

# Statement of Accounts 2010-11



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# EXPLANATORY FOREWORD

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## Introduction

This Statement of Accounts presents the overall financial position of the Council for the year ended 31<sup>st</sup> March 2011. It has been produced in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code's of Practice, based on International Financial Reporting Standards (IFRS). IFRS are made up of a combination of many individual accounting standards.

### **The purpose of the Explanatory Foreword is to clarify the accounts by:**

- Adding more detail to the significant aspects of the Authority's financial performance and financial position already in the financial statements
- Providing an assessment as to whether the Authority has performed well during the year in using its revenue and capital resources
- Advising on the strategies being implemented to achieve the corporate objectives, specific performance measures to assess if those objectives are achieved and significant risks that the Authority is exposed to.

### **The Explanatory Foreword contains:**

- a. An explanation of the accounting statements.
- b. Operating outturn compared with budget for the year.
- c. Details of any material items of income or expense.
- d. A brief note explaining the significance of any pensions liability or asset disclosed.
- e. Significant changes in Accounting Policy and the impact to the accounts.
- f. Changes to statutory functions and the impact to the accounts.
- g. A brief note of the Authority's current borrowing facilities and capital borrowing.
- h. A summary of the Authority's internal and external sources of funds available to meet its capital expenditure plans and other financial commitments including PFI schemes
- i. Details of significant provisions and material write offs.
- j. Details of all adjusting and non-adjusting events after the reporting date.
- k. The impact of the current economic climate on the Authority including
  - The extent that the year's spending plans and budgeted income were impacted
  - The adequacy of reserves to withstand future financial pressures
  - How the assets and liabilities of the Authority have been affected
- l. Planned Future Developments

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## EXPLANATORY FOREWORD

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### a. Explanation of the accounting statements which follow

- Comprehensive Income and Expenditure Statement (CIES) - This statement shows the accounting cost of providing services for the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The statement can be found on page 12.
- Movement in Reserves (MRS) – This statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The statement can be found on page 14.
- Cash Flow Statement (CFS) – This statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement can be found on page 16.
- Balance Sheet (BS) - The Balance Sheet shows the value at the balance sheet date of all assets and liabilities recognised by the Authority. Reserves are matched against net assets and liabilities, and are reported in two categories; those available for provision of services within prudent limits (usable); and those which represent unrealised gains and losses. The statement can be found on page 17.
- Group Entity Accounts – The Authority gained responsibility for delivering the Connexions service for Derbyshire Young People in 2008. In order to deliver this service, the Authority continued the existing Connexions Company for Derby and Derbyshire area under a joint arrangement with Derby City Council. As such, in addition to reporting on its own operations for the year, group accounts are also produced which include the Authority’s own accounts and 50% of the Connexions Company accounts.
- Single Entity Accounts – The single entity accounts represent the financial position of the Authority before consolidation of Connexions Derbyshire Ltd.

### b. Operating outturn compared to budget

#### Revenue Expenditure

The Council set a net budget requirement in 2010-11 of £513.157m. The budget requirement has been funded from redistributed National Non-Domestic Rates of £161.674m, Revenue Support Grant of £23.476m, Area Based Grant of £51.397m and the balance of £276.609m from Council Tax. The Council Tax demand represented a band D equivalent of £1,077.22 an increase of 1.5% from 2009-10 which was below the average shire county increase of 1.9%. An additional £0.700m of Area Based Grant was allocated to the Council following the approval of its budget, however, in May 2010, the newly formed Government announced a reduction in Area Based Grant of £4.173m to give an adjusted net budget requirement of £509.684m.

The budget was adjusted to reflect the approved carry forwards from 2009-10 and the in year reduction of Area Based Grant, but otherwise was cash limited to the original budget set in February 2010. There was no change to the receipt of Revenue Support Grant and NNDR from Central Government, and the income from Council Tax was as estimated.

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## EXPLANATORY FOREWORD

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There was however a saving on external financing costs as the phasing of actual capital expenditure fell behind the phasing estimated at the time the budget was agreed. In view of the volatile nature of interest rates, a prudent approach was taken in budgeting for interest receipts, and in 2010-11 a small surplus was achieved against a much reduced interest receipt budget. In addition, underspends were achieved on the contingency budget as a result of the nil pay award.

Most services achieved underspends, part of which related to planned activities not having been carried out so the commitment remains. Pressures on Social Care budgets are significant, however actions are being taken to reduce the overall spend within Adult Care.

The table below outlines the controllable budget position by department.

	<b>Budget</b>	<b>Actual</b>	<b>(Under)/Over Spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Chief Executive/Corporate Resources</b>	52.518	48.102	(4.416)
<b>Environmental Services</b>	82.793	80.674	(2.119)
<b>Cultural and Community Services</b>	15.383	14.037	(1.346)
<b>Children and Younger Adults</b>	99.976	94.488	(5.487)
<b>Adult Care</b>	206.137	208.795	2.658
<b>Corporate</b>	21.072	14.087	(6.985)
<b>Total</b>	<b>477.879</b>	<b>460.183</b>	<b>(17.695)</b>

Details of how this outturn reconciles back to the reported spend in the Comprehensive Income and Expenditure Statement can be found in note 16.

The Comprehensive Income and Expenditure Statement shows a deficit of £22.198m, this is largely due to:

- Impairment charges being significantly higher in 2010-11 (£102.870m) than 2009-10 (£25.925m), details relating to this can be found in note 56
- Property Plant and Equipment disposals in relation to replaced components (£29m) details of which can be found in note 22.

These are none cash related items and do not affect the financial stability of the organisation.

### **Capital Expenditure**

The Authority has invested £137.414m in capital schemes during the year. Full details are shown in note 58, however the most significant items are:

- £9.836m on schemes that have not resulted in a capital asset (revenue expenditure funded from capital under statute) such as spend on voluntary aided and foundation schools; capital grants to other organisations; and spend on capital items below £0.010m.
- £38.701m additions relating to finance leases and PFI assets, which have a non-current liability in the balance sheet relating to the annual payments.



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## EXPLANATORY FOREWORD

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- £88.877m spend during the year on capital assets, of which the major schemes were:
  - £23.226m spent on Derbyshire's road network
  - £9.396m Heritage Mathematics & Computing School
  - £3.665m Hollingwood Primary School
  - £2.555m Kirk Hallam Community Technology College (under lease to academy)
  - £1.411m Waterswallows Waste Site

The equivalent spend during the previous financial year was £115.136m. The reduction this year is due to: a reduction in construction costs as a result of the economic downturn; the Government's decision to end many Building Schools for the Future (BSF) schemes; and the Authority's commitment to reduce spending.

### **c. Material items of Income or Expense**

The Authority incurred the following material items of income and expense during 2010-11:

- Impairment charge of £102.870m (expense) further details in note 56.
- Past Service Costs of £94.494m (income) further details in note 62.
- Disposal of replaced components of £29.176m (expense) further details in note 22.
- Single Status costs of £7.7m (expense)
- Equal Pay costs of £7.636m (expense)
- Voluntary severance costs of £3.040m (expense) further details in note 54.
- Core system training costs of £1.369m (expense)

Full details are shown in note 7

### **d. Significance of Pensions Liability and Assets**

Statutory arrangements require benefits earned to be financed as the Authority makes contributions to the Pension Fund or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Full details of the pensions' liability can be found in note 62.

### **e. Significant changes in Accounting Policy**

The basis upon which local authorities account has undergone a transition process to compliance with International Financial Reporting Standards (IFRS). This process has resulted in many significant changes to the accounting policies of the Authority.

The resulting changes to the comparative 2009-10 Balance Sheet are:

- £241.224m reduction to the non-current assets of the Authority
- £11.312m reduction to the current assets of the Authority
- £57.789m reduction to the current liabilities of the Authority
- £245.911m reduction to the non-current liabilities of the Authority
- Overall increase of £51.161m in the authority's reserves

Full details of all changes made can be found in notes 2 and 3.

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## EXPLANATORY FOREWORD

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### **f. Changes in statutory functions**

The Authority has had no, and is not expecting any changes to the statutory functions of the Authority.

### **g. Borrowing Facilities**

The Authority undertakes long term borrowing in order to finance capital spending. The total amount of long term borrowing as at 31<sup>st</sup> March 2011 was £388.113m compared to £388.185m as at 31<sup>st</sup> March 2010.

### **h. Sources of funding**

In 2010-11, the Authority was allocated a total of £51.970m of Area Based Grant. In June 2010, the Government announced details of grant funding streams which were to be reduced in 2010-11 by a total of £1.166 billion at a national level. This resulted in a reduction in the Authority's allocation of £4.173m.

The costs associated with the payment of PFI contracts are included in the revenue budget. Budgets are held to meet the service costs, interest repayments and minimum revenue provision. The minimum revenue provision ensures that the capital costs are financed.

Future capital financing is reliant on sale of buildings and capital grant income in addition to borrowing facilities. The Authority does not anticipate that reductions are required to the current capital programme as a result of funding in the future being reduced.

### **i. Provisions and Write Offs**

The Authority does not have any material provisions or write offs during the financial year. Details of the Authority's provisions can be found in note 34. Details of the Authority's bad debt provision and debtors written off in the year can be found in note 31.

### **j. Events after the reporting date**

A number of the Authority's schools have become academies since 31<sup>st</sup> March 2011. This will result in a reduction to the expenditure incurred during 2011-12 within Children and Education Services and assets relating to the schools being removed from the Balance Sheet as they are transferred to the newly formed academy. The position reported as at 31<sup>st</sup> March has not been affected.

### **k. Current Economic Climate**

#### **The extent that the year's spending plans and budgeted income were impacted:**

The Government's Comprehensive Spending Review 2010 announced reductions in local government funding of 28% over the four year period of CSR, however the reductions are significantly 'front loaded'.

The Authority's Five Year Financial Plan shows the requirement to save £99m over the period of the plan, in order to maintain a balanced budget.

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## EXPLANATORY FOREWORD

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### **The adequacy of reserves to withstand future financial pressures:**

After adjusting for non-cash items the Authority's General Reserve and Earmarked Reserves remain at robust, risk assessed levels. These levels are key to the delivery of the Authority's objectives over the medium term as a means of helping to manage significant potential liabilities and the general reduction in resources announced as part of the Government's recent Comprehensive Spending Review announcement. All such risks are regularly reviewed and appear, alongside mitigating actions, on the Authority's Strategic and Departmental Risk registers.

### **How the assets and liabilities of the Authority have been affected:**

The majority of, the property assets that have been revalued during 2010-11 are schools, which as they do not have a marketable value, are valued on a Depreciated Replacement Cost (DRC) basis. DRC relies on an estimated cost to rebuild an equivalent asset today (Modern Equivalent Asset) which is then reduced in value by the estimated cost of bringing the current structure to the same standard as a new build. As the current economic climate is offering favourable construction costs, the estimated replacement cost of Derbyshire's schools is relatively low. This has resulted in the valuation of schools this year being lower than they were valued at five years ago, leading to a relatively large impairment of the Authority's property assets.

The other assets and liabilities of the Authority have not been materially affected.

## **I. Planned Future Developments**

### **Local Government Resource Review:**

The Government announced the launch of the Local Government Resources Review in March 2011. The first phase will consider ways to establish a new system for the distribution of Business Rates and Government Grant. The options for business rates re-distribution could result in loss of income for the Authority. Phase 2 of the review will be on Community Budgets.

### **Changing the Way Derbyshire Works:**

This is a programme of work which will move Derbyshire forward, allowing the Authority to learn and adapt to the challenging environment, in particular how it can respond to changing resource requirements and service delivery. It involves a programme of five work stream projects which are the key to the Authority's delivery of services. The work stream projects currently include:

- Accommodation
- Smarter Travel
- Procurement
- Organisational Development
- Core Financial & Personnel Systems

### **Carbon Reduction Commitment:**

As part of the Government's commitment to minimising climate change, a mandatory carbon emissions reporting and pricing scheme will be introduced for carbon dioxide (CO<sub>2</sub>) emissions. The aim of this scheme is to achieve 1.2 million tonnes reduction in carbon dioxide emissions each year by 2020 from business and public sector organisations in the UK. Inclusion in the scheme is determined by an organisation's operational energy consumption. Originally, CRC was designed as a carbon emissions trading scheme. Organisations covered by the scheme are obliged to buy carbon allowances for each tonne

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## EXPLANATORY FOREWORD

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of CO<sub>2</sub> they emit over a year. These allowances are to be sold at a fixed price initially, and after three years the number of allowances may be capped and could then be sold via an auction process. Following the Comprehensive Spending Review in October 2010, the Government announced that all monies raised by the sale of allowances in the scheme would be kept by HM Treasury to support public finances. Allowances for the period 2011-12 have been set at £12 per tonne.

### **Highways Infrastructure Assets**

The reported value of Infrastructure assets is currently the total historical amount spent on the road networks, depreciated over a 40 year life. As this only reflects what has been spent in the past on the roads, this method of 'valuation' does not truly reflect the size, complexity or state of Derbyshire's road network's. Changes relating to Highways Infrastructure Assets will require the Authority to account for infrastructure on a Depreciated Replacement Cost basis. This is calculated by estimating the cost to replace every road in Derbyshire with a brand new road (Gross Replacement Cost) then reduce this amount by the estimated cost of repairing the current roads to the quality of a brand new road. HM Treasury has set a timetable for a gradual transition to reporting on this basis, started with limited, unaudited data submissions for 2009-10, building up to a full audited dry run in 2011-12 and the withdrawal of historic cost-based reporting from 2012-13. In addition separate elements of the network that have a material value will be accounted for separately (i.e. A-roads, B-roads, bridges etc).

### **Connexions Derbyshire**

Local Authorities gained responsibility for the provision of careers services from Central Government on 1<sup>st</sup> April 2008. Since this time, the Authority has operated a joint venture company (Connexions Derbyshire Ltd) with Derby City Council. As of 1<sup>st</sup> April 2011 the company ceased trading and the delivery of the service for Derbyshire has been brought 'in-house' as a direct Council service.

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## **STATEMENT OF RESPONSIBILITIES**

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### **The Council's Responsibilities**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### **The Director of Finance's Responsibilities**

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

In preparing this Statement of Accounts, the Director of Finance has:-

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code of Practice.

The Director of Finance has also:

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

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## **AUTHORISATION OF ACCOUNTS FOR ISSUE**

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### **Certificate of Director of Finance**

I certify that the accounts give a true and fair view of the financial position of the Council at 31<sup>st</sup> March 2011 and of its income and expenditure for the year then ended.

Peter Handford

Director of Finance

27<sup>th</sup> September 2011

The final Statement of Accounts were approved by the Audit Committee on the 27<sup>th</sup> September 2011.

