cabinet – 12/04/05
12. **Best Value Reviews & Service Improvement Plans**
 - DCC Website/Dnet - Democratic Services - Quick search 'Best Value'.
 - Dnet - Democratic Services - Cabinet - 26/04/05 - Service Improvement Programme 2005-06
13. **Comprehensive Performance Assessment (CPA) & PSA**
 - DCC Website/Dnet
14. **Investors in People & Training**
 - Dnet - Departmental sites and/or internal information.
 - Training – Dnet – Democratic Services – Quick Search “Training”
15. Council Plans, Service Plans, Revenue & Capital Budgets and Monitoring Reports, Council Constitution, Confidential Reporting Code, Anti-Fraud Strategy, Forward Plan of Key Decisions, LEA inspections etc are accessible either via the DCC Website, Dnet or from Democratic Services.
16. Legislation setting out the statutory obligations of the Council is available from the County Secretary or from Government websites.
17. **Consultation**
 - MORI Residents Survey, Budget Consultation
 - Employee Attitude Survey
 - Local Code of Corporate Governance

(Hard copies of all of the above are widely available.)

General Statistics

This table shows a range of statistics which give a picture of the County Council. Derbyshire's population makes it the 11th most populous county, whilst its area makes it the 20th largest out of 34 English Counties.

The next section shows the council's revenue spending and the sources of finance. Before the start of each financial year the County Council prepares a budget taking account of known commitments and estimated pay and price increases. It deducts income received from charges and other sources and grants received from Central Government for specific services.

The Authority's budget requirement is then funded from three sources. Revenue Support Grant is a general grant received from central government. National non-domestic rates are levied on non-domestic properties with the rate poundage set by central government. Receipts are redistributed to individual local authorities based on residential population.

The balance is collected from the Council Tax which is based on the assessed capital values of domestic properties grouped into 8 bands.

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

General Statistics (continued ...)

	Financial Year		Financial Year	
	2003-04		2004-05	
Area and Population				
Area of County (hectares)	255,077		255,077	
Population	746,900		748,300	
Density per hectare	2.93		2.93	
Revenue Expenditure				
	£'000	%	£'000	%
Employees	491,189	55	523,542	54
Running Expenses	376,654	42	420,013	43
Debt charges	24,203	3	26,865	3
Gross expenditure				
Gross expenditure per head of population	£1,194.33		£1,296.83	
	892,046	100	970,420	100
Income				
	£'000	%	£'000	%
Precepts	224,372	25	221,880	23
Revenue Support Grant	230,978	26	258,503	27
Non-Domestic Rates	196,974	22	186,373	19
PSA 1 Reward Grant	0	0	2,379	0
Specific Grants	161,302	18	163,369	17
Other sources	78,420	9	137,916	14
Total Income				
	£892,046	100	£970,420	100
Rateable Value				
Non Domestic Rateable Value	£ million		£ million	
	355,655		347,294	
Council Tax				
Tax Base (Equivalent Band D properties)	245,921		246,915	
Band D Council Tax (County Council element only)	£913.68		£896.87	
Capital Expenditure				
	£'000		£'000	
Gross expenditure	72,296		97,934	
Capital expenditure per head of population	£96.79			
Met from:		%		%
Loans	42,455	59	43,124	44
Capital Receipts and other Internal Funds	5,829	8	8,681	9
Capital grants and contributions	24,012	33	46,129	47
Total				
	£72,296	100	97,934	100

Statement of Accounting Policies

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

Significant Changes in Accounting Policies

In assessing liabilities for retirement benefits at 31 March 2004 for the 2003-04 Statement of Accounts the actuary was required by the Code of Practice to use a discount rate of 3.5% over and above price inflation. For 2004-05 a rate based on the current rate of return on a high quality corporate bond is to be used. The actuary has advised that this change in discount rate has the effect of increasing the pensions liability by £98.6 million which has been recognized as part of the actuarial gains and losses for the year for the Pension Reserve in the Statement of Total Movement in Reserves. The equivalent figure for unfunded liabilities relating to the Teachers Pension Scheme is £4.3 million.

Fixed Assets

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

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

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

Capital Charges

The capital charges made to service revenue accounts, central support services and DSO accounts, equate to the sum of depreciation plus a notional interest charge based on the net amount at which the fixed asset is valued as at 1 April 2004. The notional rates of interest used are 3.5% for those fixed assets included in the balance sheet at current value and 4.8% for infrastructure assets and community assets which are included in the balance sheet at historical cost.

Depreciation

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

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

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

Statement of Accounting Policies (continued ...)

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

Government Grants

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

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

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

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

Basis of provision for redemption of debt

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

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

The average rate of interest charged by the Pool was 6.05% in 2004-2005 (6.25% in 2003-2004). Loan liability has been transferred from other authorities under the Local Government Act 1972 for services now the responsibility of the County Council. The loan debt continues to be serviced by District Councils and loan charges reimbursed to them by the County Council. Following Local Government Reorganisation on 1 April 1997, Derby City Council reimburses the County Council a share of loan debt outstanding at that date based on the respective council tax bases of the two authorities.

Capital Receipts

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

Deferred Charges

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

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

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

Nature of substantial reserves, provisions, and contingent liabilities.

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

Any under or over spending on the delegated budgets of schools in 2004-2005 has been carried forward and will be added to or deducted from their budgets in 2005-2006. The net balance carried forward is shown in the Consolidated Balance Sheet as a reserve, but is committed to be spent on schools and is not available to the authority for general use.

Statement of Accounting Policies (continued ...)

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

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

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

Allocation of central support services

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

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

Work in progress, stocks and stores

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

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

Pensions

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

Teachers:

This is an unfunded scheme administered by the Department for Education and Skills. The pension cost charged to the accounts is the contribution rate set by the DFES on the basis of a notional fund. However where discretionary benefits have been awarded by the Authority the liabilities accrue directly to the Authority and have therefore been accounted for in line with FRS 17 as set out below. 2004-05 is the first financial year that the Authority has been required by the Code of Practice to show this liability in the Balance Sheet. However, for comparison purposes, the 2003-04 Balance Sheet has been restated.

Other Employees

Other employees are eligible to join the Local Government Pension Scheme (LGPS). The Authority pays contributions to a funded pension scheme from which pension benefits are paid out. The Council also pays any costs arising in relation to unfunded elements of pensions where employees have been awarded discretionary compensation under the provisions of the County Council's early retirement scheme.

- (2) Financial Reporting Standard No 17
The pension costs included in the financial statements in respect of the LGPS have been drafted in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

The current service pensions cost reflected in the service revenue accounts is an estimate made by the actuary of the true economic cost of employing people in the financial year.

Statement of Accounting Policies (continued ...)

The actuary also measures the assets and accrued liabilities of the Pension Fund as at 31 March with the net liability shown in the Balance Sheet, as a pensions reserve. The accounting entries required to reflect the above costs and liabilities have no net effect on the Authority's Council Tax.

Leasing

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

Auditor's Opinion

Independent Auditors' Report to Derbyshire County Council

We have audited the statement of accounts on pages 18 to 50, which incorporates the statement of accounts of the Pension Fund on Pages 51 to 63.

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

Respective Responsibilities of the Chief Financial Officer and Auditors

As described on page 3, the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2004: A Statement of Recommended Practice. Our responsibilities, as independent auditors, are established by statute, the *Code of Audit Practice* issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts presents fairly:

- the financial position of the Council and its income and expenditure for the year; and
- the financial transactions of the Pension Fund during the year and the amount and disposition of the Fund's assets and liabilities as at 31 March 2005, other than liabilities to pay pensions and benefits after the end of the financial year.

We review whether the statement on internal control on page 8 reflects compliance with CIPFA's guidance *The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003* published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts. We are not required to consider, nor have we considered, information regarding future projections included within the statements of accounts.

Auditor's Opinion (continued...)

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the *Code of Audit Practice* issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the statement of accounts presents fairly the financial position of Derbyshire County Council as at 31 March 2005 and its income and expenditure for the year then ended.

Opinion on pension fund accounts

In our opinion the statement of accounts presents fairly the financial transactions of the Derbyshire County Council Pension Fund during the year ended 31 March 2005 and the amount and disposition of its assets and liabilities at that date, other than liabilities to pay pensions and benefits after the end of the financial year.

KPMG LLP

KPMG LLP
Chartered Accountants
Birmingham

20/10/2005

County Fund Consolidated Revenue Account

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

Before the start of each financial year the County Council prepares a budget taking account of known commitments and estimated pay and price increases. It deducts income received from charges and other sources and grants received from Central Government for specific services.

The Authority's budget requirement is then funded from three sources. Revenue Support Grant is a general grant received from Central Government. National non-domestic rates are levied on non-domestic properties with the rate poundage set by Central Government. Receipts are re-distributed to individual local authorities based on residential population.

The balance is collected from the Council Tax which was introduced as the local tax with effect from April 1993. It is based on the assessed capital values of domestic properties grouped into 8 bands.

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

The 2003-04 figures have been restated as outlined in the Statement of Accounting Policies for unfunded liabilities relating to the Teachers Pension Scheme.

County Fund Consolidated Revenue Account

2003-04

2003-04		Gross	Income	Note	2004-05
Net		Expenditure			Net
Expenditure					Expenditure
Restated	Services				
£000		£000	£000		£000
388,109	Education	578,040	150,126		427,914
1,586	Central	23,383	19,271		4,112
2,490	Courts	7,979	6,023		1,956
36,097	Cultural, Environmental & Planning	44,629	4,867		39,762
50,137	Highways, Roads & Transport	73,447	18,683		54,764
156,305	Social Services	275,783	104,367		171,416
6,270	Non Distributed Costs	6,427	257		6,170
5,009	Corporate & Democratic Core	5,606	-		5,606
646,003	NET COST OF SERVICES	1,015,294	303,594		711,700
(916)	Surplus/Deficit on Trading Operations			1	(881)
(36,826)	Tfr from Asset Management Revenue Account			9	(56,873)
(2,682)	Interest received				(8,079)
14,586	Pensions Interest & expected return on assets				13,783
27,209	Levies & Precepts				220
647,374	Net Operating Expenditure				659,870
6,786	Contributions from () or to Revenue reserves				4,018
(8,727)	Contributions from () or to Pensions reserve				(11,950)
1,219	Contributions from () or to Capital financing account				7,419
646,652	Amount to be met from government grants and local taxpayers				659,357
(224,372)	Precepts				(221,880)
(230,978)	RSG				(258,503)
(196,974)	NNDR				(186,373)
-	PSA 1 Reward Grant				(2,379)
(5,672)	(Surplus)/Deficit for the year				(9,778)
17,137	County Fund Balance 1 April 2004				22,809
5,672	Contribution to() or from revenue				9,778
22,809	Balance 31 March 2005				32,587

Notes to County Fund Consolidated Revenue Account

1. Traded Operations

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

	2004-05 £'000	2003-04 £'000
Turnover	1,759	1,710
Expenditure	<u>(878)</u>	<u>(793)</u>
Surplus	<u>881</u>	<u>917</u>

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

	Turnover £'000	Surplus/(Deficit) £'000
Building construction and maintenance	20,864	84
Grounds maintenance	2,377	59
Building cleaning	7,396	46
Allroads-Highways maintenance	33,710	410
Catering (excluding school meals)	95	1

2. Section 137 Expenditure

Section 137 of the Local Government Act 1972, as amended by the Local Government and Housing Act 1989, allows local authorities to incur expenditure on activities or projects which will bring direct benefit to their area or its inhabitants and which are not specifically authorised by other powers. Expenditure incurred under this section in any financial year may not exceed the sum of £5.00 per head of resident population i.e. about £3.7 million. Expenditure incurred under section 137 in 2004-2005 was as follows:-

	2004-05 £'000	2003-04 £'000
Grants to voluntary organisations	215	260
Community Venture Scheme	<u>27</u>	<u>27</u>
	<u>242</u>	<u>287</u>

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

3. Local Authorities (Goods and Services) Act 1970

Under this statute local authorities are empowered to supply goods and services to specified public bodies such as colleges, grant maintained schools, the Derbyshire Police Authority and the Peak District National Park Authority. The Act provides that separate accounts shall be kept and the following statement shows the income received for the goods and services supplied by the County Council during 2004-2005:-

	£'000
Educational Services	462
Computer Services	105
Financial Services	434
Architectural Design and Property Management Services	12
Legal Services	158
Environmental Services vehicle maintenance	504
Other	23

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

4. Central Support Services

The following statement shows for the financial year 2004-2005 central support service expenditure and the subsequent recharge to services etc:-

Central Departmental Expenditure	£'000	£'000	Allocations	£'000	£'000
Office of the Chief Executive			Services		
Management and General	336		Education	7,061	
Policy and Research	2,342		Chief Executive (exc Central)	130	
Public Relations	1,147		Other Services (exc Central)	4,734	
Scrutiny Committee	<u>250</u>	4,075	Public Protection	510	
			Transport	14	
Corporate Resources Department			Education Trading	382	
County Treasurer's Division	5,045		Libraries & Leisure	1,904	
County IT Division	4,424		Environmental Services	4,036	
County Secretary's Division	2,751		Social Services	<u>8,083</u>	26,854
County Personnel Division	2,926				
Director of Corporate Resources	481		Capital		3,238
County Property Division	4,610		Allroads	33	
Business Support	2,072		Cleaning DSO	507	
Administrative Support	<u>0</u>	<u>22,309</u>	Catering DSO	228	
			Superannuation Fund	1,178	
Other Services			Inter-Departmental Schemes	28	
County Buildings	5,708		Partnerships	<u>21</u>	1,995
Change Management	740				
Network Upgrade	2,458				
Customer database (MACCI)	1,683				
Service Re-Design	34				
Geographical Information System	242				
Change Management Projects	1,361				
Corporate Activities	3,625				
Corporate Management	1,750				
Miscellaneous Services	<u>1,438</u>	<u>19,039</u>			
		45,423			
Less – Internal Salaries & IT Recharges					
Office of the Chief Executive	(447)				
Corporate Resources Department	(4,608)				
Other Central Services	<u>(8,281)</u>	<u>(13,336)</u>			
		<u>32,087</u>			<u>32,087</u>

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

5. Related Party Transactions

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

The County Council issues a precept on each of the District Councils in the County ie excluding Derby City Council which is a unitary authority. The total sum raised by way of precept is disclosed in the Consolidated Revenue Account. Derbyshire Police Authority and Derbyshire Fire Authority are independent bodies which issue their own precepts on the District Councils.

A number of services are provided to the Police and Fire Authorities by the County Council ie financial, legal, personnel IT and property totalling £874,000 in 2004-2005 to the Police Authority and £115,000 to the Fire Authority.

The County Council is the administering authority for the pension fund and a note on the fund's related party transactions is included as a note to the pension fund accounts. In addition, surplus funds held by the pension fund may be lent to the County Council on a temporary basis through the Consolidated Loans Pool. The amount at 31 March 2005 was £5,000,000.

The Authority operates a car loan scheme with loans outstanding to Chief Officers at 31 March 2005 totalling £29,200.