Councillor Stuart Bradford

Chair of the Audit Committee

27<sup>th</sup> September 2011

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost of providing services for the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## Single Entity Comprehensive Income and Expenditure Statement

2009-10				Note	2010-11		
Exp £'000	Inc £'000	Net Exp £'000			Exp £'000	Inc £'000	Net Exp £'000
4,993	(1,534)	3,459	A Central Services to the Public		4,018	(1,699)	2,319
56,271	(5,926)	50,345	B Cultural, Environmental, Regulatory and Planning		67,990	(7,388)	60,602
767,164	(598,109)	169,055	C Children's and Education Services		875,334	(621,988)	253,346
95,502	(39,890)	55,612	D Highways, Roads & Transport		87,277	(23,701)	63,576
292,656	(100,139)	192,517	E Adult Social Care		307,085	(80,073)	227,012
11,994	(3,302)	8,692	F Corporate & Democratic Core		7,271	(7)	7,264
3,347	0	3,347	G Non Distributed Costs	15	1,280	0	1,280
0	0	0	H Exceptional Items	14	(94,494)	0	(94,494)
<b>1,231,927</b>	<b>(748,900)</b>	<b>483,027</b>	<b>I Net Cost of Services</b>	<b>16</b>	<b>1,255,761</b>	<b>(734,856)</b>	<b>520,905</b>
		(1,057)	J Other Operating (Income) and Expenditure	17			32,364
		54,924	K Financing and Investment Income and Expenditure	18			47,235
		(571,580)	L Taxation and Non-Specific Grants	19			(580,392)
		<b>(34,686)</b>	<b>M (Surplus) / Deficit on the Provision of Services</b>				<b>20,112</b>
		(102,541)	N (Surplus) / Deficit on Revaluation of Fixed Assets				(44,861)
		163,871	O (Gain) / Loss on Pensions Fund Assets	62			(89,564)
		<b>61,330</b>	<b>P Other Comprehensive (Income) and Expenditure</b>				<b>(134,425)</b>
		<b>26,644</b>	<b>Q Total Comprehensive (Income) and Expenditure</b>				<b>(114,313)</b>

The subtotals shown in the table above are calculated by adding the following rows:

$$I = A + B + C + D + E + F + G + H$$

$$M = I + J + K + L$$

$$P = N + O$$

$$Q = M + P$$

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## Group Entity Comprehensive Income and Expenditure Statement

2009-10				Note	2010-11		
Exp £'000	Inc £'000	Net Exp £'000			Exp £'000	Inc £'000	Net Exp £'000
4,993	(1,534)	3,459	A		4,018	(1,699)	2,319
56,271	(5,926)	50,345	B		67,990	(7,388)	60,602
773,673	(604,820)	168,853	C		882,039	(628,598)	253,441
95,502	(39,890)	55,612	D		87,277	(23,701)	63,576
292,656	(100,139)	192,517	E		307,085	(80,073)	227,012
11,994	(3,302)	8,692	F		7,271	(7)	7,264
3,347	0	3,347	G	15	1,286	0	1,286
0	0	0	H	14	(94,494)	0	(95,613)
<b>1,238,436</b>	<b>(755,611)</b>	<b>482,825</b>	<b>I</b>	<b>16</b>	<b>1,262,472</b>	<b>(741,466)</b>	<b>519,887</b>
		(1,057)	J	17			32,364
		55,227	K	18			47,525
		(571,580)	L	19			(580,392)
		<b>(34,585)</b>	<b>M</b>				<b>19,384</b>
		(102,541)	N				(44,861)
		166,868	O	62			(90,751)
		<b>64,327</b>	<b>P</b>				<b>(135,612)</b>
		<b>29,742</b>	<b>Q</b>				<b>(116,228)</b>

The subtotals shown in the table above are calculated by adding the following rows:

$$I = A + B + C + D + E + F + G + H$$

$$M = I + J + K + L$$

$$P = N + O$$

$$Q = M + P$$

## MOVEMENT IN RESERVES STATEMENT

	Note	General Fund £'000	Earmarked Revenue Reserves £'000	Unapplied Capital Grants £'000	Capital Receipts Reserve £'000
<b>Balance at 1st April 2009</b>	<b>20</b>	<b>(64,210)</b>	<b>(99,528)</b>	<b>(31,578)</b>	<b>(18,799)</b>
<i>Surplus (Deficit) on the provision of services</i>	CIES	(34,686)	0	0	0
<i>Other Comprehensive Income and Expenditure</i>	62		0	0	0
Total Comprehensive Income and Expenditure		(34,686)	0	0	0
<i>Adjustments between accounting basis &amp; funding basis under regulations</i>	20	18,813		(19,377)	3,644
		18,813	0	(19,377)	3,644
<i>Transfers to/from Earmarked Reserves</i>	21	(5,670)	5,670		
Increase in 2009-10		(21,543)	5,670	(19,377)	3,644
<b>Balance at 1st April 2010</b>	<b>20</b>	<b>(85,753)</b>	<b>(93,858)</b>	<b>(50,955)</b>	<b>(15,155)</b>
<i>(Surplus) / Deficit on the provision of services</i>		20,112	0	0	0
<i>Other Comprehensive Income and Expenditure</i>	62	0	0	0	0
Total Comprehensive Income and Expenditure		20,112	0	0	0
<i>Adjustments between accounting basis &amp; funding basis under regulations</i>	20	(45,862)	0	15,115	1,325
		(45,862)	0	15,115	1,325
<i>Transfers to/from Earmarked Reserves</i>	21	25,569	(25,569)		
Increase in 2010-11		(181)	(25,569)	15,115	1,325
<b>Balance at 31st March 2011</b>	<b>20</b>	<b>(85,934)</b>	<b>(119,427)</b>	<b>(35,840)</b>	<b>(13,830)</b>



## MOVEMENT IN RESERVES STATEMENT

Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Group Usable Reserves £'000	Group Unusable Reserves £'000	Total Reserves £'000
(214,115)	(749,991)	(964,106)	(198)	3,263	(961,041)
(34,686)	0	(34,686)	101	0	(34,585)
0	61,330	61,330	0	2,997	64,327
(34,686)	61,330	26,644	101	2,997	29,742
3,080	(3,080)	0	(104)	104	0
3,080	(3,080)	0	(104)	104	0
0	0	0	0	0	0
(31,606)	58,250	26,644	(3)	3,101	29,742
<b>(245,721)</b>	<b>(691,741)</b>	<b>(937,462)</b>	<b>(201)</b>	<b>6,364</b>	<b>(931,299)</b>
20,112	0	20,112	(728)	0	19,384
0	(134,425)	(134,425)	0	(1,187)	(135,612)
20,112	(134,425)	(114,313)	(728)	(1,187)	(116,228)
(29,422)	29,422	0	816	(816)	0
(29,422)	29,422	0	816	(816)	0
0		0			0
(9,310)	(105,003)	(114,313)	88	(2,003)	(116,228)
<b>(255,031)</b>	<b>(796,744)</b>	<b>(1,051,775)</b>	<b>(113)</b>	<b>4,361</b>	<b>(1,047,527)</b>

# CASH FLOW STATEMENT

## Single Entity and Group Cash Flow Statements

2009-10 Single Entity £'000	2009-10 Group Entity £'000		Note	2010-11 Single Entity £'000	2010-11 Group Entity £'000
34,686	34,585	<b>Net Surplus or (Deficit) on the provision of services</b>	CFS	(20,112)	(19,384)
77,521	77,777	Adjustments for non cash movements	39	70,580	69,624
(68,532)	(68,532)	Adjustments for investing and financing activities		(19,586)	(19,586)
		Net cashflow from:			
43,675	43,830	Operating activities	38	30,882	30,654
(19,789)	(19,871)	Investing Activities	40	(3,137)	(3,140)
(33,913)	(33,913)	Financing Activities	41	(4,956)	(4,956)
<b>(10,027)</b>	<b>(9,954)</b>	<b>Movement in Cash &amp; Cash Equivalent</b>		<b>22,789</b>	<b>22,558</b>
93,930	94,485	Cash & Cash Equivalents at the start of the year	32	83,903	84,531
<b>83,903</b>	<b>84,531</b>	<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>32</b>	<b>106,692</b>	<b>107,089</b>

## BALANCE SHEET

### Single Entity Balance Sheet

1 April 2009 £'000	31 March 2010 £'000		Note	31 March 2011 £'000
		<i>Non-Current Assets</i>		
1,606,196	1,759,203	Property Plant and Equipment	22	1,730,173
208	3,541	Intangible Fixed Assets	23	4,050
48,884	42,996	Non-Current Debtors	25	39,347
16,276	21,188	Non-Current Investments	26	13,064
<b>1,671,564</b>	<b>1,826,928</b>	<b>Total Non-Current Assets</b>		<b>1,786,634</b>
		<i>Current Assets</i>		
178,792	149,293	Short Term Investments	26	134,094
420	1,083	Assets Held for Sale	27	3,501
3,840	1,841	Inventories	28	1,552
64,478	67,542	Debtors	30	77,592
93,930	83,901	Cash and Cash Equivalents	32	106,690
<b>341,460</b>	<b>303,660</b>	<b>Total Current Assets</b>		<b>323,429</b>
		<i>Current Liabilities</i>		
(59,055)	(27,304)	Loans and Borrowing	26	(24,112)
(108,729)	(110,083)	Creditors	33	(102,230)
<b>(167,784)</b>	<b>(137,387)</b>	<b>Total Current Liabilities</b>		<b>(126,342)</b>
		<i>Non-Current Liabilities</i>		
(388,158)	(388,185)	Non-Current Borrowing	26	(388,113)
(14,497)	(8,096)	Provisions	34	(8,748)
(478,479)	(659,458)	Other Non-Current Liabilities	35	(535,085)
<b>(881,134)</b>	<b>(1,055,739)</b>	<b>Total Non-Current Liabilities</b>		<b>(931,946)</b>
<b>964,106</b>	<b>937,462</b>	<b>NET ASSETS</b>		<b>1,051,775</b>
214,115	245,720	Usable Reserves	36	255,029
749,991	691,742	Unusable Reserves	37	796,746
<b>964,106</b>	<b>937,462</b>	<b>TOTAL EQUITY</b>		<b>1,051,775</b>

## BALANCE SHEET

### Group Entity Balance Sheet

1 April 2009 £'000	31 March 2010 £'000		Note	31 March 2011 £'000
		<i>Non-Current Assets</i>		
1,606,326	1,759,362	Property Plant and Equipment	22	1,730,173
208	3,541	Intangible Fixed Assets	23	4,050
48,884	42,996	Non-Current Debtors	25	39,347
16,276	21,188	Non-Current Investments	26	13,064
<b>1,671,694</b>	<b>1,827,087</b>	<b>Total Non-Current Assets</b>		<b>1,786,634</b>
		<i>Current Assets</i>		
178,792	149,293	Short Term Investments	26	134,094
420	1,083	Assets Held for Sale	27	3,501
3,840	1,841	Inventories	28	1,552
65,023	68,178	Debtors	30	77,830
94,485	84,529	Cash and Cash Equivalents	32	107,088
<b>342,560</b>	<b>304,924</b>	<b>Total Current Assets</b>		<b>324,065</b>
		<i>Current Liabilities</i>		
(59,055)	(27,304)	Loans and Borrowing	26	(24,112)
(109,761)	(111,305)	Creditors	33	(102,751)
<b>(168,816)</b>	<b>(138,609)</b>	<b>Total Current Liabilities</b>		<b>(126,863)</b>
		<i>Non-Current Liabilities</i>		
(388,158)	(388,185)	Non-Current Borrowing	26	(388,113)
(14,497)	(8,096)	Provisions	34	(8,748)
(481,742)	(665,823)	Other Non-Current Liabilities	35	(539,448)
<b>(884,397)</b>	<b>(1,062,104)</b>	<b>Total Non-Current Liabilities</b>		<b>(936,309)</b>
<b>961,041</b>	<b>931,298</b>	<b>NET ASSETS</b>		<b>1,047,527</b>
214,313	245,921	Usable Reserves	36	255,144
746,728	685,377	Unusable Reserves	37	792,383
<b>961,041</b>	<b>931,298</b>	<b>TOTAL EQUITY</b>		<b>1,047,527</b>

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# NOTES TO THE CORE FINANCIAL STATEMENTS

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Please note that the tables held within these notes may vary when compared to the main Statements or to other notes due to rounding errors. This is not expected to impact upon the tables by more than £5k in each case, and as far as possible instances of inconsistency have been found and amended.

## 1. ACCOUNTING POLICIES

The accounting policies for the Authority have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting. Where there is no specific guidance in the CIPFA Code, the Authority has developed its own accounting policy which is aimed at creating information which is:

- Relevant to the decision making needs of users; and
- Reliable, in that the financial statements:
  - Represent faithfully the financial position, financial performance and cash flows of the entity;
  - Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
  - Are neutral i.e. free from bias;
  - Are prudent; and
  - Are complete in all material respects.

This document outlines how Derbyshire County Council (the Council) will account for all income, expenditure, assets and liabilities held and incurred during the 2010-11 financial year. In accordance with IFRS 1 (first time adoption of IFRS), these policies will also apply for the comparative restatement of 2009-10 accounts, and the opening balance sheet restatement of the 2008-09 accounts.

The accounting policies of the Authority are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the authorities accounts.

The accounting policies of the Authority as far as possible have been developed to ensure that the accounts of the Authority are understandable, relevant, free from material error or misstatement, reliable and comparable. A glossary of terms can be found at the end of the Accounting Policies Statement.

## ACCOUNTING PRINCIPLES

### 1.01 Going Concern

The Authority prepares its accounts on the basis that the Authority is a going concern; that is that there is the assumption that the functions of the Authority will continue in operational existence. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Authority would still account on the basis of going concern as the provision of services would continue in another Authority.

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## **NOTES TO THE CORE FINANCIAL STATEMENTS**

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### **1.02 Accruals Concept**

The Authority accounts for income and expenditure in the period to which the service to which it relates has taken place, rather than when cash payments are received or made.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet respectively. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet respectively and the Comprehensive Income and Expenditure Statement adjusted accordingly.

### **1.03 Cost of Services**

Internal service costs (e.g. Human Resources) are apportioned across the core service areas to represent the total cost of delivering that service to the public. This is in accordance with the costing principals of the CIPFA Best Value Accounting Code of Practice 2010-11 (BVACOP).

Where possible the full cost of support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties, or any other operational cost that cannot be reasonably attributed to a specific service.

### **1.04 Value Added Tax**

Income and expenditure treated as either capital or revenue, excludes any amounts related to VAT. All VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it. Any amounts outstanding (payment or receipt) at the year end date is held as a creditor or debtor after netting off the amounts due / owed.

### **1.05 Changes in Accounting Policy**

Where there is a known future change in accounting policy required by the CIPFA Code, the Authority will disclose in the notes to the accounts:

- The nature of the change in accounting policy;
- The reasons why applying the new accounting policy provides reliable and more relevant information;
- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;
- If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The Authority will also disclose information relating to an accounting standard which has been issued but not yet adopted.

### 1.06 Previous Year Adjustments

Omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Where those errors are thought to be material, an adjustment will be entered into the financial statements comparative year balances, and the columns headed 'restated'. In addition full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

### 1.07 Unidentified Income

All unidentified income received is initially coded to an income suspense account. Individual amounts below £10 are written off due to immateriality. Weekly updates of the content of the suspense accounts are circulated. Any items of income below £10k which remain unidentified for six months will be written off. Items above £10k will be written off after 12 months.

### 1.08 Events after the Balance Sheet date

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

### 1.09 Exceptional and extraordinary items and prior period adjustments

Exceptional and extraordinary items will have been disclosed separately on the face of the Comprehensive Income and Expenditure Statement and details will be disclosed in the notes to the accounts.

### 1.10 Contingent assets and liabilities

Where the Authority has a contingent asset or liability this will be disclosed as a note to the accounts.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### CAPITAL ACCOUNTING

#### 1.11 Recognition of Capital Expenditure (de-minimis Policy).

In accordance with International Accounting Standard 16 (IAS 16), the Authority recognises non-current assets when all four of the following tests are met:

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.
- Assets expected to be used for more than one financial period.
- Assets where it is expected that future economic benefit will flow to the Authority.
- Assets where the cost can be measured reliably.

The initial cost of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Authority incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.

Subsequent enhancement expenditure is treated as capital when:

- The expenditure will substantially increase the market value of the asset.
- The expenditure will substantially increase the extent to which the Authority can use the asset for the purpose, or in conjunction with the functions of the Authority.

The Authority has two levels of de-minimis for recognition of capital expenditure:

- Below £10k – all expenditure below this level is deemed to be non-enhancing, and therefore is charged to revenue as it is incurred. This includes initial recognition of assets and subsequent asset expenditure.
- Above £500k - expenditure meeting the definitions above will be treated as capital expenditure, either as initial recognition or as an enhancement. However, in order to ensure that the subsequent asset expenditure is enhancing the value of the asset, the Authority will instruct a valuation of the asset by a RICS qualified valuer, and any impairment or additional enhancement recognised as necessary.
- Any expenditure between £10k and below £500k will be treated as capital expenditure as the amount is significant enough to increase the useful life of an asset, however is not material enough to warrant individual impairment review, until the time the asset would normally be valued.

Capital Assets are held on the balance sheet as non-current assets, unless otherwise stated.



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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 1.12 Donated Assets

Donated Assets are acquired at below fair value including nil value. When the Authority receives a donated non-current asset, the initial recognition of the asset will be at fair value.

Once any condition attached to the donation has been satisfied, the credit which is the difference between any cash payment and fair value will be treated as income in the relevant service in the Comprehensive Income and Expenditure Statement. In order to not impact on Council Tax this will then be reversed in the Movement in Reserves Statement and credited to the Capital Adjustment Account.

Until the condition has been satisfied the credit will be held in a donated asset creditor. If there is no condition, the recognition of the credit in the Comprehensive Income and Expenditure Statement will occur upon acquisition of the asset.

The fair value of an asset will be assessed upon acquisition, this will be a RICS qualified valuer for property assets and another relevant valuation specialist for other types of asset. After initial recognition, donated assets are treated in the same way as similar owned assets.

### 1.13 Non-Current Asset Classification.

The Authority manages its assets in the following categories:

#### ➤ Intangible Assets.

In line with International Accounting Standard 38 (IAS 38), the Authority recognises intangible assets as non-monetary assets without physical substance, where that asset meets the capital expenditure criteria set out in accounting policy 1.2.

#### ➤ Property, Plant and Equipment Assets.

Property Plant and Equipment Assets are subcategorised into Operational Land & Building, Community Assets, Vehicles Plant & Equipment, Infrastructure Assets, Assets Under Construction and Non-Operational Assets.

○ Land and/or Buildings assets, in line with IAS 16, are recorded, valued and accounted for based on their significant components. The Authority recognises a significant component to be;

- Combined Group containing Flat Roof & Mechanical Engineering (Internal Works i.e. boiler system)
- Land
- Temporary Buildings (sheds / portacabins)
- Combined group containing permanent structure, external works (i.e. car park), pitched roof and components of less than 25% of the overall structure value
- Other unique features (i.e. a swimming pool)

○ Community Assets.

Community Assets are assets that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect for sale or change of use.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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If the asset is used for a specific operational purpose, it does not qualify as a community asset and should be valued accordingly.

Test for Community Assets:

- Is the intent to hold the asset forever?
- Does the asset have an indeterminable useful life?
- Are there restrictions on disposal?

The answers for the first two questions have to be 'yes', while an affirmative answer to the third question is not obligatory but may help determine the correct classification.

○ **Infrastructure Assets.**

Infrastructure Assets include all tangible (physical) assets required within the authority's road networks. There is no prospect for sale of infrastructure assets; expenditure is only recoverable through continued use of the asset.

By 2012-13 the Authority will have converted the infrastructure asset base fully into an IAS 16 compliant component base; this is in line with statutory accounting rules.

○ Vehicles, Plant and Equipment Assets and Assets Under Construction are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale. Surplus Assets are treated in line with the policies for the operational assets of that nature.

○ Surplus Assets are assets which the Authority no longer operates from however do not meet the definition of held for sale. All surplus assets are treated in the same way as operational assets of the same type (valuation, depreciation, recognition etc). It is expected that this category will diminish in time as the Authority rationalises its assets.

➤ **Investment Property Assets**

Investment Property Assets are items of land and / or buildings held by the Authority solely for the purpose of rental income generation or capital appreciation or both.

As such where there is a service of the Authority being delivered from the property, this is not classified as Investment Property Assets. This includes where the intention of the asset is to generate economic growth to an area such as below market value rental.

Some Assets Under Construction will also be classified as Investment Property Assets where the intended eventual use is rental income generation or capital appreciation.

➤ **Assets Held for Sale**

The Authority will classify assets as held for sale where:

- The asset is in the condition required for sale and is vacant.
- The assets sale is highly probable.
- The asset has been advertised for sale and a buyer sought.
- The completion of the sale is expected within 12 months.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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Assets which become non-operational / surplus which do not meet all of the requirements set out as assets held for sale continue to be classified and accounted for as their previous category. In addition, if the asset later no longer meets the criteria, it is restored to its previous classification and all transactions which would have occurred shall be retrospectively applied as though the asset had never been held for sale. Investment properties which become available for sale remain as Investment Properties.

Assets meeting the criteria as held for sale are held as current assets on the balance sheet as income is expected within 12 months.

It is possible that assets meet the criteria to be held for sale; however a change in circumstance beyond the control of the Authority means that the sale is delayed beyond 12 months. In these instances the Authority follows the policies outlined for assets held for sale; however disclosure of the value for these assets is within non-current assets. Due to the circumstances around the definition, it is expected that this will occur very rarely.

### 1.14 Non-Current Asset Valuation Methodology

The various classifications of assets as outlined in accounting policy 13 are valued on differing basis. Where not explicitly stated otherwise, property revaluations are completed by an RICS qualified valuer (who is internal to the Authority), on a five year rolling programme i.e. 20% of the Authority's assets are revalued each year. Valuations are completed based on the conditions as at the 1<sup>st</sup> April for the financial year; however an impairment review to consider if any material degradation or other impairment has occurred during the financial year is then completed at the balance sheet date.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the revaluation reserve. This is then reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain. Where there is a revaluation which resulted in a lower than carrying amount valuation, this is treated in line with accounting policy 15 – impairment of assets.

Valuations are completed as follows:

- **Intangible Assets** – the Authority recognises Intangible Assets at cost. The Authority will revalue intangible assets annually where there is determinable market value for the asset.
- **Property Plant and Equipment** – Property Assets are held at fair value which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of existing use value (EUV) in accordance with UKPS 1.3 of the RICS Valuation Standards. Where no other valuation method can be used, depreciated replacement cost is used.

Vehicles and Assets under construction within PPE are held at historic cost (not revalued).

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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- **Infrastructure Assets** – the Authority recognises Infrastructure Assets at historic cost (not revalued).
- **Investment Property Assets** – Investment Properties are annually revalued at fair value which is to be interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. This includes investment property under construction. The fair value of investment property held under a lease is the lease interest.
- **Community Assets** – the Authority recognises Community Assets at historic cost (not revalued).
- **Assets Held for Sale** – Assets held for sale are transferred into this category at their carrying amount and are then not revalued.

### 1.15 Impairment of Non-Current Assets

The accounting policy has been created in accordance with IAS 36

Impairment is the amount to which the carrying amount of an asset exceeds the recoverable amount.

At the end of each reporting period the Authority assesses whether there is any indication that an asset may be impaired.

The Authority recognises impairment as:

- A significant decline (i.e. more than expected as a result of the passage of time or normal use) in an asset's market value during the period;
- Evidence of obsolescence or physical damage of an asset;
- A commitment by the Authority to undertake a significant reorganisation; and
- A significant adverse change in the statutory or other regulatory environment in which the Authority operates.

Where there has been a previous revaluation taken to the revaluation reserve, an impairment up to that value would reverse the previous revaluation. Any further impairment or if there has been no previous revaluation, the impairment is charged to revenue. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

### 1.16 Disposal of Non-Current Assets.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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Sale proceeds in excess of £10,000 are categorised as capital receipts. Receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the capital adjustment account via the movement in reserves statement.

Sale proceeds below £10,000 are below de-minimus and are credited straight to the Comprehensive Income and Expenditure Statement.

### 1.17 Depreciation / Amortisation Methodology.

In order to recognise the total cost of using fixed assets, the Authority has a policy to depreciate assets on a straight line basis over their useful economic life, reducing the value of the asset, and charging the relevant revenue service expenditure. However, as under statute depreciation is not chargeable to the tax payer, the Authority removes this charge through the Movement in Reserves Statement and charges to the Capital Adjustment Account.

The economic lives of assets are:

- **Intangible Assets** – are amortised over five years.
  
- **Property Plant and Equipment** –
  - Combined Group for Flat Roof and Mechanical Engineering - 20 years
  - Land – not depreciated
  - Temporary Buildings – 15 years
  - Combined group for structure, external works, pitched roof and components of less than 25% of the overall structure value – 40 years
  - Other unique features (i.e. a swimming pool) – as required
  - Fixtures and Fittings over 10 years.
  - Vehicles over five years
  
- **Infrastructure Assets** – 40 years
  
- **Investment Property Assets** – are not depreciated
  
- **Community Assets** – Community Assets are depreciated in line with the normal policy for assets of that nature (i.e. Land assets are not depreciated). Under rare circumstances it is not possible to determine a useful life (such as works of art) in those instances the asset is not depreciated.
  
- **Assets Held for Sale** – are not depreciated

The Authority charges a full year's depreciation in the year of acquisition and none in the year of disposal.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 1.18 Leases

In line with the interpretation IFRIC 4, the Authority recognises a lease to be any agreement which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments.

This includes; leases, hire purchase, rental, contracts of service, service level agreements and any other arrangement where the ability to use an asset is conveyed.

### 1.19 Defining a Finance Lease

A finance lease is where substantially all of the risks and rewards incidental to ownership transfer to the lessee.

Tests to give an indication of the transfer of risk and reward are:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase).
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised.
- If the lease term is for the major part of the economic life of the asset even if title is not transferred.
  - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.
  - The Authority recognises 'major part' to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
  - Fair value of the leased asset is assessed by a RICS qualified valuer.
  - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
  - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.
  - The Authority recognises 'substantially all' to be 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the Authority as to whether an asset is operating or finance.

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## **NOTES TO THE CORE FINANCIAL STATEMENTS**

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### **1.20 Defining an Operating Lease**

The Authority recognises an operating lease to be a lease which is not a finance lease.

### **1.21 Lessee Accounting for a Finance Lease**

Where the Authority is tenant in a property, or is, by definition of IFRIC 4, leasing an asset which is deemed under IAS 17 to be a finance lease the Authority will recognise that asset within the asset register, and account for that asset as though it were an owed asset.

The initial recognition of the asset is at the fair value of the property, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease payments are made.

### **1.22 Lessor Accounting for a Finance Lease**

Where the Authority is the lessor for a finance lease, the asset is not recognised in the asset register; however a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital - credited against the debtor, and finance income – credited to the Comprehensive Income and Expenditure Statement as interest receivable.

### **1.23 Lessor Accounting for an Operating Lease**

Where the Authority is the lessor for an operating lease, normally the asset is classified as an investment property. Any rental income is credited to the relevant service income.

### **1.24 Service Concession Agreements (PFI and other similar contracts)**

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. PFI and similar contracts are assessed against criteria within IFRIC 12 Service Concession Arrangements to determine whether the risks and rewards incidental to ownership lie with the Authority or the contractor.

Those which lie with the contractor – payments made during the life of the contract are chargeable to revenue as incurred.

Those which lie with the Authority – the Authority recognise an asset in the Balance Sheet for the construction costs of the asset, once recognised this asset is treated in line with all capital assets. A corresponding long term liability is also recognised at the construction value. Payments made during the life of the contract are split into finance costs, capital costs and service costs. Determining the split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the Comprehensive Income and Expenditure Statement as Interest payable. Capital Costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments or Dowry payments reduce the level of liability at the start of the contract.

PFI Credits are treated as general revenue government grants.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 1.25 Capital Grants and Contributions

The Authority recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions and donations are recognised as income at the date that the Authority has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.

Any grant received before these recognition criteria were satisfied would be held as a creditor. Any grant which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the accruals concept policy.

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the relevant service revenue account within the net cost of services.

In order to not impact on the level of Council Tax, the Authority removes the credit from the General Reserves through the Movement in Reserves Statement, and crediting to the Capital Grants Unapplied Reserve.

Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.

### 1.26 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

### 1.27 Minimum Revenue Provision (MRP)

The Authority is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement.

The Authority will provide 4% of debt outstanding on all debt as at 31 March 2008. On any new debt since this date to provide 4% of the balance on all borrowing unless any unsupported borrowing relates to any significant assets with a life of less than 20 years. In this case an annual amount based on the expected useful life of the individual assets is used and where those assets are vehicles then five year lives are used.

As a result of the changes introduced by International Financial Reporting Standards, some PFI and Leased assets now classified as finance leases are being brought onto the balance sheet. As a result, the Authority has adopted the policy of charging MRP for these assets at the value of the associated loan liability repayment each year, thus mitigating the impact to the general fund.



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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The Authority continues to have the option to make additional provision for debt repayment if it wishes.

The proposals set meet the requirement to make a prudent calculation of MRP

### 1.28 Capital Reserves

The Authority holds capital reserves for the purpose of financing capital expenditure. Reserves will be disclosed as either usable (available to fund capital expenditure) or unusable (reserves held as a result of timing differences associated with recognition of capital expenditure and related financing).

Movements in capital reserves are accounted through the Movement in Reserves Statement.

## REVENUE ACCOUNTING

### 1.29 Recognition of Revenue Expenditure

The Authority recognises revenue expenditure as expenditure which is not capital.

### 1.30 Employee Costs

In accordance with IAS 19, the Authority accounts for the total benefit earned by employees during the financial year.

Employee Costs are split into 3 categories; short term benefits, termination benefits and pensions costs.

Short term employee benefits:

- **Salaries and Wages** – The total salary and wages earned by employees within the financial year has been charged to the revenue expenditure account. Where the amount accrued exceeds the amount paid at the 31<sup>st</sup> March, a creditor will be reflected in the accounts.
- **Leave Owed** – The Authority allows employees to earn time off in one period and carry forward amounts of accrued leave into the following period, such as annual leave, flexi-time and time off in lieu. The cost associated with this leave is attributable to the period in which it is earned, rather than when it is exercised. As such a charge has been made to the service revenue account and a creditor accrual has been reflected in the Balance Sheet.
- **Maternity/Paternity Leave** – The obligation upon the Authority to allow maternity leave and pay maternity pay occurs in mid stages of pregnancy. The cost associated with this leave is attributable to the period in which the obligation is created, rather than when it is exercised. As such a charge has been made to the service revenue account and a creditor accrual has been reflected in the Balance Sheet for time off owed at the 31<sup>st</sup> March.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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- **Easter Bank Holiday** – When Good Friday and/or Easter Monday fall in April, the preceding financial year only accounts for 6 or 7 bank holidays rather than the statutory 8. When this occurs a charge is made to all service revenue accounts and a creditor accrual has been reflected in the Balance Sheet.
- **Non-monetary benefits** – Where employees have non-monetary benefits, the associated cost of providing that benefit has been charged to the service revenue account.
- **Teachers Leave** – Under normal circumstances, the school term ends at the end of the following holiday (i.e. January to March term ends after the Easter holidays). As such the number of days (excluding the bank holiday's dealt with above) remaining in the Easter holidays taken in April should be charged into the preceding financial year. However, Derbyshire schools have a fixed Easter Holiday which commences on the 1<sup>st</sup> of April each year. As such no accrual has been created for time owed to teachers in Derbyshire as an internal policy to calculate a term from the start of the preceding holiday for the purpose of employee costs under IAS 19 has been taken. This is purely for the purposes of the IAS 19 accrual and has no impact on the HR policies for the organisation.

### Termination Benefits

- **Redundancy Costs** – The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies, which has been approved by Full Council. The plan would include the location, function and approximate number of employees affected; the termination benefits offered; and the time of implementation. When these recognition criteria have been met the Authority recognises the costs associated with this in the service revenue expenditure and create a creditor in the Balance Sheet. Where the payable amount is due in more than 12 months from the year end date, the costs are discounted at the rate determined by reference to market yields. In the case of an offer to encourage voluntary redundancy, the Authority has recognised the estimated cost based on the expected number of employees taking the offer.