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

6. Publicity

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

	2004-05	2003-04
	£'000	£'000
Recruitment Advertising	1,465	1,340
Non Recruitment Advertising	382	225
Other Publicity	555	498
Cost of Public Relations and Central Advertising Units not included above	862	696
	<u>3,264</u>	<u>2,759</u>

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

7. Operating Leases

- (a) The Authority uses leased vehicles, specialised plant and equipment under the terms of operating leases. The amount paid under these arrangements in 2004-05 was £2,995,000 (£3,956,000 in 2003-04).
- (b) The Authority is committed to making payments of £2,329,000 in 2005-2006 comprising the following:

	£'000
Leases expiring within 1 year	752
Leases expiring between 2-5 years	1,146
Leases expiring after 5 years	<u>431</u>
	<u>2,329</u>

8. Pension Costs

- (a) *Teachers (excluding Teachers' Additional Unfunded Pension Scheme)*
In 2004-05 the County Council paid £27.2 million to the Department for Education and Skills in respect of teachers' pension costs, which represents 13.47% of teachers' pensionable pay.
- (b) *Other Employees and Teachers' Additional Unfunded Pension Scheme*
As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two pension schemes:

- the Local Government Pension Scheme for civilian employees, administered by the County Council - this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- the Teachers Pension Scheme is an unfunded scheme, administered by the Department for Education and Skills. The pension cost charged to the accounts is the contribution rate set by the DFES on the basis of a notional fund.

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

For the Local Government Pension Scheme and the Teachers' Additional Unfunded 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 CRA after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

	Local Government Pension Scheme		Teachers Additional Unfunded Pension Scheme	
	2004-05	2003-04	2004-05	2003-04
	£'000	£'000	£'000	£'000
Net Cost of Services:				
• current service cost	31,303	23,589	-	-
• past service costs	255	414	1,177	602
Net Operating Expenditure:				
• interest cost	47,250	43,229	2,993	3,010
• expected return on assets in the scheme	(36,460)	(31,653)	-	-
Amounts to be met from Government Grants and Local Taxation:				
• movement on pensions reserve	(11,582)	(8,746)	(368)	19
Actual amount charged against council tax for pensions in the year:				
• employers' contributions payable to scheme	30,766	26,833	3,802	3,631

A note to the Balance Sheet contains details of the assumptions made in estimating the figures included in this note. A note to the Statement of Total Movements in Reserves analyses actuarial gains or losses on the Pensions Reserve.

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

9. Asset Management Revenue Account

This account is required under the capital accounting system introduced in 1994-95. The balance on the account, which represents the excess of capital charges over depreciation and interest charges, is transferred to the consolidated revenue account. Movements on the Account in 2004-2005 were as follows:-

	£'000	£'000
Reversal of capital charges made to services		(72,141)
Capital grants released from the government		(27,626)
External interest payable	16,175	
Provision for depreciation	<u>26,719</u>	<u>42,894</u>
Balance as per Consolidated Revenue Account 31 March 2005		<u>(56,873)</u>

There is a statutory requirement that the authority set aside, each year from its revenue account, a minimum amount as a provision for credit liabilities which is known as the minimum revenue provision (MRP). The provision for depreciation is regarded as part of the MRP and in order to achieve the statutory set aside, a reduction of £14,179,000 has been made to the revenue account in 2004-2005. This represents the difference between MRP and the depreciation charged in the accounts.

10. Officers Emoluments

The number of employees whose remuneration in the year, excluding pension contributions, was £50,000 or more in bands of £10,000 were as follows:-

Remuneration Band	Total 2004-05	Total 2003-04
£50,000- £59,999	62	42
£60,000- £69,999	34	36
£70,000- £79,999	14	4
£80,000- £89,999	1	4
£90,000- £99,999	5	2
£100,000-£109,999	1	1
£120,000-£129,999	1	-

11. Members Allowances

The total of members allowances paid in 2004-2005 to the nearest £'000 was £983,000 compared to £960,000 in 2003-04.

12. Audit Costs

In 2004-05 the Authority incurred the following fees relating to external audit and inspection:

	2004-05 £'000	2003-04 £'000
• Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	252	290
• Fees payable to the Audit Commission in respect of statutory inspection	56	68
• Fees payable to the Audit Commission for the certification of grant claims and returns (estimated)	89	90
• Fees payable in respect of other services provided by the appointed auditor	-	-

Consolidated Balance Sheet

The balance sheet overleaf combines all of the County Council's activities. It includes the County Fund, from which services are provided, the consolidated loans pool which provides resources for capital spending, and the Direct Labour and Direct Service Organisations. It excludes the Pension Fund and Trust Funds. The remainder of the book provides further details on these activities.

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

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

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

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

The 2003-04 figures have been restated for comparative purposes to take account of unfunded liabilities in the Teachers Pension Scheme as outlined in the Statement of Accounting Policies.

CONSOLIDATED BALANCE SHEET (continued ...) as at

31 March 2004

Restated

£000

Notes

31 March 2005

£000

£000

Fixed assets	1-5		
781,282 Land & buildings		1,035,942	
37,752 Vehicles, plant, equipment		50,609	
137,186 Infrastructure		155,438	
2,615 Community		2,681	
27,399 Non-Operational		46,461	1,291,131
62,428 Long Term Debtors			64,256
1,048,662 Total long-term assets			1,355,387
<i>Current Assets</i>			
7,317 Stocks/WIP	12	5,739	
42,277 Debtors		44,565	
168,297 Short term investments	10	211,960	262,264
<i>Current Liabilities</i>			
(102,210) Creditors		(110,812)	
(16,350) Temporary loans		(15,160)	
(24,595) Cash overdrawn		(26,966)	(152,938)
1,123,398 Total assets less current liabilities			1,464,713
(302,217) Long term Borrowing	13		(340,496)
(6,746) Loan Liability OLAS			(6,475)
(264,248) Liability relating to defined benefit pension scheme	16		(431,827)
(54,443) Govt. grants deferred			(73,173)
(6,699) Provisions Insurance Fund	8		(5,605)
(5,168) Other	17		(5,772)
483,877 TOTAL ASSETS LESS LIABILITIES			601,365
<i>Represented by</i>			
523,685 Fixed Asset Restatement Account			757,743
143,580 Capital Financing Account	6-7		166,680
6,303 Usable capital receipts reserve			11,250
(264,248) Pensions Reserve	16		(431,827)
<i>Earmarked Reserves</i>			
1,121 DLOs			1,272
14,998 LMS			22,857
35,629 Other			40,803
22,809 County Fund Balance			32,587
483,877 TOTAL EQUITY	11		601,365

Notes to the Consolidated Balance Sheet

1 Fixed Assets

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

Two new schools which have been funded through the Private Finance Initiative at Tupton Hall and Chapel-en-le-Frith remain the property of the provider and therefore are not included in the Balance Sheet or the figures below.

MOVEMENT OF FIXED ASSETS 2004-2005

	OPERATIONAL ASSETS				NON-OPERATIONAL ASSETS		TOTAL £'000
	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Land & Buildings £'000		
VALUE							
Opening Value as at 1 April 2004	828,698	56,434	158,114	2,615	27,399		1,073,260
Additions	54,430	10,031	21,625	261	7,332		93,679
Disposals	(6,652)	(510)		(289)	(3,296)		(10,747)
Transfers	(13,711)			94	13,617		0
Revaluations	205,176	(444)		0	1,409		206,141
Value as at 31 March 2005	1,067,941	65,511	179,739	2,681	46,461		1,362,333
DEPRECIATION							
Opening Balance 1 April 2004	47,416	18,682	20,928	-	-		87,026
Charge for the year	17,715	5,631	3,373				26,719
Previous Year Adjustment							0
Adjustments for							
Revaluations	(32,811)	(9,176)					(41,987)
Disposals	(321)	(235)					(556)
Balance 31 March 2005	31,999	14,902	24,301	-	-		71,202
NET BOOK VALUE AT 31 MARCH 2005	1,035,942	50,609	155,438	2,681	46,461		1,291,131

2 Fixed Assets held by the County Council

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

	Nos		Nos
Schools		Social Services	
- Nursery	8	- Residential centres	50
- Primary	358	- Day Centres	33
- Secondary	47	Libraries	46
- Special	10	Magistrates Courts	2
		Depots	29

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

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

3. Fixed Asset Valuation

The freehold and leasehold assets which comprise the Authority's fixed asset portfolio have been valued internally as at 1 April 2000 by Adrian Avery MRICS. The valuations are in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors, except that buildings were not inspected where this was either impracticable or considered by the valuer to be unnecessary for the purpose of valuation. Static plant and machinery is included within the valuation of buildings. Buildings regarded by the Authority as operational have been valued at open market value for existing use or where there was insufficient evidence of market transactions for that use, at the depreciated replacement cost. Non-operational buildings have been valued on the basis of open market value.