### Pensions Costs

- **Teachers Pension Scheme** – is a defined benefit scheme administered by the Department for Children, Schools and Families. The assets and liabilities of the Teachers Pension Scheme are not attributable to the Authority, therefore the Authority accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the Comprehensive Income and Expenditure Statement will only include the Authority's contributions payable to the scheme.
- **Local Government Pension Scheme** – is a defined benefit scheme. The liabilities of the scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

Pension liabilities are measured using the projected unit method and discounted at the balance sheet date rate of return on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of "spot yields" on AA rated corporate bonds.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the Derbyshire County Council Pension Fund – cash paid as employer's contributions to the Pension Fund.

In relation to retirement benefits, statutory provisions require the General Reserves to be charged with the amount payable by the Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. Adjustments are therefore made in the Movement in Reserves Statement.

➤ **Early Retirement, Discretionary Payments** – the Authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### 1.31 Lessee Accounting for an Operating Lease

Costs associated with operating leased assets where the Authority is the lessor are charged immediately to the relevant revenue service expenditure within the net cost of services on an accruals basis.

### 1.32 Revenue Grants and Contributions

Grants, contributions and donations are recognised as income at the date that the Authority has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria

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## **NOTES TO THE CORE FINANCIAL STATEMENTS**

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were satisfied would be held as a creditor (income in advance). Any grant which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the accruals concept policy.

Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised as income in the relevant service revenue account (wherever the related expenditure is incurred) within the net cost of services. Those which are for general purpose are shown in the foot of the Comprehensive Expenditure and Income Statement, before the net surplus or deficit.

### **1.33 Provisions**

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. As a result it is expected that the need to create a provision will be few and far between. Before creating a provision (excluding bad debt provisions and insurance provisions) approval should be gained from Technical Finance.

Provisions are charged to the appropriate service revenue account in the year that the Authority recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision. Estimated settlements are reviewed at the end of each financial year and adjustments with the service revenue account are made as required.

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

The Authority does not hold any general provisions.

### **1.34 Revenue Reserves**

The Authority holds usable revenue reserves for the purpose of funding future expenditure. The General Fund represents the balance of reserve available to set aside for a specific purpose. Earmarked Reserves represent reserves where approval has been received to use the reserve for a specific purpose.

Unusable revenue reserves represent timing differences associated with the recognition of retirement benefits, Council Tax income and financial instruments.

Movement in reserves are accounted through the Movement in Reserves Statement.

### **1.35 Research Costs**

Research costs are treated as revenue expenditure at the point in which they are incurred, and charged to the relevant service revenue.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 1.36 Members Allowances

The Authority in exercise of the powers and duties conferred by the Local Authorities (Members' Allowances) (England) Regulations 2003, has established a members allowance scheme, outlining the allowances payable to Members of the Council.

Members are reminded of the need to keep detailed supporting information, such as a diary, about every attendance for which they claim. This information should be available for scrutiny by the Authority's Auditors or other relevant persons as and when required. The scheme is updated annually, and full details are available on the Authority's website.

The total amount paid in terms of Members Allowances is disclosed in the notes to the accounts.

### 1.37 Council Tax Recognition

Council tax income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year. The Authority's share of the accrued Council Tax income is obtained from the information that is required by billing authorities in the production of the Collection Fund Statements.

If the net cash paid to the Authority in the year is more than its proportionate share of net cash collected from Council Tax debtors in the year the Authority will recognise a credit adjustment for the same amount in creditors after adjusting for the previous year brought forward and vice versa if net cash paid is less than the proportionate share.

The Cash Flow Statement includes within operating activities the net Council Tax cash received from the Collection Fund in the year (ie the precept for the year plus its share of Collection Fund surplus for the previous year, or less the amount paid to the Collection Fund in respect of its share of the previous year's Collection Fund deficit). The difference between the net cash received from the Collection Fund and the Authority's share of cash collected from Council Tax debtors by the billing Authority in the year is included within financing activities in the Cash Flow Statement.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

### 1.38 Cap and Trade Schemes

The Landfill Allowance Trading Scheme is the only active 'cap and trade' scheme that the Authority has in operation.

The Landfill Allowances Trading Scheme (LATS) gives rise to:

- a) an asset for allowances held
- b) LATS grant income
- c) a liability for actual landfill usage.

Allowances, allocated by DEFRA or purchased from another waste disposal authorities (WDA's), shall be recognised as assets and classified as current assets. They shall be

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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measured initially at their fair value. Landfill Allowances are issued free by DEFRA. The recognition of fair value of the allowances issued to WDA's creates a credit which should be accounted for as revenue government grant.

As landfill is used, a liability shall be recognised for actual landfill usage. This liability is treated as a provision, creating revenue expenditure. The liability is discharged by using allowances to meet the liability, paying a cash penalty to DEFRA or a combination of both. The liability shall be measured at the best estimate of the expenditure required to meet the obligation at the reporting date. This will normally be the present market price at the reporting date of the number of allowances needed to cover actual landfill usage for the year.

After initial measurement, the Authority shall re-measure the value of Landfill Allowances as the lower of cost or net realisable value.

Where there is no evidence of an active market for Landfill Allowances, for example where the number of allowances issued is greater than that required by authorities, the fair value of the allowances and the net realisable value of the allowances is likely to be nil.

### 1.39 **Stocks and Work in Progress**

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

### 1.40 **Provisions for bad and doubtful debts**

The Authority maintains bad debt provisions for any potential non payment of debtors. At each Balance Sheet date the Authority makes a two-stage assessment as to whether impairment losses need to be recognised:

- Firstly, whether there is evidence of impairment for individual debtors that are significant, and
- Secondly, whether there is evidence of impairment for groups of similar debtors.

Assessment is made based on the risk of debtors' ability to pay future cash flows due under the contractual terms. This risk is estimated where possible based on historical loss experience, credit rating for a debtor and other impacting factors.

Provisions for bad debts are offset against the debtor amount shown as an asset, the movement in the provision is charged against the relevant service line in the Comprehensive Income and Expenditure Account.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### TREASURY MANAGEMENT

#### 1.41 Definition of Treasury Management Activities

The Authority has adopted the following definition of Treasury Management activities:

The management of the Authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Authority.

The Authority acknowledges that effective treasury management will provide support towards the achievement of its service objectives. It is therefore committed to the principals of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

#### 1.42 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost.

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus any interest accrued to 31<sup>st</sup> March and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 1.43 Financial Assets

Financial assets are classified into two types:

➤ **loans and receivables** – assets that have fixed or determinable payments but are not quoted in an active market

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

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

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

Investments are represented on the balance sheet depending on the life of the investment:

- Investments entered into for 90 days or less – debited to the cash balance as cash equivalents and represented within the cash flow statement.
- Investments entered into for more than 90 days, with less than 365 days until maturity – debited to current asset investments
- Investments due to expire in more than 365 days – debited to non-current asset investments

➤ **available-for-sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments.

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and



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## NOTES TO THE CORE FINANCIAL STATEMENTS

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Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Values are based on the following principles:

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

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

### 1.44 **Interests in Companies and Other Entities**

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 2. THE NATURE OF ANY CHANGES IN ACCOUNTING POLICY

The basis upon which local authorities account has undergone a transition process to compliance with International Financial Reporting Standards (IFRS). This process has resulted in many significant changes to the accounting policies of the Authority, including:

- Accounting for Property Plant and Equipment on a component basis
- Accounting for leases as a finance lease using the 'substantially all of' test rather than the '90%' test when looking at the lease payments compared to asset value
- Accounting for time owed to staff through the Accumulated Absences Account
- Grants being recognised in the Comprehensive Income and Expenditure Account when cash is received, rather than matching to expenditure incurred
- Investments that are entered into for less than 3 months are now treated as cash and cash equivalents rather than as an investment

### 3. THE AMOUNT OF ANY ADJUSTMENT IN ACCOUNTING POLICY

International Financial Reporting Standard 1 (IFRS1) states that in the first year of adopting IFRS based accounting, both the prior year accounts, and the opening position to the prior year balance sheet require retrospective restatement to be in accordance with the new policies of the Authority.

#### **Restatement of the opening Balance Sheet (2008-09 Balance Sheet)**

Following is a table which tracks the movement from the published 2008-09 balance sheet (as shown within the 2009-10 published accounts) under the previous United Kingdom based accounting standards to the equivalent International accounting standard based accounts. This forms the Authority's opening Balance Sheet position in relation to the disclosures made within the Statement of Accounts and Disclosure Notes.

The changes made in 2008-09 are as follows:

- **Creation of the Accumulated Absences Account** – IAS19 covers many areas of employee benefits, including compensated absences (accrued leave entitlement). The Authority is required to calculate the total time owed to staff (through annual leave and other leave entitlements) as at 31<sup>st</sup> March, and then place the monetary value of that time (based on salaries information) as an accrual into the accounts. This represents a theoretical value that the Authority would have to pay to its staff if they were all to leave on the 31<sup>st</sup> March, as this is not the case, this is not a true cost that the Authority will have to expend in a single payment. The adjustment shown is the creation of the liability in the accounts that would have been in place in 2008-09 if IFRS had been adopted then, and the creation of the related reserve to finance the liability.
- **Capital Grants balances to reserves** – The Authority is required to account for grants within the year that they are received when there are no outstanding conditions attached to the grant. What this means is if there is no condition that will result in the income being repaid, the Authority is to credit the income to the Comprehensive Income and Expenditure Account, and then show it within the reserves of the Authority through the Movement in Reserves Statement. Where there is still a condition remaining the grant will remain as a Creditor as a receipt in advance until the time that the grant either needs to be repaid, or the conditions have been met. The previous accounting arrangements required the Authority to hold capital grants on the balance sheet as a long term liability, until such time that the asset the grant was intended to finance had been completed, and then to release an equal amount of the grant each year over the life of that asset. The adjustment shown in the previous reconciliation

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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removes the long term liability that previously existed and creates the reserve balances accordingly.

- **Cash Equivalents** – IAS 7 requires the Authority to account for investments that are easily converted to cash (less than 90 days) as a cash equivalent. This has resulted in a reduction to the short term investments of the Authority and an increase in the cash and cash equivalents figure (previously reported as the bank overdraft). In addition the presentation of the cash flow statement has been affected.
- **Remove non DCC assets** – The Authority has previously accounted for Foundation and Voluntary Aided schools, however both IAS 16 (accounting for Property Plant and Equipment) and IFRIC 4 (determining whether an arrangement contains a lease) do not support the continuation of these assets being on the Authority's balance sheet. The adjustment below therefore is removing the carrying value of the assets from the authority's Balance Sheet. Capital expenditure on these assets in the future will be charged as Revenue Expenditure Funded from Capital Under Statute (REFCUS).
- **Assets no longer meeting the definition of Investment Properties or Surplus** – IAS 40 (investment Properties) defines an Investment Property as one that was purchased purely to either appreciate in value or generate revenue income (rental). Although the Authority leases out some properties, the reason for the lease in most cases was to meet the Authority's statutory duty to promote economic development by offering reduced rentals to new businesses. This therefore makes those properties operational to the Authority. The adjustment below is moving these assets into Property Plant and Equipment.  
IFRS 5 states that an asset where the carrying amount is expected to be recovered through a sale transaction rather than its continuing use, that is available for sale and a sale is highly probable, should be accounted for as Held for Sale within current assets (a sale being highly probable means that a sale is imminent and will take place within the next 12 months). The adjustment below is removing the old classification of surplus assets (assets that are not in operational use, however, may not necessarily be actively marketed for sale) and recognising those assets either within Held for Sale where they meet the criteria, or within Property Plant and Equipment where they do not.
- **Finance Lease Assets** – IAS 17 (Leases) changes the methodology for determining whether a lease arrangement is a finance lease or operating lease. Previously the present value of the minimum lease payments of lease contracts needed to be 90% of the fair value of the asset for it to be accounted for as a finance lease. Under IAS 17 the 90% definition has been removed and replaced with 'substantially all of'. This has resulted in more leases being classified as finance in nature, and the previous adjustment is the recognition of the fair value of those assets being recognised on the Balance Sheet, along with the Authority's liability to repay the lease costs. Operating leases continue to be off Balance Sheet.
- **Revaluation of new or changed assets** – the Authority is required to revalue all Property assets once every five years. Those assets that have been reclassified then need revaluation on the same basis as other assets of that class.
- **Reclassification of Balance Sheet** – IAS 1 determines the presentation of the financial statements and has changed significantly the appearance of the statements. The adjustment shown below is representing where individual disclosures made

## NOTES TO THE CORE FINANCIAL STATEMENTS

previously are consolidated onto a single line or where a figure has moved to a different part of the statements.

UK GAAP	Restated 2008-09 (published 2009-10) £'000	Creation of accumulated absences £'000	Capital Grants balances to reserves £'000	Cash Equivalents £'000	Remove non DCC assets £'000
Land and Buildings	1,435,098				(181,210)
Vehicles, Plant & Equipment	49,161				(4,711)
Infrastructure Assets	229,769				
Community Assets	4,989				
Non-Operational Assets	89,629				(5,888)
Intangible	208				
Long Term Debtors	47,154				
Long Term Investments	16,276				
<b>LONG TERM ASSETS</b>	<b>1,872,284</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(191,809)</b>
Short Term Investments	287,878			(109,086)	
	0				
Stock & Work In Progress	3,840				
Debtors	64,288				
<b>CURRENT ASSETS</b>	<b>356,006</b>	<b>0</b>	<b>0</b>	<b>(109,086)</b>	<b>0</b>
Short Term Borrowing	(59,055)				
Creditors	(134,706)	(5,533)	31,578		
Cash Overdrawn	(15,156)			109,086	
<b>CURRENT LIABILITIES</b>	<b>(208,917)</b>	<b>(5,533)</b>	<b>31,578</b>	<b>109,086</b>	<b>0</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Assets no longer meeting definition of Investment Properties or Surplus £'000	Finance lease assets £'000	Revaluation of new or changed assets £'000	Re-classification of Balance Sheet £'000	Restated 2008-09 (published 2010-11) £'000	IFRS
69,398	3,036	(13,257)	293,131	1,606,196	Property Plant and Equipment
			(44,450)	0	
			(229,769)	0	
228			(5,217)	0	
(69,626)			(14,115)	0	
				208	Intangible Fixed Assets
	1,730			48,884	Non-Current Debtors
				16,276	Non-Current Investments
<b>0</b>	<b>4,766</b>	<b>(13,257)</b>	<b>(420)</b>	<b>1,671,564</b>	<b>NON-CURRENT ASSETS</b>
				178,792	Investments
			420	420	Assets Held for Sale
				3,840	Inventories
	190			64,478	Debtors
			93,930	93,930	Cash and Cash Equivalentents
<b>0</b>	<b>190</b>	<b>0</b>	<b>94,350</b>	<b>341,460</b>	<b>CURRENT ASSETS</b>
				(59,055)	Loans and Borrowing
	(68)			(108,729)	Creditors
			(93,930)	0	
<b>0</b>	<b>(68)</b>	<b>0</b>	<b>(93,930)</b>	<b>(167,784)</b>	<b>CURRENT LIABILITIES</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

UK GAAP	Restated 2008-09 (published 2009-10)	Creation of accumulated absences	Capital Grants balances to reserves	Cash Equivalents	Remove non DCC assets
	£'000	£'000	£'000	£'000	£'000
Long Term Borrowing	(382,701)				
Long Term Transferred Debt	(5,457)				
PFI Liability	(55,095)				
Government Grants Deferred	(195,536)		195,536		
Insurance Provisions	(7,061)				
Other Provisions	(7,436)				
Pensions Liability	(421,435)				
<b>LONG TERM LIABILITIES</b>	<b>(1,074,721)</b>	<b>0</b>	<b>195,536</b>	<b>0</b>	<b>0</b>
<b>NET ASSETS</b>	<b>944,652</b>	<b>(5,533)</b>	<b>227,114</b>	<b>0</b>	<b>(191,809)</b>
Revaluation Reserve	62,348				(813)
Capital Adjustment Account	1,121,754		195,536		(190,996)
Financial Instruments Adjustment	(524)				
Collection Fund Adjustment Account	250				
Usable Capital Receipts	17,899		31,578		
General Reserve	64,210				
Schools Balances	27,488				
	0	(5,533)			
Capital Earmarked Reserves	621				
Earmarked Revenue Reserves	72,041				
Pensions Reserve	(421,435)				
<b>RESERVES</b>	<b>944,652</b>	<b>(5,533)</b>	<b>227,114</b>	<b>0</b>	<b>(191,809)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Assets no longer meeting definition of Investment Properties or Surplus £'000	Finance lease assets £'000	Revaluation of new or changed assets £'000	Re-classification of Balance Sheet £'000	Restated 2008-09 (published 2010-11) £'000	IFRS
			(5,457)	(388,158)	Long Term Borrowing
			5,457	0	
			55,095	0	
				0	
			(7,436)	(14,497)	Provisions
			7,436	0	
	(1,949)		(55,095)	(478,479)	Other Non-Current Liabilities
<b>0</b>	<b>(1,949)</b>	<b>0</b>	<b>0</b>	<b>(881,134)</b>	<b>NON CURRENT LIABILITIES</b>
<b>0</b>	<b>2,939</b>	<b>(13,257)</b>	<b>0</b>	<b>964,106</b>	<b>NET ASSETS</b>
	2,497	1,400	(65,432)	0	
	(1,757)	(14,657)	(1,109,880)	0	
			524	0	
			(250)	0	
	278		164,360	214,115	Usable Reserves
			(64,210)	0	
			(27,488)	0	
	1,921		753,603	749,991	Unusable Reserves
			(621)	0	
			(72,041)	0	
			421,435	0	
<b>0</b>	<b>2,939</b>	<b>(13,257)</b>	<b>0</b>	<b>964,106</b>	<b>TOTAL EQUITY</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Restatement of the comparative 2009-10 Balance Sheet

After restating the 2008-09 opening Balance Sheet, the 2009-10 published accounts also need to be restated. Details explaining each of the column headings within the table are shown at the end of the table on page 50. The reconciliation is as follows:

UK GAAP	2009-10 UK GAAP £'000	Change to opening balance as a result of 2008-09 restatement £'000	Re-classification of Balance Sheet £'000	Movement in Accumulated Absences £'000	Capital Grants £'000
Land and Buildings	1,572,205	171,099	51,553		
Vehicles, Plant & Equipment	52,105	(49,161)	(2,944)		
Infrastructure Assets	249,812	(229,769)	(20,043)		
Community Assets	6,326	(4,989)	(1,337)		
Non-Operational Assets	121,876	(89,629)	(32,247)		
Intangible	3,541	0			
Long Term Debtors	41,287	1,730			
Long Term Investments	21,000	0			
<b>LONG TERM ASSETS</b>	<b>2,068,152</b>	<b>(200,719)</b>	<b>(5,018)</b>	<b>0</b>	<b>0</b>
Short Term Investments	245,816	(109,086)			
	0	420	5,018		
Stock & Work In Progress	1,841	0			
Debtors	67,318	189			
	0	93,930	2,722		
<b>CURRENT ASSETS</b>	<b>314,975</b>	<b>(14,547)</b>	<b>7,740</b>	<b>0</b>	<b>0</b>
Short Term Borrowing	(27,304)	0			
Creditors	(164,481)	25,977	0	7	19,377
Cash Overdrawn	(12,434)	15,156	(2,722)		
<b>CURRENT LIABILITIES</b>	<b>(204,219)</b>	<b>41,133</b>	<b>(2,722)</b>	<b>7</b>	<b>19,377</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

Additions to Revenue Expenditure Financed from Capital Under Statute £'000	Cash Equivalents £'000	Change to asset movements £'000	Finance lease movements £'000	Restated 2009-10 IFRS £'000	IFRS
(1,952)		(33,884)	182	1,759,203	Property Plant and Equipment
				0	
				0	
				0	
				0	
				3,541	Intangible Fixed Assets
			(21)	42,996	Non-Current Debtors
	188			21,188	Non-Current Investments
<b>(1,952)</b>	<b>188</b>	<b>(33,884)</b>	<b>161</b>	<b>1,826,928</b>	<b>NON-CURRENT ASSETS</b>
	12,563			149,293	Investments
(4,613)		258		1,083	Assets Held for Sale
				1,841	Inventories
			35	67,542	Debtors
	(12,751)			83,901	Cash and Cash Equivalents
<b>(4,613)</b>	<b>(188)</b>	<b>258</b>	<b>35</b>	<b>303,660</b>	<b>CURRENT ASSETS</b>
				(27,304)	Loans and Borrowing
			(6)	(119,126)	Creditors
				0	
<b>0</b>	<b>0</b>	<b>0</b>	<b>(6)</b>	<b>(146,430)</b>	<b>CURRENT LIABILITIES</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2009-10 UK GAAP	Change to opening balance as a result of 2008-09 restatement	Re-classification of Balance Sheet	Movement in Accumulated Absences	Capital Grants
<b>UK GAAP</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Long Term Borrowing	(382,947)	(5,457)	219		
Long Term Transferred Debt	(5,238)	5,457	(219)		
PFI Liability	(53,757)	55,095	(1,338)		
Government Grants Deferred	(247,873)	195,536			52,337
Insurance Provisions	(7,294)	(7,436)	6,634		
Other Provisions	(802)	7,436	(6,634)		
Pensions Liability	(603,740)	(57,044)	1,338		
<b>LONG TERM LIABILITIES</b>	<b>(1,301,651)</b>	<b>193,587</b>	<b>0</b>	<b>0</b>	<b>52,337</b>
<b>NET ASSETS</b>	<b>877,257</b>	<b>19,454</b>	<b>0</b>	<b>7</b>	<b>71,714</b>
Revaluation Reserve	198,746	(62,348)	(136,398)		
Capital Adjustment Account	1,096,399	(1,121,754)	25,355		
Financial Instruments Adjustment	(18)	524	(506)		
Collection Fund Adjustment Account	601	(250)	(351)		
Usable Capital Receipts	14,677	196,216	6,232		19,377
General Reserve	85,753	(64,210)	(21,543)		
Schools Balances	23,370	(27,488)	4,118		
	0	749,991	(70,405)	7	52,337
Capital Earmarked Reserves	25	(621)	596		
Earmarked Revenue Reserves	61,444	(72,041)	10,597		
Pensions Reserve	(603,740)	421,435	182,305		
<b>RESERVES</b>	<b>877,257</b>	<b>19,454</b>	<b>0</b>	<b>7</b>	<b>71,714</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Additions to Revenue Expenditure Financed from Capital Under Statute	Cash Equivalents	Change to asset movements	Finance lease movements	Restated 2009-10 IFRS	
£'000	£'000	£'000	£'000	£'000	IFRS
				(388,185)	Long Term Borrowing
				0	
				0	
				0	
				(8,096)	Provisions
				0	
			(13)	(659,459)	Other Non-Current Liabilities
0	0	0	(13)	(1,055,740)	<b>NON CURRENT LIABILITIES</b>
(6,565)	0	(33,626)	177	928,418	<b>NET ASSETS</b>
				0	
				0	
				0	
				0	
			174	236,676	Usable Reserves
				0	
				0	
(6,565)		(33,626)	3	691,742	Unusable Reserves
				0	
				0	
				0	
(6,565)	0	(33,626)	177	928,418	<b>TOTAL EQUITY</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The changes made in 2009-10 are as follows:

- **Changes to the opening Balance Sheet as a result of 2008-09 restatement –** This is the cumulative effect of the changes previously made to the 2008-09 accounts. These changes will have altered the opening balance sheet position in 2009-10.
- **Re-classification of Balance Sheet –** As with the 2008-09 restatement, in accordance with IAS 1 the presentation of the financial statements has changed. The adjustment shown represents where individual disclosures made previously are consolidated onto a single line or where a figure has moved to a different part of the statements.
- **Movement in Accumulated Absences Account –** This represents the change in the accrual made for employee time owed in 2009-10.
- **Capital Grants –** The adjustment below is removing the effect of the annual release of capital grants that would have taken place under the old accounting arrangements, and moving all grants received in the year to the Authority's reserves.
- **Addition to Revenue Expenditure Financed from Capital Under Statute (REFCUS) –** As previously mentioned certain assets (i.e. Foundation Schools) no longer met the criteria for being recognised on the Authority's Balance Sheet, however there had been expenditure during the year to improve these assets. As this expenditure is no longer increasing the Property, Plant and Equipment assets of the Authority, the related expenditure on these assets has been charged as REFCUS.
- **Cash Equivalents –** This adjustment represents the movement in investments entered into for 90 days or less during the year, which previously would have been treated as a short term investments but are now treated as cash equivalents.
- **Change to asset movements –** This adjustment is removing changes to an asset during 2009-10 where that asset no longer exists (such as Foundation Schools that have been removed) in the main the changes are removing of disposals when assets that are no longer the Authority's had been sold under previous accounting arrangements or where such assets have changed category.
- **Finance Lease Movements –** This adjustment represents the cash received during 2009-10 reducing the liability; recognition of the 2010-11 payment as a current liability; and recognition of new finance leases during 2009-10.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### Restatement of the 2009-10 Comprehensive Income and Expenditure Statement

In addition to the restatement of the Balance Sheet for 2009-10, all other statements including the Comprehensive Income and Expenditure Account require restatement in order to provide a comparative position alongside the presented 2010-11 accounts. Below are the adjustments made to the 2009-10 Comprehensive Income and Expenditure Statement:

- **Reclassification of Amounts** – IAS 1 (presentation of financial statements) has significantly altered the presentational requirements of the Income and Expenditure Account, now titled Comprehensive Income and Expenditure Statement. The adjustment shown below is representing where individual disclosures made previously are consolidated onto a single line or where a figure has moved to a different part of the statements.
- **Correction to the presentation of Added Years Costs** – this adjustment represents the correction to the presentation of early years added pensions costs that had previously been shown within Non Distributed Costs and is now shown within the service areas for which they relate.
- **Movement in Accumulated Absences accrual for the year** – this adjustment shows the charge during 2009-10 for IAS 19 (employee benefits) when calculating the amount of time owed to employees at the Balance Sheet date.
- **Removal of amortisation and recognition of capital grants** – this adjustment represents the removal of the annual release of capital grants from the long term liability under the previous accounting arrangements and the recognition of all grants received in the year that do not have a condition attached to them as a general Government Grant.
- **Reclassification of cash paid for finance leases** – as the Authority previously had no finance leases, the cash payment made for the rental amount each year was charged to the service area for which the property was occupied. However as under IAS 17 (leases) the Authority now has assets that meet the definition of a finance lease, the cash payment has been removed from the service area and charged to the liability and interest paid.
- **Adjustment to Capital Charges** – the changes made in accordance with IAS 19 (Property Plant and Equipment) and IAS 17 (Leases) has changed the asset base for the Authority and as such the depreciation charge for the year will be different. This adjustment is representing that change to the previously charged amounts.

The following is a reconciliation of the movement in the Comprehensive Income and Expenditure Statement:

## NOTES TO THE CORE FINANCIAL STATEMENTS

UK GAAP	2009-10 UK GAAP £'000	Reclassification of amounts £'000	Correction to the presentation of Added Years costs £'000	Movement in Accumulated Absences accrual for the year £'000
Central Services to the Public	1,792	1,151	208	(42)
Cultural, Environmental, Regulatory and Planning	49,973		350	(8)
Children's and Education Services	167,548		4,792	90
Highways, Roads & Transport	53,436		10	(10)
Adult Social Care	191,282		494	(37)
Court Services	1,151	(1,151)		
Corporate & Democratic Core	8,679		13	
Non Distributed Costs	9,125		(5,867)	
<b>Net Cost of Services</b>	<b>482,986</b>	<b>0</b>	<b>0</b>	<b>(7)</b>
(Surplus) on Trading Operations	(941)	326		
Interest Payable and Similar Charges	25,136	29,636		
Interest and Investment Income	(6,440)	6,671		
Pensions Interest Costs and Expected Return on Pensions Assets	36,307	(36,307)		
Loss on Disposal of Fixed Assets	897	(880)		
Other Income	(816)	816		
	0	(490,869)		
Levies and Precepts	262	(262)		
<b>Net Operating Expenditure</b>	<b>537,391</b>	<b>(490,869)</b>	<b>0</b>	<b>(7)</b>
Council Tax	(270,733)	270,733		
National Non Domestic Rates	(142,392)	142,392		
General Government Grants	(77,744)	77,744		
<b>Deficit for the Year</b>	<b>46,522</b>	<b>0</b>	<b>0</b>	<b>(7)</b>
(Gain) on revaluation of Fixed Assets	(142,998)			
Actuarial Loss on the Pensions Assets	163,871			
<b>Total (Gains) / Losses for the Year</b>	<b>67,395</b>	<b>0</b>	<b>0</b>	<b>(7)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Removal of amortisation and recognition of capital grants £'000	Reclassification of cash paid for finance leases £'000	Adjustment to Capital Charges £'000	Restated 2009-10 IFRS £'000	IFRS
350			3,459	Central Services to the Public
1		29	50,345	Cultural, Environmental, Regulatory and Planning
5,667	(133)	136	178,100	Children's and Education Services
2,123	405	(352)	55,612	Highways, Roads & Transport
856		(78)	192,517	Adult Social Care
			0	
			8,692	Corporate & Democratic Core
		89	3,347	Non Distributed Costs
<b>8,997</b>	<b>272</b>	<b>(176)</b>	<b>492,072</b>	<b>Net Cost of Services</b>
		(442)	(1,057)	Other Operating (Income)
	152		54,924	Financing and Investment Expenditure
	(231)		0	
			0	
	(17)		0	
			0	
(80,711)			(571,580)	Taxation and Non-Specific Grants
			0	
<b>(71,714)</b>	<b>176</b>	<b>(618)</b>	<b>(25,641)</b>	<b>Surplus for the year</b>
			0	
			0	
			0	
<b>(71,714)</b>	<b>176</b>	<b>(618)</b>		
		40,457	(102,541)	(Gain) on revaluation of Fixed Assets
			163,871	Actuarial Loss on the Pensions Assets
<b>(71,714)</b>	<b>176</b>	<b>39,839</b>	<b>35,689</b>	<b>Total Comprehensive (Income) and Expenditure</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 4. ACCOUNTING STANDARDS ISSUED AND NOT YET APPLIED

Financial Reporting Standard 30 (FRS 30) which deals with accounting for Heritage Assets has been issued, however Local Authorities are not required to apply FRS 30 until 1<sup>st</sup> April 2011.

Heritage Assets are non-current assets that have historical, artistic, scientific, technological, geophysical or environmental qualities, and are held and maintained by the Authority principally for their contribution to knowledge and culture.

The implementation of FRS 30 will result in assets currently held within Community Assets (and as such valued as historic cost), being required to be held at fair value. By their very nature, most assets meeting the definition of Heritage Assets are long standing assets that will have been purchased at nominal value, resulting in a Historic Cost valuation much lower than their worth.

Following review of the asset register and the authority's insurance register, the following assets, which are all currently held as Community Assets, are believed to be Heritage Assets:

Carrying Value 2009-10 £'000		Carrying Value 2010-11 £'000	Insurance Value £'000
31	Heage Windmill	31	1,070
218	Elvaston Castle - Site	218	28,000
35	Elvaston Castle - Contents	35	3,750
0	Elvaston Collection - Museum Items	0	150
15	Silverware	15	31
0	Buxton Museum Collection	0	1,675
0	Chandeliers	0	250
0	Archives: Business Records	0	1,585
0	Archives: Manuscripts	0	2,281
0	Railway Nameplates	0	23
0	Resource Centre Contents	0	2,050
<b>299</b>		<b>299</b>	<b>40,865</b>

It is expected that their post FRS 30 valuation will be more consistent with the insurance values, creating a revaluation gain on the assets of £40.566m. Annual depreciation is currently only charged on Heage Windmill as a reasonable useful life on all other assets listed is not easily determinable, in effect the assets are expected to increase in value as they age. Depreciation on Heage Windmill will equate to an additional £0.026m annual charge to Cultural, Environmental, Regulatory and Planning Services in the Comprehensive Income and Expenditure Statement.