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

4. Capital Contracts

Listed below are schemes over £500,000 where there is still significant expenditure outstanding as at 31 March 2005.

	TOTAL ESTIMATED COST £'000	EXPENDITURE INCURRED £'000	EXPENDITURE OUTSTANDING £'000
Service			
Education			
Bolsover C E Junior School	2,431	507	1,924
Breadsall Behavioural Support Centre	500	369	131
Chesterfield Brookfield	1,670	8	1,662
Chesterfield Meadows	1,166		1,166
Glossop Adult Education Centre	1,506	1,380	126
Hasland Junior School	3,750	158	3,592
Heanor Mundy CE Junior	2,500	481	2,019
John Port School	4,725	297	4,428
Long Eaton Brooklands Junior School	2,122	681	1,441
Swanwick Hall School	1,991	28	1,963
Social Services			
Bolsover Surestart	1,250	1,005	245
Erewash Surestart	1,497	493	1,004
Client IT System	849	376	473

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

5. Deferred Purchase Scheme

The Council has an outstanding sum due under a "Deferred Purchase" scheme entered into in 1988 and renegotiated in 1995. The scheme financed the completion of the Tipton Bypass with repayments up to the year 2005. The balance outstanding at 31 March 2005 was £205,000.

6. Capital Financing Account

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

7. Provision for Credit Liabilities

The provision for credit liabilities represents sums set aside for the repayment of debt and forms part of the capital financing reserve. Movements in the provision are as follows:-

	£'000
Balance as at 1 April 2004	5,812
Minimum Revenue Provision	<u>12,540</u>
Amounts applied to repay loans	18,352
	<u>(12,540)</u>
Balance as at 31 March 2005	<u>5,812</u>

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

8. Insurance Fund

The authority operates an insurance fund primarily to meet the estimated outstanding claims under the 'excess' clauses of the council's insurance policies. Settlement of claims is likely to be spread over a number of years. Movements on the fund during the year were as follows:-

	£'000
Opening balance 1 April 2004	8,000
plus Internal insurance premiums	4,953
Funding for Risk Management initiatives	120
less Claims settled and risk management expenditure	<u>(2,447)</u>
Closing balance 31 March 2005	<u>10,626</u>

The fund balance as at 31 March 2005 can be analysed as set out below:-

	£'000
Provision to meet notified outstanding claims	5,430
Provision to meet risk management initiatives	125
Reserve to meet claims not yet notified	5,016
Reserve to meet risk management initiatives	<u>55</u>
Fund balance 31 March 2005	<u>10,626</u>

That element of the fund relating to provisions represents obligations as at 31 March as a result of past claims and events where a reliable estimate can be made of the obligation. The reserve element is an estimate of possible obligations related to claims or events which have not yet been notified.

9. Associated Companies

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

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

The Authority acts as Treasurer to the CLASP Consortium and as at 31 March 2005 is holding cash of £1,491,000 on behalf of the Consortium. The County Council also acts as lead authority for the Derbyshire Partnership Forum and held £163,000 on the Forum's behalf at 31 March.

10. Short Term Investments

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

11. Net Assets Employed

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

	31 March 2004	31 March 2005
	£'000	£'000
Revenue	(190,812)	(345,489)
Capital	673,568	945,582
Direct Service Organisations	<u>1,121</u>	<u>1,272</u>
Total Equity as per Balance Sheet	<u>483,877</u>	<u>601,365</u>

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

12. Stock and Work in Progress

Stocks and work in progress can be analysed as follows:

	31 March 2005	31 March 2004
	£'000	£'000
Environmental Services	268	355
Property Services - client	153	1,678
Other	72	77
DLO's - All Roads	945	1,078
- Property Services	86	98
DSO's - Catering	201	185
Work in progress - Property Services	<u>4,014</u>	<u>3,846</u>
	<u>5,739</u>	<u>7,317</u>

13. Long-term Borrowing

The total loans outstanding by the Consolidated Loans Pool at 31 March 2005 was approximately £350,451,000. £10,160,000 of this relates to temporary borrowing of surplus funds belonging mainly to the Derbyshire Fire Authority and the Derbyshire County Council Pension Fund. The balance of £340,291,000 relates to long-term borrowing and can be analysed as follows:-

	Range of Interest Rates Payable (%)	Total Outstanding at 31 March	
		2005	2004
		£'000	£'000
Public Works Loan Board and market debt (Weighted Average Rate 5.9%)	3.2-9.625	340,291	301,791

An analysis of loans by maturity is:

	£'000
Maturing within one year -	-
Maturing in 1-2 years	-
Maturing in 2-5 years	13,000
Maturing in 5-10 years	43,666
Maturing in more than 10 years	<u>283,625</u>
	<u>340,291</u>

Total long-term borrowing as shown in the balance sheet is £340,496,000 which also includes £205,000 relating to a deferred purchase scheme, details of which are provided in a separate note to the balance sheet.

14. Trust and Other Funds

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

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

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

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

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

2003-2004		2004-2005	2004-2005	2004-2005
Total		Trust Funds	Other Funds	Total
£'000		£'000	£'000	£'000
Aggregate Revenue Account				
1923	Opening Balance	644	1546	2190
312	Add Income	48	685	733
<u>2235</u>	Total Funds available in the year	<u>692</u>	<u>2231</u>	<u>2923</u>
45	Less Expenditure	29	46	75
<u><u>2190</u></u>	Closing Balance	<u><u>663</u></u>	<u><u>2185</u></u>	<u><u>2848</u></u>
The funds are represented by:				
60	Investments	41	6	47
1166	Building Society Deposits	0	1710	1710
964	Cash and temporary loans	622	469	1091
<u><u>2190</u></u>	Total Assets	<u><u>663</u></u>	<u><u>2185</u></u>	<u><u>2848</u></u>
91	Number of funds	87	7	94
5	Increase in unrealised profit on investments included in expenditure	(13)	0	(13)

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

15. European Monetary Union and the Euro

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

16. Pension Liability

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

As explained in the Statement of Accounting Policies the Authority participates in two schemes which provide members with defined benefits related to pay and service. The Teachers Pension Scheme is administered by the Department for Education and Skills and the underlying liabilities for individual authorities cannot be identified on a consistent and reliable basis. However where discretionary benefits have been awarded by the Authority the liabilities accrue directly to the Authority and have therefore been accounted for in line with FRS 17.

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

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

	2004 £'000	2005 £'000
Estimated liabilities in scheme	754,986	993,282
Estimated assets in scheme	<u>540,892</u>	<u>619,580</u>
Net asset/(liability)	<u>(214,094)</u>	<u>(373,702)</u>

The figures disclosed above have been derived by approximate methods from the full actuarial valuation of the Fund carried out by Mercer Human Resources Consulting Limited as at 31 March 2004. The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The liability of £373m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit means that the financial position of the authority remains healthy.

The main financial assumptions adopted as at 31 March were:

	2004	2005
a) retail price inflation:	2.8%	2.9%
b) increases in salaries:	4.6%	4.4%
c) increases in pensions and deferred pensions:	2.8%	2.9%
d) discount rate:	6.3%	5.4%

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

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 %	31 March 2004 %	31 March 2005 %
Equities	7.5	69	70
Gilts	4.7	16	16
Other bonds	5.4	2	2
Property	6.5	5	5
Cash	4.75	8	7
Total		<u>100</u>	<u>100</u>

(b) Teachers Pension Scheme - Unfunded Liabilities

	2004 £'000	2005 £'000
Estimated Liabilities accruing to the Authority at 31 March	50,154	58,125

The financial assumptions adopted by the actuary as at 31 March were:

	2004	2005
Rate of inflation	2.8%	2.9%
Rate of increase in pensions	2.8%	2.9%
Discount rate	6.3%	5.4%

17. Provisions

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

	£000
Education provision for inter-authority and hospital recoupment	2,221
Environmental Services provision for remedial works and work in progress	955
Social Services provision relating to joint arrangements	342

18. Private Finance Initiative Schemes

The authority has a number of 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.

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 £25.558m and they were completed and occupied in April 2003 under a 26 year contract. The Unitary Charge for 2004-05 was £3.8m.

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

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 £37.113m 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 2004-05 this figure was £1.427m. As this adjustment is notional a matching transfer is made to the Capital Financing Reserve. As no such transfer was made in 2003-04 a previous year adjustment of the same amount has also been made.

Unitary Charge payments of £4.4m are anticipated to be charged to the revenue account in 2005-06, and it is expected that this will remain stable for the next 26 years allowing for inflation.

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 are expected to become operational early in 2006. The Council made a payment of £1.5m 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 will be charged to revenue in equal instalments over the life of the contract. The capital value of the scheme is £28.257 million and will run to 2032.

Magistrates Courts

The Council and Derby City Council were joint signatories to a contract in 2001 for the provision and servicing of Magistrates Courts in Derby, Chesterfield and New Mills. The courthouses in Derby and Chesterfield opened during 2003 under a 26 year contract which will expire in 2029. The capital value is £26.968 million.

In 2004-05 Unitary Charge of £4.055m was charged to the Magistrates Courts Committee, the overall costs of which are met 80% by the Department of Constitutional Affairs and 20% by the two authorities. Responsibility for the Magistrates Courts Service, including the PFI contract, passed to Her Majesty's Courts Service on 1 April 2005 and there are no entries on the balance sheet relating to this scheme.

Statement of Total Movement in Reserves

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

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

The actuarial gains and losses identified on the Pensions Reserve in 2004-05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March.

(1) Local Government Pension Scheme

	2004-05		2003-04		2002-03	
	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	23,883	3.9	65,652	12.1	(137,000)	31.5
Differences between actuarial assumptions about liabilities and actual experience	5,726	0.6	0	0	0	
Changes in the demographic and financial assumptions used to estimate liabilities	<u>(177,635)</u>	17.9	<u>0</u>	0	<u>0</u>	
	<u>(148,026)</u>	14.9	<u>65,652</u>	8.7	<u>(137,000)</u>	19.4

(2) Teachers Pension Scheme - Unfunded Liabilities

	2004-05		2003-04
	£'000	%	£'000
Liability Gain	(310)	0.5	0
Change in Assumptions	<u>(7,293)</u>	12.5	0
	<u>7,603</u>	13.1	0

Statement of Total Movement in Reserves

	CAPITAL RESERVES				REVENUE RESERVES			Total
	Fixed Asset Restatement Account	Capital Financing Account	Usable Capital Receipts Reserve	Other Capital Reserves	General Fund	Earmarked Reserves	Pension Reserve Restated	
	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 01 April 2004	523,685	143,580	6,303	13,292	22,809	38,456	(214,094)	534,031
Net surplus(deficit) for year		(11,359)			9,778	16,486		14,905
Restatement of unfunded Teachers Pension Liability							(50,154)	(50,154)
Unrealised gains (losses) on revaluation of fixed assets	244,249							244,249
Repayment of transferred debt		(1,849)						(1,849)
Discharge of liability on credit arrangement								-
Effects of disposal of fixed assets Cost or value of assets disposed of	(10,191)							(10,191)
Usable receipts			5,846					5,846
Appropriations to or from () the Pension reserve							(11,950)	(11,950)
Actuarial gains & losses () relating to pensions							(155,629)	(155,629)
	757,743	130,372	12,149	13,292	32,587	54,942	(431,827)	569,258
Financing of fixed assets:								
Capital receipts		899	(899)					
Revenue contributions & grants		32,107						32,107
Earmarked Reserve		3,301		(3,301)				-
Balance 31 March 2005	757,743	166,679	11,250	9,991	32,587	54,942	(431,827)	601,365

STATEMENT OF TOTAL MOVEMENT IN RESERVES
OTHER RESERVES

		Balance 31.3.04 £000	Movement £000	Balance 31.3.05 £000
Education	Schools Pool Premium	75	0	75
	Standards Fund Matched Funding	1,496	(238)	1,258
	DESCIT	349	0	349
	Read on Write Away	376	(142)	234
	Education PFI	3,331	1,393	4,724
Magistrates	U/spending carried fwd.	23	(23)	0
Environmental Services	New Roads and Street Works	76	0	76
	Laboratory renewals	92	(10)	82
	Waste Disposal Royalties	1,279	60	1,339
	Workshop Renewals	133	241	374
	PTU computer System	128	0	128
	Capital Salaries Contingency	205	24	229
	IT Reserve	206	0	206
	Commuted sums	269	391	660
	DLO Reserve	779	391	1,170
	Monies on Deposit	954	(161)	793
	Aftersite Care	439	0	439
	Miscellaneous reserves	38	0	38
Corporate	Lottery Treasure Chest	77	(33)	44
	Purchasing Equipment Repairs	399	125	524
	VAT recovered	94	0	94
	Computer Renewals	635	159	794
	VER/VR	719	281	1,000
	Corporate reserve	1,175	(168)	1,007
	Change Management	5,273	0	5,273
	PSA Performance Reward	0	3,767	3,767
Libraries	Miscellaneous	9	0	9
Social Services	Computer Renewals	145	(31)	114
	Aston Hall Redevelopment	2,192	(1,200)	992
	Other	70	(39)	31
Capital	Insurance Fund reserve element	13,292	(3,383)	9,909
		1,301	3,770	5,071
TOTAL AS PER BALANCE SHEET 31 March		35,629	5,174	40,803
LMS		14,998	7,860	22,858
DSO Appropriation Accounts		1,121	151	1,272
Capital		(13,292)	3,301	(9,991)
TOTAL AS PER TOTAL MOVEMENT IN RESERVES STATEMENT		38,456	16,486	54,942

Cash Flow Statement

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

Cash Flow Statement (continued ...)