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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 5. CRITICAL JUDGEMENTS MADE IN APPLYING THE ACCOUNTING STANDARDS

In applying the accounting policies in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for Local Authorities. However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

When assessing whether contracts of the Authority are dependant on the use of specific assets, the Authority determined that Maple Leaf House, a residential care home for the elderly, did contain a lease element within the contract. However, as the lease length was not substantially all of the life of the home, the lease has been treated as an operating lease.

As the Easter school holidays in Derbyshire are fixed, it has been determined that the amount of time owed to any term time member of staff, as at 31<sup>st</sup> March will relate to only Easter bank holidays, which could fall in either March or April. This has resulted in a lower accumulated absences accrual for the Authority than in other comparable authorities.

It has been determined that only specific components of an item of Property Plant and Equipment, representing more than 25% of the overall value of the asset, will result in a material difference to the accounting for assets. As such only components meeting these criteria are accounted for separately.

When considering the Authority's control or influence over related parties it was assumed that trustees, directors or partners had equal voting rights and influence unless otherwise declared.

### 6. ASSUMPTIONS MADE AND OTHER ESTIMATION UNCERTAINTY

#### Residential Care Fees

The Authority pays independent care home providers for looking after Derbyshire residents who need residential care. The amount paid to the home owners is the subject of annual consultation and is agreed by Cabinet.

Some of the care home providers are challenging the amounts currently being paid by the Authority. They believe the process and decisions to arrive at the current fee is flawed and are therefore seeking Judicial Review. The potential increased costs to the Authority, should the case be lost on the terms expressed by the independent providers, are up to around £17m.

#### Asset Revaluations

The Authority employs an internal RICS qualified valuer to complete an annual review of the value of its Property Plant and Equipment assets, on a five year rolling programme i.e. 20% of the assets are revalued each year.

If the valuer's estimated revaluation of the PPE assets were 5% incorrect, this would generate a £14.772m error in the Gross Book Value of Land and Buildings and £0.255m in the depreciation charge, resulting in a misstatement of £14.517m in the balance sheet.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### **Assets Held for Sale**

The Authority has agreed the sale of Abercrombie Community Primary School which is due to be completed during 2011-12. The sale will be for considerably less than the net book value of asset and will result in a loss of £2.303m.

### **Insurance Provisions**

The Authority operates an insurance fund primarily to meet the estimated outstanding claims and obligations related to claims or events which have not yet been notified under the "self-insured retention" clauses of the Authority's insurance policies, on the assumption that the balance of the loss will be met by the insurance company. In the event that any claims are not met by insurers the Authority will have to bear the total loss. As at 31<sup>st</sup> March 2011 the Authority had £13.688m of outstanding liability insurance claims or those falling within the self-insured retentions, in the event of 10% of these claims not being met by insurers the Authority would suffer a loss of £1.368m.

The insurance fund will be subject to an external actuarial review later during 2011-12, which will seek to validate the amount of provisions and reserves on claims. It is possible that changes to amounts held may be made as a result.

### **Estimations of Amounts Owed to Staff in Accordance with IAS19**

The Authority is required to estimate the cost of time owed to its staff as at 31<sup>st</sup> March, and represent this as an amount owed in the balance sheet. The estimated figure of £4.742m has been calculated based on time owed to a sample of staff across the Authority as at 31<sup>st</sup> March 2010.

The maximum any member of staff is allowed to carry forward in annual leave is 5 days. If every member of staff carried forward 5 days the figure would be under stated by £1.2m.

### **Estimation of the Pension Liability in Accordance with IAS19**

The Authority's pension Actuary (Mercers PLC) estimate, based on information available to them earlier in the year, the authorities pension liability at the balance sheet date. Following the production of the accounts, the Actuary is able to determine what level of error was in the estimation used.

A 5% error in the gross pension liability valuation would result in an adjustment of approximately £78.6m.

### **Disposal of Replaced Components**

When a component of an asset (such as a kitchen or windows) is replaced, the carrying value of the existing component must be determined, and then disposed of. As the exact carrying value of each component of an asset is unknown, it must be estimated. The Authority has used the replacement asset cost, adjusted for the change to construction costs over time (construction index charts) as a method of estimating the carrying value of the old component.

Non-current assets are re-valued every 5 years. If the aforementioned estimation has been overstated it will result in the carrying value being too low as too much has been disposed, resulting in an inflated revaluation gain and any loss in the property being reduced.

If the estimation has been understated it will result in the carrying value being too high, so any gain at the time of the valuation will be reduced, and similarly any loss at valuation will be overstated.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 7. MATERIAL ITEMS OF INCOME AND EXPENSE

The Comprehensive Income and Expenditure Statement include the following material items (over £1m):

The method of calculating the Depreciated Replacement Cost (DRC) now requires the use of a modern equivalent value for the asset when re-valuing existing assets. This has resulted in a large increase in impairment charges to £102.870m.

The method of valuing future pension liabilities has changed this year and the Consumer Price Index (CPI) is now used instead of the Retail Price Index (RPI). This has resulted in an actuarial gain of £94.494m being recognised in the Comprehensive Income and Expenditure Statement relating to a reduction in estimated future pension liabilities.

As of 1<sup>st</sup> April 2010 when the Authority has to replace components of its property non-current assets an estimation must be made of the value of the component that is being removed and the carrying value of the asset is adjusted accordingly. An expenditure of £29.176m was recognised in the accounts, being the estimated carrying value of components replaced in 2010-11.

Single Status was implemented on 1<sup>st</sup> April 2010. Single Status is a national agreement reached in 1997 aiming to harmonise terms and conditions of service for employees, removing any potential unfairness in the pay and reward arrangements. The additional pay costs in the first year were estimated to be £7.7m.

Equal Pay costs represent one-off historic liability arising from unfairness in pay and reward arrangements. The Authority paid a total of £7.636m (including costs) in 2010-11 to meet the costs of some of the equal pay claims made by employees. The Authority expects future costs.

Voluntary severance costs relate to one-off costs associated with reducing staff numbers through voluntary redundancy or early retirement. The costs in 2010-11 were £3.040m.

The Authority implemented a new accounting system in April 2010 and as a result staff training in this field was exceptionally high at £1.369m.

The Authority has received several grants exceeding £1m; details of these can be found in note 57.

### 8. ACQUIRED AND DISCONTINUED OPERATIONS

The Authority had no acquired or discontinued operations during the financial year.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 9. RELATED PARTY TRANSACTIONS

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

Council Members have direct control over the Authority's financial and operating policies. During 2010-11 material transactions (those exceeding £0.010m) have taken place with the following companies with whom Councillors and/or Chief Officers have an interest:

	<b>Receipts</b>	<b>Payments</b>
○ Connexions Derbyshire Ltd.	£0.465m	£8.765m
○ Derby College	£0.440m	
○ JAM Taxi Services Ltd.		£0.121m
○ Reddy for Hire Ltd.		£0.015m
○ National Stone Centre		£0.013m
○ Willow Tree Family Farm		£0.010m

All contracts were entered into in full compliance with the Authority's Standing Orders.

Some Members and Chief Officers may be nominated by the Authority to sit on outside bodies. However, the Authority's representation on the management board of such organisations has not influenced any contracts, only how funding will be used.

A number of companies have been set up by schools for the purpose of out of school childcare where there is a significant representation of Derbyshire County Council through Councillors or staff on the Board. During 2010-11 material transactions (those exceeding £0.010m) with such organisations were:

	<b>Receipts</b>	<b>Payments</b>
○ Pinxton Nursery School Childcare CIC*		£0.030m
○ Clowne After School Club Ltd		£0.010m

\*CIC – Community Interest Company

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from Central Government are identified in note 57.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The following material transactions (those exceeding £0.500m) have taken place with Central Government bodies:

	<b>Receipts</b>	<b>Payments</b>
○ Debt Management Office		£2,239.400m
○ HMRC		£149.288m
○ Teachers Pension Scheme		£48.755m
○ Other Immaterial transactions totalled	£1.009m	£1.134m

The following material transactions (those exceeding £0.500m) have taken place with Other Local Authorities:

	<b>Receipts</b>	<b>Payments</b>
○ Amber Valley Borough Council	£2.330m	£2.222m
○ Bolsover District Council	£1.287m	£2.028m
○ Chesterfield Borough Council	£3.975m	£3.168m
○ Derby City Council	£20.793m	£1.530m
○ Derbyshire Dales District Council	£1.234m	£3.174m
○ Derbyshire Fire Authority	£0.491m	£49.491m
○ Derbyshire Police Authority	£1.679m	£1.093m
○ Eastleigh Borough Council		£2.000m
○ Erewash Borough Council	£2.034m	£2.082m
○ High Peak Borough Council	£4.031m	£2.924m
○ Lancashire County Council		£5.006m
○ London Borough of Brent		£5.000m
○ Newcastle City Council		£5.000m
○ North East Derbyshire District Council	£1.369m	£2.711m
○ North Lanarkshire Council		£2.023m
○ Leicestershire County Council		£0.941m
○ Nottinghamshire County Council		£0.626m
○ Peak District National Park Authority		£13.546m
○ Plymouth City Council		£5.000m
○ Salford City Council		£5.000m
○ Sheffield City Council		£15.100m
○ South Derbyshire District Council	£1.007m	£3.703m
○ Other Immaterial transactions totalled	£1.890m	£1.480m

The Council held temporary deposits for both the Peak District National Park Authority and the Derbyshire Fire Authority during 2010-11. The balances held during the year are as follows:

	<b>Peak Park</b>	<b>Fire Authority</b>
The average balances were:	7.893m	11.894m
The balances as at 31/03/11 were:	4,959m	6.589m
Total Interest 2010-11 was:	0.036m	0.054m

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The following material transactions (those exceeding £0.500m) have taken place with National Health Service (NHS) bodies:

	<b>Receipts</b>	<b>Payments</b>
○ Chesterfield Royal Hospital NHS Foundation Trust		£0.550m
○ Department of Health	£0.565m	
○ Derby Hospitals NHS Foundation Trust		£0.514m
○ Derbyshire County PCT		£1.392m
○ Derbyshire Healthcare NHS Foundation Trust		£0.858m
○ Derbyshire County PCT	£36.042m	
○ Tameside & Glossop Primary Care Trust	£0.990m	
○ Other Immaterial transactions totalled	£0.992m	£0.278m

The Authority charged the Pension Fund £1.555m for expenses incurred in administering the fund. At 31<sup>st</sup> March 2011 the Fund owed the Authority £7.107m (2010, nil). In addition, £0.040m was paid by the Authority to the pension fund as interest on late contributions.

### 10. INTEREST IN COMPANIES

Connexions Derbyshire Ltd. is a company which was jointly owned by Derbyshire County Council and Derby City Council. Derbyshire County Council has 50% of the voting rights and, as such, Connexions has been treated as a joint venture, and all assets and liabilities have been consolidated into the Group Accounts on a 50% equity basis. Responsibility for delivery of the Connexions' services transferred to the authorities on 1<sup>st</sup> April 2008. The company was wound up on 31<sup>st</sup> March 2011 and the services provided directly by the two authorities.

The Authority has an element of control in the following organisations through share holdings and/or at least 20% representation on the Boards:

- Derbyshire City and County Music Partnership;
- Hayfield Educational Charity;
- Markham Economic Growth Zone (MEGZ) Ltd;
- The Ridgeway Educational Charity;
- The National Stone Centre.

The Authority also has an element of control in the following organisations, either by share holdings, minor representation on the Board and/or through administrative services carried out on behalf of the organisation:

- CLASP Consortium;
- Creswell Trading Company Ltd;
- Derbyshire Economic Partnership;
- Derby and Derbyshire Road Safety Partnership;
- The Derbyshire Environmental Trust Ltd;
- Derwent Valley Line Community Rail Partnership;
- Derwent Valley Mills World Heritage Site Partnership;
- Local Government Information Unit;
- Scape System Build Ltd;
- Torr Vale Mill Preservation Trust Ltd.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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With the exception of Connexions Derbyshire Ltd., the activities and assets of the above named organisations are not considered to be material to the affairs of the Authority; their assets and liabilities are, therefore, not included in the accounts.

A number of companies have been set up by schools for the purpose of out of school childcare; those where the board structure is generally made up of school staff members or governors are:

- “The Catch”: St. James Care Provision Ltd;
- Ashover Governors Extended Services Ltd;
- Clowne After Schools Club Ltd;
- Gamesley Early Excellence Centre Child Care Community Interest Company;
- Longford F.A.B. Club;
- Ripley Nursery School Childcare;
- Pinxton Nursery School Child Care Community Interest Company.

Companies or organisations where the Authority’s representation is insignificant have not been listed.

The activities and assets of all childcare organisations are not considered to be material to the affairs of the Authority; their assets and liabilities are, therefore, not included in the accounts.

The Authority provides support to certain community transport companies in the region, however, the activities and assets of these companies are not considered to be material to the affairs of the Authority; their assets and liabilities are, therefore, not included in the accounts.

### **11. CONTINGENT ASSETS AND LIABILITIES**

The Authority is subject to the national Single Status Agreement that is designed to ensure pay equality across all staff. The Authority implemented a new pay and grading structure on 1st April 2010. In common with other Authorities, the Authority is facing a considerable number of equal pay claims. A reliable estimation of the potential cost to the Authority is not possible owing to the ever-changing nature of equal pay case law. As such the Authority has not created a provision, but does recognise a contingent liability for these claims. Assuming that every case that has currently been lodged was lost and that every applicant was due the maximum entitlement the total cost to the Authority would be over £150m.

The Authority used Municipal Mutual Insurance (MMI) to insure a number of its risks. In the early 1990’s it became clear that MMI was in danger of becoming insolvent and a large part of its business was taken over by Zurich Insurance – this covered new business only. Liabilities associated with claims that under MMI were left with that company in a position where it was hoped a solvent run-off of the company could take place. It is now becoming clear that this is now potentially unlikely. The Authority’s latest actuarial review of its Insurance Fund has indicated a shortfall of around £3.5m if the solvent run-off becomes unachievable. This would be met from the General Reserve.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 12. EVENTS AFTER THE BALANCE SHEET DATE

A number of the Authority's schools have become academies since 31<sup>st</sup> March 2011. This will result in a reduction to the expenditure incurred during 2011-12 within Children and Education Services and assets relating to the schools being removed from the Balance Sheet as they are transferred to the newly formed academies. The position reported as at 31<sup>st</sup> March has not been affected.

The accounts have been adjusted following audit. No further events have occurred between the balance sheet date (31<sup>st</sup> March 2011) and the date that the accounts were approved by the Audit Committee (27<sup>th</sup> September 2011).

### 13. LONG TERM CONTRACTS

The Authority paid approximately £1.265m during 2010-11 (£1.314m in 2009-10) to Leonard Cheshire Homes for day care services provided to clients with physical disabilities. This contract is due to expire on 31<sup>st</sup> March 2012, and an estimated £1.29m is committed to this contract in 2011-12.

The Authority paid approximately £1.987m during 2010-11 (£1.731m in 2009-10) to McIntyre Day Services, for day care services provided to clients with learning disabilities. This contract is due to expire on 30<sup>th</sup> September 2016, and an estimated £2.027m is committed to this contract in 2011-12.

The Authority has paid approximately £4.092m during 2010-11 (£4.895m in 2009-10) to Medequip Assisted Technology for integrated community equipment service (Adult Care equipment). This contract is due to expire on 31<sup>st</sup> March 2015, and an estimated £4.174m is committed in 2011-12.