2003-2004 £000	CASH FLOW STATEMENT 2004-05 SUMMARY	Note	£000	£000	2004-2005 £000
REVENUE					
491,765	Outflows	Employees	522,619		
<u>386,758</u>		Other Operating payments	<u>400,355</u>	922,974	
(224,372)	Inflows	Precepts	(221,880)		
(196,974)		NNDR	(186,373)		
(230,978)		RSG	(259,590)		
(161,302)		Other govt.grants	(165,747)		
(125,465)		Cash for goods & services	<u>(145,346)</u>	<u>(978,936)</u>	
(60,568)	Net cash flow revenue activities	1			(55,962)
SERVICING OF FINANCE					
19,787		Interest paid		25,409	
<u>(7,376)</u>		Interest received		<u>(14,714)</u>	10,695
12,411					
CAPITAL					
57,464	Outflows	Purchase of Fixed Assets		91,932	
	Inflows				
(2,412)		Sales	(5,846)		
(24,011)		Grants	(45,292)	(45,292)	
<u>0</u>		Other	0	0	
31,041				(51,138)	<u>40,794</u>
(17,116)	NET CASH (INFLOW) OUTFLOW				<u>(4,473)</u>
MANAGEMENT OF LIQUID RESOURCES					
51,483		Net inc/dec s-term deposits		43,663	
(5,007)		Net inc/dec other liquid resources		<u>1,191</u>	44,854
FINANCING					
570	Outflows	Repaymts. amounts borrowed		490	
(25,000)	Inflows	New loans raised		(38,500)	(38,010)
4,930	(INCREASE)/DECREASE IN CASH	4			2,371

Notes to the Cash Flow Statement

1 RECONCILIATION OF REVENUE CASH FLOW	£000	£000
Surplus for the year from Consolidated Revenue Account		9,778
Add non-cash transactions		
Minimum revenue provision	12,539	
Contributions to other reserves and provisions	14,977	
Contributions to capital	1,226	28,742
Items on an accrual basis(revenue only)		
Decrease in debtors	2,783	
Increase in creditors	2,405	
Decrease in stocks	1,579	6,767
Items classified elsewhere in the Cash Flow Statement		
Net Interest		10,675
Revenue Activities Net Cash Flow		55,962
2 MOVEMENT IN LIQUID RESOURCES	31-03-05	31-03-04
	£000	£000
Short -term investments	211,960	168,297
Temporary loans	<u>(15,160)</u>	<u>(16,350)</u>
	<u>196,800</u>	<u>151,947</u>
3 FINANCING ITEMS		
Long term borrowing	(340,496)	(302,217)
Other long term liabilities	<u>(6,475)</u>	<u>(6,746)</u>
	<u>(346,971)</u>	<u>(38,008)</u>
4 CASH OVERDRAWN	(26,966)	(24,595)
		<u>(2,371)</u>

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

5. GOVERNMENT GRANTS

The Authority receives Revenue Support Grant in aid of services generally (£259,590,000 in 2004-2005). It also receives other grants which are in aid of specific projects or services and which can be analysed for the year as follows:-

	£'000
Education:-	
Learning and Skills Council	33,879
Standards Fund	25,019
School Standards	13,202
Teachers Pay Reform	12,548
Social Services:-	
Preserved Rights	5,205
Supporting People	18,253
Residential Allowances	6,172
Magistrates Courts	5,329
Access and System Capacity	7,320
Carers	1,711
Environmental Services Trunk Road Grant	2,224
PFI Revenue Support	8,671
Other	<u>26,215</u>
	<u>165,747</u>

6. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£'000
Increase in cash	8,082
Cash inflow from increase in debt	(38,010)
Cash outflow from increase in liquid resources	<u>44,853</u>
Movement in net debt for period	<u>14,925</u>

Pension Fund - Foreword to Financial Statements

Investment Policy

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

The return for 2004-05 for the Fund was 12.2% (2003-04, 22.7%) which compares with the average return on local authority funds of 11.7%. Over the last ten years the Fund's return was 7.9% per annum which is 0.1% per annum ahead of the average. For comparison the ten year figures for average earnings and retail price increases are 4.1% and 2.6% respectively. On a year by year basis returns tend to fluctuate significantly according to economic and market conditions and long-term returns are a more appropriate guide to the performance of the Fund.

Members Statistics	2003	2004	2005
Contributors	29,633	31,307	33,259
Pensioners	16,962	17,292	17,672
Deferred Pensions	8,504	9,290	10,502

Actuarial Position of the Fund

1. 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 financial position 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 2004 to set the level of employer contributions for the three years commencing 1 April 2005, whereas the rate for 2004-05 was set at the 2001 valuation.
2. The contributions required in respect of future service have been determined using the "projected unit" method. The full rate of employer's contribution provides for the cost of year-by-year accrual of benefits in respect of current Scheme members and the amount required to meet a past service deficiency.
3. 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 - Foreword to Financial Statements (continued ...)

4. The financial assumptions used were as follows:-

	Past Service	Future Service
Fixed interest gilts yield:	4.6%	n/a
Index linked gilts real yield:	1.8%	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)	7.1%	6.5%
Discount rate (post retirement)	5.6%	6.5%
Price inflation	2.8%	2.5%
Earnings Inflation	4.3%	4.0%
Pension Increases	2.8%	2.5%

* 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.

5. The actuarial value placed on the assets represented 70% of the value of the past service liabilities compared with 88% at the 2001 valuation.
6. The main reason for the 18% decrease in funding was unfavourable investment performance relative to actuary's assumptions and the change in gilt yields. In common with other local authorities Derbyshire's Fund suffered from weak equity markets in the 3 years to March 2004, on which the actuarial valuation was based.

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

7. Employers have been 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 employees' contributions

Council	2004-05 %	Stepped or full rate	2005-06 %	Stepped or full rate
Derbyshire County	261	stepped	271	stepped
Amber Valley Borough	315	full	354	full
District of Bolsover	323	full	336	full
Chesterfield Borough	271	full	292	stepped
Derby City	258	stepped	290	full
Derbyshire Dales	255	full	298	full
Erewash Borough	274	full	305	stepped
High Peak Borough	341	full	356	stepped
North East Derbyshire	329	full	350	full
South Derbyshire	292	full	324	full

8. 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.
9. Employees pay 6% of their pay excluding non-contractual overtime; certain employees (ie previously classed as manual workers) are protected and are required to pay 5% of their pay.
10. The Derbyshire Pension Fund Statement of Investment Principles Funding Strategy Statement and the report on the actuarial valuation are available on the Derbyshire County Council's website at www.derbyshire.gov.uk/pensions.

Pension Fund - Fund Account

Restated 2003-04 £'000			£'000	2004-05 £'000
	Note	Contributions and Benefits		
86,627	4	Contributions receivable		97,210
<u>15,357</u>	5	Transfer values in		<u>13,293</u>
<u>101,984</u>				<u>110,503</u>
60,333	6	Benefits payable		62,339
8,360	7	Leavers - transfer values out		12,268
<u>832</u>	8	Administrative expenses		<u>965</u>
<u>69,525</u>				<u>75,572</u>
<u>32,459</u>		Net additions from dealings with members		<u>34,931</u>
		Returns on investments		
38,138	9	Investment income		45,072
197,719	10	Change in market value of investments		115,726
-	12	Change in reserves		14
<u>(988)</u>	13	Investment management expenses		<u>(1,362)</u>
<u>234,869</u>		Net returns on investments		<u>159,450</u>
267,328		Net increase (decrease) in the Fund during the year		194,381
1,042,202		Net assets of the scheme at 1 April 2004		
<u>4,337</u>	10, 14	- as previously reported	1,308,901	
<u>1,046,539</u>		- Additional Voluntary Contributions	<u>4,966</u>	
<u>1,313,867</u>		At 31 March 2005		<u>1,313,867</u>
				<u>1,508,248</u>

Pension Fund Net Assets Statement as at 31 March 2005

Restated 31 March 2004 £'000			31 March 2005 £'000
	Note		
	10, 11	Investments	
151,903		Fixed interest securities	176,419
781,197		Equities	908,584
54,444		Index-linked securities	59,930
143,295		Pooled investment vehicles	184,576
58,340		Properties	56,390
109,031		Cash deposits and short term loans	101,219
<u>43</u>		Other	<u>17</u>
1,298,253			1,487,135
<u>4,966</u>	10, 14	Additional Voluntary Contributions (AVCs)	<u>5,525</u>
1,303,219		Total investments	1,492,660
<u>10,648</u>	15	Current assets and liabilities	<u>15,588</u>
<u>1,313,867</u>		Net assets of the scheme at 31 March 2005	<u>1,508,248</u>

Notes to the Pension Fund Financial Statements

1. Basis of preparation

The accounts have been prepared in accordance with the Statement of Recommended Practice: Financial Reports of Pension Schemes (Revised November 2002) except for the valuation of fixed interest stocks, which includes interest accrued since the previous interest payment date. Such interest would otherwise be shown as investment income. There is therefore no impact on the overall value of the fund.

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

2. Accounting Policies

Contributions

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

Employer normal contributions are accounted for in the period to which the corresponding wages and salaries relate.

Employer special 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 when the member notifies the trustee 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.

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.

Expenses

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. In respect of fixed interest bonds, accrued income purchased and sold is accounted for in investment purchases and sales.

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

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

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 at their market value at the date of the net assets statement.

Quoted securities are included at closing prices: these may be the last traded prices or mid-market price depending on the convention of the exchange or other market on which they are quoted.

Fixed interest stocks are valued including 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 the average of the closing bid and offer prices, or if single priced, at the closing price.

Property is included at open market value 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.

4. Contributions receivable

	Restated	
	2003-04	2004-05
	£'000	£'000
Employers normal contributions	59,878	69,358
Employers special contributions	2,667	1,520
Members normal contributions	23,721	25,985
AVCs	<u>361</u>	<u>347</u>
	<u>86,627</u>	<u>97,210</u>

Employers' special contributions are made by participating employers in excess of amounts certified by the actuary to meet past service deficits or specific future liabilities.

5. Transfers in

	Restated	
	2003-04	2004-05
	£'000	£'000
Individual transfers in from other schemes	13,983	12,992
Restitution payments for mis-sold personal pensions	1,190	137
AVCs	<u>184</u>	<u>164</u>
	<u>15,357</u>	<u>13,293</u>

6. Benefits payable

	Restated	
	2003-04	2004-05
	£'000	£'000
Pensions	51,648	54,128
Lump sum retirement benefits	7,602	6,964
Lump sum death benefits	899	1,058
AVCs	<u>184</u>	<u>189</u>
	<u>60,333</u>	<u>62,339</u>

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

7.	Payments to and on account of leavers	Restated				
		2003-04	2004-05			
		£'000	£'000			
	Refunds to members leaving service	405	489			
	Individual transfers to other schemes	7,895	11,741			
	AVCs	60	38			
		<u>8,360</u>	<u>12,268</u>			
8.	Administrative expenses	2003-04	2004-05			
		£'000	£'000			
	Administration and processing	824	914			
	Actuarial fees	-	37			
	Audit fee	8	14			
		<u>832</u>	<u>965</u>			
9.	Investment Income	2003-04	2004-05			
		£'000	£'000			
	Income from fixed interest securities	7,976	8,489			
	Dividends from Equities	20,980	26,952			
	Income from Index linked securities	1,568	1,451			
	Income from pooled investment vehicles	249	327			
	Net rent from properties	3,700	3,199			
	Interest on cash deposits	3,665	4,654			
		<u>38,138</u>	<u>45,072</u>			
10.	Investments	Restated				
		Value at	Purchases	Sales	Change in	Value at
		31.3.2004	at cost	Proceeds	market value	31.3.2005
		£'000	£'000	£'000	£'000	£'000
	Fixed interest securities	151,903	165,238	(141,625)	903	176,419
	Equities	781,197	144,360	(109,883)	92,910	908,584
	Index-linked securities	54,444	41,797	(37,804)	1,493	59,930
	Pooled investment vehicles	143,295	31,807	(3,652)	13,126	184,576
	Properties	58,340	31	(9,000)	7,019	56,390
	Cash deposits & short term loans	109,031	443,737	(451,549)	-	101,219
	Other	43	-	(26)	-	17
		<u>1,298,253</u>	<u>826,970</u>	<u>(753,539)</u>	<u>115,451</u>	<u>1,487,135</u>
	Additional Voluntary Contributions	4,966	511	(227)	275	5,525
		<u>1,303,219</u>	<u>827,481</u>	<u>(753,766)</u>	<u>115,726</u>	<u>1,492,660</u>

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

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

	31 March 2004 £'000	31 March 2005 £'000
Fixed interest securities		
UK public sector quoted	99,324	138,977
Overseas public sector - quoted	<u>52,579</u>	<u>37,442</u>
	<u>151,903</u>	<u>176,419</u>
Equities		
UK quoted	539,003	625,880
UK unquoted	1,084	-
Overseas quoted	<u>241,110</u>	<u>282,704</u>
	<u>781,197</u>	<u>908,584</u>
Index linked securities		
UK quoted	54,444	59,930
Overseas quoted	-	-
	<u>54,444</u>	<u>59,930</u>
Pooled Investment Vehicles		
Property - unquoted	4,842	22,169
Other quoted	108,429	123,595
Other unquoted	<u>30,024</u>	<u>38,812</u>
	<u>143,295</u>	<u>184,576</u>
Properties		
UK Freehold	50,050	47,530
UK Leasehold	<u>8,290</u>	<u>8,860</u>
	<u>58,340</u>	<u>56,390</u>
Cash deposits and short term loans		
Sterling cash deposits	23,807	29,398
Money Market Funds	11,000	13,000
Loan to Derbyshire County Council	5,000	5,000
Other Sterling short term loans	68,000	52,100
Foreign Currency	<u>1,224</u>	<u>1,721</u>
	<u>109,031</u>	<u>101,219</u>
Other		
Insurance policies and fixed assets	<u>43</u>	<u>17</u>

The proportion of the market value of 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.

	31 March 2004 £'000	%	31 March 2005 £'000	%
In-house	1,109,404	85.4	1,260,450	84.8
Wellington Management International Ltd	76,256	5.9	89,269	6.0
UBS Global Asset Management (UK) Ltd	<u>112,593</u>	<u>8.7</u>	<u>137,416</u>	<u>9.2</u>
	<u>1,298,253</u>	<u>100</u>	<u>1,487,135</u>	<u>100</u>

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

Additional Voluntary Contributions

Members may make Additional Voluntary Contributions which are invested separately from the scheme's main assets. These investments are specifically allocated to the provision of additional benefits for those members. These are money purchase arrangements where the member purchases an annuity or, in certain circumstances, buys additional benefits in the Local Government Pension Scheme.

The total value of funds provided by these contributions was:

	31 March 2004 £'000	31 March 2005 £'000
Equitable Life Assurance Society		
- with profits fund	609	619
- unit-linked funds	618	679
- building society fund	<u>8</u>	<u>8</u>
Total Equitable Life Assurance Society	<u>1,235</u>	<u>1,306</u>
Standard Life		
- managed fund	213	278
- cautious managed fund	13	15
- protection fund	19	29
- ethical fund	96	80
- with profits fund	<u>260</u>	<u>303</u>
Total Standard Life	<u>601</u>	<u>705</u>
Prudential Assurance Company Ltd		
- deposit fund	<u>2,913</u>	<u>3,213</u>
Clerical Medical		
- with profits fund	<u>217</u>	<u>301</u>
Total AVC Investments	<u>4,966</u>	<u>5,525</u>
Death in Service Cover		
Equitable Life	<u>1,081</u>	<u>952</u>

Death in Service cover is payable by the AVC provider where an employee has opted to pay an extra life insurance sum. The maximum amount insurable could be up to twice the annual salary of that employee.