The Authority has paid approximately £3.434m during 2010-11 (£3.438m in 2009-10) to Thera Trust for the Aston Hall discharge project. This contract is due to expire on 31<sup>st</sup> December 2011, and an estimated £3.503m is committed in 2011-12.

The Authority has paid approximately £20.538m during 2010-11 (£0 in 2009-10) to Resource Recovery Solutions for waste management. This contract is due to expire on 5<sup>th</sup> July 2037, and an estimated £23.000m is committed in 2011-12.

The Authority has paid approximately £1.280m during 2010-11 (£0 in 2009-10) to HW Martins for green waste management. This contract is due to expire on 31<sup>st</sup> March 2012, and an estimated £1.347m is committed in 2011-12.

The Authority has paid approximately £0.267m during 2010-11 (£0 in 2009-10) to WRG for green waste management. This contract is due to expire on 31<sup>st</sup> March 2013, and an estimated £0.281m is committed in 2011-12.

The Authority has paid approximately £1.763m during 2010-11 (£0.641m in 2009-10) to SITA for waste management. This contract is due to expire on 1<sup>st</sup> January 2025, and an estimated £1.870m is committed in 2011-12.

The Authority has paid approximately £0.250m during 2010-11 (£0.280m in 2009-10) to Adullam Housing for aftercare. This contract is due to expire on 31<sup>st</sup> March 2013, and an estimated £0.250m is committed in 2011-12.



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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The Authority has paid approximately £0.243m during 2010-11 (£0.243m in 2009-10) to Action for Children for young carers. This contract is due to expire on 31<sup>st</sup> March 2012, and an estimated £0.243m is committed in 2011-12.

The Authority has paid approximately £0.240m during 2010-11 (£0.214m in 2009-10) to Trident for care leavers' accommodation. This contract is due to expire on 31<sup>st</sup> March 2013, and an estimated £0.240m is committed in 2011-12.

The Authority has paid approximately £0.184m during 2010-11 (£0.198m in 2009-10) to Barnados for family support centre services. This contract is due to expire on 31<sup>st</sup> March 2012, and an estimated £0.184m is committed in 2011-12.

The Authority has paid approximately £0.707m during 2010-11 (£0 in 2009-10) to Fujitsu for email and internet management. This contract is due to expire on 31<sup>st</sup> March 2015, and an estimated £0.535m is committed in 2011-12.

The Authority has paid approximately £0.300m during 2010-11 (£0.300m in 2009-10) to Northgate Information Solutions for call system management. This contract is due to expire in July 2011, and an estimated £249k is committed in 2011-12.

The Authority has paid approximately £0.936m during 2010-11 (£0.698m in 2009-10) to Microsoft for licences. This contract is due to expire on 31<sup>st</sup> March 2014, and an estimated £693k is committed in 2011-12.

The Authority has paid approximately £0.622m during 2010-11 (£0.625m in 2009-10) to SAP for core computer software. This contract is due to expire on 31<sup>st</sup> March 2014, and an estimated £629k is committed in 2011-12.

The Authority currently has 4 schools under PFI contracts. Details of these contracts can be found in note 60.

### **14. EXCEPTIONAL AND EXTRAORDINARY ITEMS**

In his budget statement on 22 June 2010, the Chancellor announced that the government would start to increase public service pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), which has been the practice in the past. This change in valuation method has created a reduction to the liability from previous years, which has been shown in the accounts as a past service cost.

This is a one off gain in 2010-11 of £94.494m for the Authority and £95.613m for the group. Further details of the pension fund can be found in note 62.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. NON DISTRIBUTED COSTS

Non distributed costs relate to any costs of retirement benefits for funded and unfunded defined benefit pension schemes that are not current service pension costs (or the costs held as exceptional items as per note 14 in 2010-11). The costs shown as non distributed (i.e. not re-distributed to services) are as follows:

2008-09 £'000	2009-10 £'000		2010-11 £'000
104	1,595	Curtailments	1,280
326	1,752	Unapportioned Amounts	0
<b>430</b>	<b>3,347</b>		<b>1,280</b>

Changes associated with the consolidation of Connexions Derbyshire Ltd result in a group position as follows:

2008-09 £'000	2009-10 £'000		2010-11 £'000
157	0	Past Service Costs	0
104	1,595	Curtailments	1,286
326	1,752	Unapportioned Amounts	0
<b>587</b>	<b>3,347</b>		<b>1,286</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16. SEGMENTAL REPORTING

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocations are taken by the Authority's Cabinet on the basis of budget reports analysed across departments.

The income and expenditure of the Authority's directorates against the budgeted amount for the year, as presented to the Cabinet meeting in the annual outturn report was:

	Children & Younger Adults £'000	Corporate Budgets £'000	Cultural & Community Service £'000	Adult Care £'000	Environmental Services £'000
Controllable Budget	99,976	21,072	15,384	206,137	82,793
Controllable Spend	94,488	14,087	14,037	208,795	80,674
<b>Reported Outturn</b>	<b>(5,488)</b>	<b>(6,985)</b>	<b>(1,347)</b>	<b>2,658</b>	<b>(2,119)</b>
Uncontrollable Budget	151,582	7,292	4,495	11,175	20,817
Uncontrollable Spend	151,582	7,292	4,495	11,175	20,817
<b>Uncontrollable Outturn</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Budget	251,558	28,364	19,879	217,312	103,610
Total Spend	246,070	21,379	18,532	219,970	101,491
<b>Total Outturn</b>	<b>(5,488)</b>	<b>(6,985)</b>	<b>(1,347)</b>	<b>2,658</b>	<b>(2,119)</b>

	Chief Executives £'000	Corporate Resources £'000	Total Departmental Spending £'000	Corporate Adjustments £'000	Total £'000
Controllable Budget	11,947	40,572	477,881	(477,881)	0
Controllable Spend	9,974	38,129	460,184	(460,184)	0
<b>Controllable Over /(Under) Spend</b>	<b>(1,973)</b>	<b>(2,443)</b>	<b>(17,697)</b>	<b>17,697</b>	<b>0</b>
Uncontrollable Budget	(3,988)	(37,871)	153,502	(153,502)	0
Uncontrollable Spend	(3,988)	(37,871)	153,502	(153,502)	0
<b>Uncontrollable Spend</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Budget	7,959	2,701	631,383	(631,383)	0
Total Spend	5,986	258	613,686	(613,686)	0
<b>Reported Outturn</b>	<b>(1,973)</b>	<b>(2,443)</b>	<b>(17,697)</b>	<b>17,697</b>	<b>0</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The 2010-11 spend for the year can be analysed further into the subjective line items (type of expenditure such as employee costs etc) by department as follows:

	Children & Younger Adults	Corporate Budgets	Cultural & Community Service	Adult Care
	£'000	£'000	£'000	£'000
Employee Costs	501,026	11,967	10,289	87,944
Premises	21,570	5,597	731	1,834
Transport	19,316	351	210	5,314
Supplies & Services	64,153	8,608	3,973	15,467
Agency Payments	68,447	2,244	2	159,242
Transfer Payments	2,692	0	0	11,784
Cross Departmental Charges	41,238	(5,614)	4,338	14,644
Capital Charges	148,079	1,647	697	3,815
<b>Total Expenditure</b>	<b>866,521</b>	<b>24,800</b>	<b>20,240</b>	<b>300,044</b>
Grants	(584,635)	0	(121)	(5,415)
Contributions	(14,751)	(485)	(305)	(43,849)
Sales, Fees and Charges	(21,064)	(2,936)	(1,282)	(30,810)
<b>Total Income</b>	<b>(620,450)</b>	<b>(3,421)</b>	<b>(1,708)</b>	<b>(80,074)</b>
Corporate Adjustments	0	0	0	0
<b>Total Reported Spend</b>	<b>246,071</b>	<b>21,379</b>	<b>18,532</b>	<b>219,970</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Environmental Services	Chief Executives	Corporate Resources	Total Departmental Spending A	Corporate Adjustments	Total
£'000	£'000	£'000	£'000	£'000	£'000
27,444	9,073	47,041	694,784	(3,204)	691,580
2,092	92	7,450	39,366	0	39,366
5,908	258	1,967	33,324	0	33,324
14,958	1,840	19,262	128,261	(22,978)	105,283
62,806	1,262	730	294,733	0	294,733
0	0	0	14,476	0	14,476
6,373	(3,807)	(57,172)	0	0	0
12,410	131	848	167,627	(167,626)	1
<b>131,991</b>	<b>8,849</b>	<b>20,126</b>	<b>1,372,571</b>	<b>(193,808)</b>	<b>1,178,763</b>
(462)	(1,847)	(134)	(592,614)	(141,977)	(734,591)
(19,586)	(798)	(63)	(79,837)	0	(79,837)
(10,452)	(218)	(19,671)	(86,433)	0	(86,433)
<b>(30,500)</b>	<b>(2,863)</b>	<b>(19,868)</b>	<b>(758,884)</b>	<b>(141,977)</b>	<b>(900,861)</b>
0	0	0	0	(277,901)	(277,901)
<b>101,491</b>	<b>5,986</b>	<b>258</b>	<b>613,687</b>	<b>(613,686)</b>	<b>1</b>

### Reconciliation of Departmental Income and Expenditure to the Net Cost of Services in the Comprehensive Income and Expenditure Account

This shows how the departmental reported spend for the year is reconciled back to the Net Cost of Services in the Comprehensive Income and Expenditure Account. This is because internally some functions are reported within a department that the Authority is required to present differently in the accounts, such as the trading operations.

## NOTES TO THE CORE FINANCIAL STATEMENTS

<b>Cost of Services in Service Analysis</b>	<b>613,687</b>	A
Remove Trading	1,047	B
Employee Benefits	(3,204)	C
Additional REFCUS	3,871	D
Exceptional Item & Support Services	(94,494)	E
<b>Total Cost of Services per CEIS</b>	<b>520,907</b>	
Connexions Derbyshire Ltd	(1,019)	F
<b>Total Cost of Group Services</b>	<b>519,888</b>	

The following shows the departmental subjective spend (column A) reconciled to the total reported Net Cost of Services within the CIES shown in the same subjective analysis.

	Departments Outturn A £'000	Remove Trading B £'000	Employee Benefits C £'000	Additional REFCUS D £'000
Employee Costs	694,784	0	(3,204)	0
Premises	39,366	0	0	0
Transport	33,324	0	0	0
Supplies & Services	128,261	1,047	0	0
Agency Payments	294,733	0	0	0
Transfer Payments	14,476	0	0	0
Support Services	0	0	0	0
Capital Costs	167,627	0	0	3,871
<b>Total Expenditure</b>	<b>1,372,571</b>	<b>1,047</b>	<b>(3,204)</b>	<b>3,871</b>
Grants	(592,614)	0	0	0
Contributions	(79,837)	0	0	0
Sales, Fees and Charges	(86,433)	0	0	0
<b>Total Income</b>	<b>(758,884)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Cost of Services</b>	<b>613,687</b>	<b>1,047</b>	<b>(3,204)</b>	<b>3,871</b>
Other Operating Expenditure	0	0	0	0
Financing & Investment Expenditure	0	0	0	0
Taxation and Non-Specific Grants	0	0	0	0
<b>Surplus or Deficit on Services</b>	<b>613,687</b>	<b>1,047</b>	<b>(3,204)</b>	<b>3,871</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Support Services £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000	Connexions Derbyshire £'000	Group Total £'000
(94,494)	597,086	0	597,086	3,964	601,050
0	39,366	0	39,366	551	39,917
0	33,324	0	33,324	0	33,324
(24,027)	105,281	0	105,281	914	106,195
0	294,733	0	294,733	0	294,733
0	14,476	0	14,476	0	14,476
0	0	0	0	0	0
0	171,498	0	171,498	162	171,660
<b>(118,521)</b>	<b>1,255,764</b>	<b>0</b>	<b>1,255,764</b>	<b>5,591</b>	<b>1,261,355</b>
0	(592,614)	0	(592,614)	(5,818)	(598,432)
286	(79,551)	0	(79,551)	0	(79,551)
23,741	(62,692)	0	(62,692)	(792)	(63,484)
<b>24,027</b>	<b>(734,857)</b>	<b>0</b>	<b>(734,857)</b>	<b>(6,610)</b>	<b>(741,467)</b>
<b>(94,494)</b>	<b>520,907</b>	<b>0</b>	<b>520,907</b>	<b>(1,019)</b>	<b>519,888</b>
0	0	32,364	32,364	0	32,364
0	0	47,235	47,235	290	47,525
0	0	(580,392)	(580,392)	0	(580,392)
<b>(94,494)</b>	<b>520,907</b>	<b>(500,793)</b>	<b>20,114</b>	<b>(729)</b>	<b>19,385</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Subjective analysis of Net Cost of Services

This analysis presents the result of the reconciliation above by each individual service area within the Net Cost of Services:

	Central Services to the Public £'000	Cultural, Environmental, Regulatory and Planning £'000	Children's and Education Services £'000	Highways, Roads & Transport £'000
Employee Costs	1,951	25,155	502,159	15,454
Premises	571	1,411	21,643	1,214
Transport	121	446	19,518	3,577
Supplies & Services	710	8,365	67,596	11,680
Agency Payments	(16)	28,735	70,674	35,225
Transfer Payments	0	0	2,692	0
Cross Departmental Charges	321	2,107	39,702	12,462
Capital Charges	360	1,770	151,353	7,664
<b>Total Expenditure</b>	<b>4,018</b>	<b>67,989</b>	<b>875,337</b>	<b>87,276</b>
Grants	0	(970)	(585,989)	(72)
Contributions	(866)	(907)	(14,915)	(19,182)
Sales, Fees and Charges	(833)	(5,511)	(21,084)	(4,447)
<b>Total Income</b>	<b>(1,699)</b>	<b>(7,388)</b>	<b>(621,988)</b>	<b>(23,701)</b>
<b>Total Reported Spend</b>	<b>2,319</b>	<b>60,601</b>	<b>253,349</b>	<b>63,575</b>



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**NOTES TO THE CORE FINANCIAL STATEMENTS**

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<b>Adult Social Care £'000</b>	<b>Corporate &amp; Democratic Core £'000</b>	<b>Non Distributed Costs £'000</b>	<b>Net Cost of Services £'000</b>
93,816	(1,926)	(39,524)	<b>597,085</b>
1,834	(423)	13,116	<b>39,366</b>
5,314	47	4,301	<b>33,324</b>
15,586	36,491	(35,147)	<b>105,281</b>
159,242	87	786	<b>294,733</b>
11,784	0	0	<b>14,476</b>
15,631	(27,006)	(43,217)	<b>0</b>
3,879	0	6,472	<b>171,498</b>
<b>307,086</b>	<b>7,270</b>	<b>(93,213)</b>	<b>1,255,763</b>
(5,415)	0	(168)	<b>(592,614)</b>
(43,849)	0	168	<b>(79,551)</b>
(30,809)	(7)	0	<b>(62,691)</b>
<b>(80,073)</b>	<b>(7)</b>	<b>0</b>	<b>(734,856)</b>
<b>227,013</b>	<b>7,263</b>	<b>(93,213)</b>	<b>520,907</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The 2009-10 position was:

	Central Services to the Public £'000	Cultural, Environmental, Regulatory and Planning £'000	Children's and Education Services £'000	Highways, Roads & Transport £'000
Employee Costs	3,139	14,834	485,999	12,666
Premises	71	4,027	24,634	843
Transport	59	1,105	19,545	4,182
Supplies & Services	488	10,075	81,211	62,485
Agency Payments	643	22,872	3,490	54
Transfer Payments	0	0	66,950	0
Cross Departmental Charges	234	2,617	36,050	4,645
Capital Charges	359	740	49,286	10,627
<b>Total Expenditure</b>	<b>4,993</b>	<b>56,270</b>	<b>767,165</b>	<b>95,502</b>
Grants	(394)	(628)	(545,032)	(168)
Contributions	0	(1,234)	(13,550)	(1,060)
Sales, Fees and Charges	(1,140)	(4,063)	(39,528)	(38,661)
<b>Total Income</b>	<b>(1,534)</b>	<b>(5,925)</b>	<b>(598,110)</b>	<b>(39,889)</b>
<b>Total Reported Spend</b>	<b>3,459</b>	<b>50,345</b>	<b>169,055</b>	<b>55,613</b>