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

	Equitable Life £'000	Prudential £'000	Standard Life £'000	Clerical Medical £'000	Total £'000
Value at 31.3.2004	1,235	2,913	601	217	4,966
Income					
Contributions Received	28	186	72	62	348
Interest & Bonuses/Change in Market Value	68	137	53	17	275
Transfers in	-	146	7	10	163
Expenditure					
Life Assurance Premiums	4	-	-	-	4
Retirement Benefits	21	132	28	4	185
Transfers Out & Withdrawal	0	35	-	1	36
Contribution Repayments	0	2	-	-	2
Value at 31.3.2005	<u>1,306</u>	<u>3,213</u>	<u>705</u>	<u>301</u>	<u>5,525</u>
11. Fund investments by geographical sector (at market value)	31 March 2004		31 March 2005		
	£'000	%	£'000	%	
UK	913,461	70.4	1,057,485	71.1	
N.America	99,226	7.6	103,564	7.0	
Europe	143,425	11.0	158,704	10.7	
Asia and other	<u>142,141</u>	11.0	<u>167,382</u>	11.2	
	<u>1,298,253</u>		<u>1,487,135</u>		
12. Movement in Reserves	31 March 2004		31 March 2005		
	£'000		£'000		
Direct property investment					
- repairs reserve	154		157		
- rent deposit	-		<u>11</u>		
	<u>154</u>		<u>168</u>		
13. Investment Management Expenses	2003-04		2004-05		
	£'000		£'000		
Administration, management and custody	937		1,298		
Performance measurement services	7		8		
Other advisory fees	<u>44</u>		<u>56</u>		
	<u>988</u>		<u>1,362</u>		

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

14. Additional Voluntary Contributions

In accordance with the Statement of Recommended Practice: Financial Reports of Pension Schemes (revised November 2002) for the first time the accounts include employees' Additional Voluntary Contributions (AVCs). The net assets of the scheme at 1 April 2004 have been restated to include the balance of £4,966,000 of AVCs held at that date. Movements during the year and comparatives are identified in the relevant notes. The amounts involved are not material in relation to the size of the overall pension fund.

15. Current Assets and Liabilities	31 March 2004	31 March 2005
	£'000	£'000
Employers contributions due	2,718	3,507
Employees contributions due	1,093	1,229
Transfers due	920	933
Unpaid benefits	(112)	(832)
Sundry debtors	6,470	11,205
Sundry creditors	(640)	(605)
Tax recoverable	199	151
	<u>10,648</u>	<u>15,588</u>

Employers and employees contributions due at 31 March 2005 have been received since the year-end.

16. Related Party Transactions

Derbyshire County Council is the administering authority for the purposes of the Fund under the Local Government Pension Scheme Regulations 1995. Included in Administrative expenses and Investment Management expenses in 2004-05 are charges from the County Treasurer's Division and other Council Departments of £1,249,799 (2003-04 £1,135,501) for providing these services.

The Fund has also made a loan to Derbyshire County Council, which at 31 March 2005 was £5 million (2004 £5 million). This loan is repayable on demand and earns a market rate of interest (as prescribed by the Local Government Pension Scheme Regulations 1998).

17. 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 2004	31 March 2005
	£'000	£'000
Unquoted investments	3,164	5,588
Equities	115	-
	<u>3,279</u>	<u>5,588</u>

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

18. Participating Employers

The participating employers in the Fund are Derbyshire County Council (which is also the Administering Authority), the Unitary and District Local Authorities (which are Scheduled Bodies) and a further 57 Scheduled and 18 Admitted Bodies. The Unitary and District Local Authorities are listed in the foreword of this Annual Report.

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

	Restated 2003-2004		2004-05	
	Benefits Payable £'000	Contributions Receivable £'000	Benefits Payable £'000	Contributions Receivable £'000
Derbyshire County Council	29,516	36,343	30,589	38,977
Scheduled Bodies	29,447	46,861	30,960	54,564
Admitted Bodies	1,186	3,062	601	3,322
AVCs	184	361	189	347
	<u>60,333</u>	<u>86,627</u>	<u>62,339</u>	<u>97,210</u>

Capital Expenditure

The figures overleaf show the analysis of the year's capital expenditure between the major divisions of each Service.

When the Council constructs a building or purchases a piece of land, it treats such expenditure as capital. Expenditure of this nature is of value to the community for some years to come and in most cases the cost of the asset is spread over a number of years by borrowing and repaying with interest over a period of time. Details of how the year's capital expenditure has been financed are shown at the foot of the table. In addition, vehicles have been leased during the year, the capital value of which is not included in the table but details are given in a note to the balance sheet.

The statement below shows the position on capital receipts, ie. the proceeds from the sale of land or buildings. Under current legislation capital receipts from the sale of the Authority's assets may be used in full to finance new capital expenditure. The provision for credit liabilities may be used to redeem debt, meet liabilities under credit arrangements, or as a means of financing expenditure authorised by credit approvals without borrowing. The statement shows new receipts in the year, together with the amounts applied either to finance capital expenditure in the year or to repay outstanding debt. Receipts unapplied at the year end are carried forward and shown in the consolidated balance sheet. Of the balances unapplied at the year end £11,250,000 is available to fund new capital expenditure. The remainder (£5,813,000) represents the provision for credit liabilities.

CAPITAL RECEIPTS STATEMENT

2003-2004 £'000		2004-2005 £'000
9,950	Balance unapplied at start of year	12,116
	<i>Add</i>	
<u>2,412</u>	Land and Buildings sale proceeds in year	<u>5,846</u>
12,362		17,962
	<i>Less</i>	
-	Used for redemption of debt	
<u>(246)</u>	Used for financing new capital expenditure	<u>899</u>
<u>12,116</u>	Balance unapplied at year end	<u>17,063</u>

Capital Expenditure (continued ...)

Capital Expenditure 2003-2004 £'000	Services	Capital Expenditure 2004-2005 £'000
	Central and Corporate Services	
311	Magistrates Courts	102
1,594	Change Management and Other	3,929
132	Economic Development	2,194
1,765	County Buildings	1,994
	Education	
40,995	Schools	44,135
949	Youth and Community	3,789
	Environmental Services	
19,330	Highways	26,648
14	Transport	310
880	Countryside	589
2,913	Reclamation of derelict land	6,126
11	Refuse Disposal	80
283	Cultural and Community Services	903
	Social Services	
1,283	Residential Services	3,360
1,836	Day & Community Support Services	3,774
£72,296		£97,934
	Financed from:	
42,455	Loans	43,124
5,829	Capital Receipts and other internal funds	8,681
24,012	Capital grants and contributions	46,129
£72,296		£97,934

Glossary of Financial Terms

Best Value

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

Capital Expenditure

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

Capital Charge

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

Capital Receipts

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

Consolidated Loans Pool

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

Council Tax

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

County Fund

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

Deferred Charges

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

Depreciation

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

Financial Reporting Standard 17 (FRS 17)

An accounting standard issued by the Accounting Standards Board relating to retirement benefits and based on the principle that an organisation should account for retirement when it is committed to give them even if the actual giving will be many years into the future.

Fixed Assets

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

Glossary of Financial Terms (continued ...)

Fixed Asset Restatement Account

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

Formula Spending Share (FSS)

This is the Government's assessment for spending that is used as a method of allocating grant and replaces the Standard Spending Assessment (SSA).

Government Grants

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

Minimum Revenue Provision (MRP)

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

Public Works Loan Board

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

Rateable Value

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

National Non-Domestic Rate or Business Rate

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

Provisions

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

Revenue Support Grant

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

Revenue Expenditure

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

Specific Grants

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

Glossary of Financial Terms (continued ...)

Statements of Standard Accounting Practice (SSAPs)

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

UK GAAP

United Kingdom Generally Accepted Accountancy Practice