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**NOTES TO THE CORE FINANCIAL STATEMENTS**

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<b>Adult Social Care £'000</b>	<b>Corporate &amp; Democratic Core £'000</b>	<b>Non Distributed Costs £'000</b>	<b>Net Cost of Services £'000</b>
81,784	135	54,565	<b>653,122</b>
2,357	1,163	5,179	<b>38,274</b>
7,475	1,844	751	<b>34,961</b>
20,158	1,379	6,092	<b>181,888</b>
164,755	0	128	<b>191,942</b>
109	0	0	<b>67,059</b>
12,446	7,375	(63,367)	<b>0</b>
3,571	98	0	<b>64,681</b>
<b>292,655</b>	<b>11,994</b>	<b>3,348</b>	<b>1,231,927</b>
(26,369)	0	0	<b>(572,591)</b>
(42,859)	(3,299)	0	<b>(62,002)</b>
(30,911)	(3)	0	<b>(114,306)</b>
<b>(100,139)</b>	<b>(3,302)</b>	<b>0</b>	<b>(748,899)</b>
<b>192,516</b>	<b>8,692</b>	<b>3,348</b>	<b>483,028</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Below is the same analysis of the 2010-11 Net Cost of Services, however for the group entity after consolidation of Connexions Derbyshire Ltd:

	Central Services to the Public £'000	Cultural, Environmental, Regulatory and Planning £'000	Children's and Education Services £'000	Highways, Roads & Transport £'000
Employee Costs	1,951	25,155	507,236	15,454
Premises	571	1,411	22,194	1,214
Transport	121	446	19,518	3,577
Supplies & Services	710	8,365	68,510	11,680
Agency Payments	(16)	28,735	70,674	35,225
Transfer Payments	0	0	2,692	0
Cross Departmental Charges	321	2,107	39,702	12,462
Capital Charges	360	1,770	151,515	7,664
<b>Total Expenditure</b>	<b>4,018</b>	<b>67,989</b>	<b>882,041</b>	<b>87,276</b>
Grants	0	(970)	(591,807)	(72)
Contributions	(866)	(907)	(14,915)	(19,182)
Sales, Fees and Charges	(833)	(5,511)	(21,876)	(4,447)
<b>Total Income</b>	<b>(1,699)</b>	<b>(7,388)</b>	<b>(628,598)</b>	<b>(23,701)</b>
<b>Total Reported Spend</b>	<b>2,319</b>	<b>60,601</b>	<b>253,443</b>	<b>63,575</b>

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**NOTES TO THE CORE FINANCIAL STATEMENTS**

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<b>Adult Social Care £'000</b>	<b>Corporate &amp; Democratic Core £'000</b>	<b>Non Distributed Costs £'000</b>	<b>Net Cost of Services £'000</b>
93,816	(1,926)	(39,518)	<b>601,049</b>
1,834	(423)	13,116	<b>39,917</b>
5,314	47	4,301	<b>33,324</b>
15,586	36,491	(35,147)	<b>106,195</b>
159,242	87	786	<b>294,733</b>
11,784	0	0	<b>14,476</b>
15,631	(27,006)	(43,217)	<b>0</b>
3,879	0	6,472	<b>171,660</b>
<b>307,086</b>	<b>7,270</b>	<b>(93,207)</b>	<b>1,261,354</b>
(5,415)	0	(168)	<b>(598,432)</b>
(43,849)	0	168	<b>(79,551)</b>
(30,809)	(7)	0	<b>(63,483)</b>
<b>(80,073)</b>	<b>(7)</b>	<b>0</b>	<b>(741,466)</b>
<b>227,013</b>	<b>7,263</b>	<b>(93,207)</b>	<b>519,888</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The 2009-10 group position was:

	Central Services to the Public £'000	Cultural, Environmental, Regulatory and Planning £'000	Children's and Education Services £'000	Highways, Roads & Transport £'000
Employee Costs	3,139	14,834	490,858	12,666
Premises	71	4,027	25,134	843
Transport	59	1,105	19,545	4,182
Supplies & Services	488	10,075	82,307	62,485
Agency Payments	643	22,872	3,490	54
Transfer Payments	0	0	66,950	0
Cross Departmental Charges	234	2,617	36,050	4,645
Capital Charges	359	740	49,340	10,627
<b>Total Expenditure</b>	<b>4,993</b>	<b>56,270</b>	<b>773,674</b>	<b>95,502</b>
Grants	(394)	(628)	(550,615)	(168)
Contributions	0	(1,234)	(13,550)	(1,060)
Sales, Fees and Charges	(1,140)	(4,063)	(40,656)	(38,661)
<b>Total Income</b>	<b>(1,534)</b>	<b>(5,925)</b>	<b>(604,821)</b>	<b>(39,889)</b>
<b>Total Reported Spend</b>	<b>3,459</b>	<b>50,345</b>	<b>168,853</b>	<b>55,613</b>

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**NOTES TO THE CORE FINANCIAL STATEMENTS**

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<b>Adult Social Care £'000</b>	<b>Corporate &amp; Democratic Core £'000</b>	<b>Non Distributed Costs £'000</b>	<b>Net Cost of Services £'000</b>
81,784	135	54,565	<b>657,981</b>
2,357	1,163	5,179	<b>38,774</b>
7,475	1,844	751	<b>34,961</b>
20,158	1,379	6,092	<b>182,984</b>
164,755	0	128	<b>191,942</b>
109	0	0	<b>67,059</b>
12,446	7,375	(63,367)	<b>0</b>
3,571	98	0	<b>64,735</b>
<b>292,655</b>	<b>11,994</b>	<b>3,348</b>	<b>1,238,436</b>
(26,369)	0	0	<b>(578,174)</b>
(42,859)	(3,299)	0	<b>(62,002)</b>
(30,911)	(3)	0	<b>(115,434)</b>
<b>(100,139)</b>	<b>(3,302)</b>	<b>0</b>	<b>(755,610)</b>
<b>192,516</b>	<b>8,692</b>	<b>3,348</b>	<b>482,826</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. OTHER OPERATING EXPENDITURE

2008-09 £'000	2009-10 £'000		2010-11 £'000
(1,327)	(797)	Trading Operations	(1,047)
239	262	Levies & Precepts	275
5,759	294	(Gain) / Loss on Disposal of Fixed Assets	33,136
0	(816)	Other Income	0
<b>4,671</b>	<b>(1,057)</b>		<b>32,364</b>

Further information about the Authority's trading operations can be found in note 43.

Further information about the levies and precepts paid can be found in note 48.

International Financial Reporting Standard IAS16 requires Property Plant and Equipment to be accounted for in component parts, as a result when capital work is carried out to replace an already existing component, such as a refurbishment of a school kitchen, the carrying value of the original component must be disposed. This has resulted in higher disposals in 2010-11 as component disposals were not carried out in previous years. Further information about the Authority's Property Plant and Equipment assets can be found in note 22.

The Other Income reported in 2009-10 related to capital receipts that were not from the sale of non-current assets.

### 18. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2008-09 £'000	2009-10 £'000		2010-11 £'000
24,372	25,288	Interest Payable	26,484
(15,412)	(6,671)	Interest Receivable	(5,620)
(58,639)	(45,759)	Expected Returns on Pensions Assets	(64,124)
82,908	82,066	Pensions Interest Costs	90,495
<b>33,229</b>	<b>54,924</b>		<b>47,235</b>

Further information about interest payable can be found in note 44. Further information about interest receivable can be found in note 45. Further information regarding the Pension Scheme can be found in note 62.



## NOTES TO THE CORE FINANCIAL STATEMENTS

Changes associated with consolidation of Connexions Derbyshire Ltd have resulted in a reported Group position as follows:

2008-09 £'000	2009-10 £'000		2010-11 £'000
24,372	25,288	Interest Payable	26,484
(15,412)	(6,671)	Interest Receivable	(5,620)
(59,237)	(46,272)	Expected Returns on Pensions Assets	(64,870)
83,559	82,882	Pensions Interest Costs	91,531
<b>33,282</b>	<b>55,227</b>		<b>47,525</b>

### 19. TAXATION AND NON-SPECIFIC GRANT INCOME

2008-09 £'000	2009-10 £'000		2010-11 £'000
(262,071)	(270,733)	Council Tax	(276,740)
(20,152)	(32,866)	Revenue Support Grant	(23,477)
(144,763)	(142,392)	Non-Domestic Rates Redistribution	(161,674)
(32,660)	(34,568)	Area Based Grant	(47,925)
(6,527)	(6,527)	PFI Grant	(8,018)
0	(3,472)	Public Service Agreement Reward Grant	0
(439)	(311)	Local Authority Business Growth Initiative	0
(56,021)	(80,711)	Capital Grants	(62,558)
<b>(522,633)</b>	<b>(571,580)</b>		<b>(580,392)</b>

Further information on grants within the Comprehensive Income and Expenditure Statement can be found in note 57.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 20. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS

Narrative	Note	General Reserve £'000	Earmarked Revenue Reserves £'000	Unapplied Capital Grants £'000	Capital Receipts Reserve £'000
<b>BALANCE AS AT 1ST APRIL 2010</b>		(85,752)	(93,858)	(50,955)	(15,155)
Total Comprehensive Income and Expenditure	CIES	20,112			
<i>Adjustments between accounting basis &amp; funding basis under regulations</i>					
Depreciation of fixed assets	22	(45,498)			
Impairment of fixed assets	22	(116,162)			
Capital Grants	57	62,558		(62,558)	
Net gain / (loss) on disposal of fixed assets	22	(33,136)			
Revenue Expenditure Funded from Capital Under Statute	58	(9,836)			
Adjustment to Employee Time Owed		784			
Collection Fund Adjustment		131			
Net charges made for retirement benefits	62	17,535			
Minimum revenue provision		21,950			
Principal transferred debt		(1,435)			
Revenue Contributions to Capital Outlay	58	4,284			
Reversal of effective interest rate	37	(45)			
Employer contribution to Pension Fund	62	53,008			
Net Transfer to / from EM reserves	21	25,569	(25,569)		
Transfer Usable Capital Receipts	37				(3,904)
Financing Capital Spend	58			77,673	5,229
<b>BALANCE AS AT 31ST MARCH 2011</b>		(85,933)	(119,427)	(35,840)	(13,830)

## NOTES TO THE CORE FINANCIAL STATEMENTS

Deferred Capital Receipts £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Accumulated Absences Account £'000	Collection Fund Adjustment Account £'000	Pensions Reserve £'000	Total £'000
(1,934)	(163,375)	(1,135,117)	18	5,526	(600)	603,740	(937,462)
	(44,861)					(89,564)	(114,313)
	4,907	40,591					0
		116,162					0
							0
(3,746)	1,313	35,569					0
		9,836					0
				(784)			0
					(131)		0
						(17,535)	0
		(21,950)					0
		1,435					0
		(4,284)					0
			45				0
						(53,008)	0
							0
3,904							0
		(82,902)					0
(1,776)	(202,016)	(1,040,660)	63	4,742	(731)	443,633	(1,051,775)

## NOTES TO THE CORE FINANCIAL STATEMENTS

The 2009-10 position was:

Narrative	Note	General Reserve £'000	Earmarked Revenue Reserves £'000	Unapplied Capital Grants £'000	Capital Receipts Reserve £'000
<b>BALANCE AS AT 1ST APRIL 2009</b>		(64,211)	(99,528)	(31,578)	(18,799)
Total Comprehensive Income and Expenditure	CIES	(34,685)			
<i>Adjustments between accounting basis &amp; funding basis under regulations</i>					
Depreciation of fixed assets	22	(35,617)			
Impairment of fixed assets	22	(25,925)			
Capital Grants	57	80,711		(19,377)	
Net gain / (loss) on disposal of fixed assets	22	2,998			
Revenue Expenditure Funded from Capital Under Statute	58	(12,570)			
Adjustment to Employee Time Owed		7			
Collection Fund Adjustment		350			
Net charges made for retirement benefits	62	(69,483)			
Minimum revenue provision		20,928			
Principal transferred debt		(1,519)			
Revenue Contributions to Capital Outlay	58	7,379			
Reversal of effective interest rate	37	506			
Employer contribution to Pension Fund	62	51,049			
Net Transfer to / from EM reserves	21	(5,670)	5,670		
Transfer Usable Capital Receipts	37				(2,110)
Financing Capital Spend	58				5,754
<b>BALANCE AS AT 31ST MARCH 2010</b>		(85,752)	(93,858)	(50,955)	(15,155)

## NOTES TO THE CORE FINANCIAL STATEMENTS

Deferred Capital Receipts £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Accumulated Absences Account £'000	Collection Fund Adjustment Account £'000	Pensions Reserve £'000	Total £'000
(1,920)	(65,432)	(1,109,881)	524	5,533	(250)	421,435	(964,107)
	(102,541)					163,871	26,645
	4,134	31,483					0
		25,925					0
		(61,334)					0
(2,124)	464	(1,338)					0
		12,570					0
				(7)			0
					(350)		0
						69,483	0
		(20,928)					0
		1,519					0
		(7,379)					0
			(506)				0
						(51,049)	0
							0
2,110							0
		(5,754)					0
(1,934)	(163,375)	(1,135,117)	18	5,526	(600)	603,740	(937,462)

## NOTES TO THE CORE FINANCIAL STATEMENTS

The reported Group Position after consolidation of Connexions Derbyshire Ltd is as follows:

Narrative	Note	General Reserve £'000	Earmarked Revenue Reserves £'000	Unapplied Capital Grants £'000	Capital Receipts Reserve £'000
<b>BALANCE AS AT 1ST APRIL 2010</b>		<b>(85,954)</b>	<b>(93,858)</b>	<b>(50,955)</b>	<b>(15,155)</b>
Total Comprehensive Income and Expenditure	CIES	19,384			
<i>Adjustments between accounting basis &amp; funding basis under regulations</i>					
Depreciation of fixed assets	22	(45,498)			
Impairment of fixed assets	22	(116,162)			
Capital Grants	57	62,558		(62,558)	
Net gain / (loss) on disposal of fixed assets	22	(33,136)			
Revenue Expenditure Funded from Capital Under Statute	58	(9,836)			
Adjustment to Employee Time Owed		784			
Collection Fund Adjustment		131			
Net charges made for retirement benefits	62	17,334			
Minimum revenue provision		21,950			
Principal transferred debt		(1,435)			
Revenue Contributions to Capital Outlay	58	4,284			
Reversal of effective interest rate	37	(45)			
Employer contribution to Pension Fund	62	52,393			
Net Transfer to / from EM reserves	21	25,569	(25,569)		
Transfer Usable Capital Receipts	37				(3,904)
Financing Capital Spend	58			77,673	5,229
<b>BALANCE AS AT 31ST MARCH 2011</b>		<b>(87,679)</b>	<b>(119,427)</b>	<b>(35,840)</b>	<b>(13,830)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Deferred Capital Receipts £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Accumulated Absences Account £'000	Collection Fund Adjustment Account £'000	Pensions Reserve £'000	Total £'000
(1,934)	(163,375)	(1,135,117)	18	5,526	(600)	610,105	(931,299)
	(44,861)					(90,751)	(116,228)
	4,907	40,591					0
		116,162					0
							0
(3,746)	1,313	35,569					0
		9,836					0
				(784)			0
					(131)		0
						(17,334)	0
		(21,950)					0
		1,435					0
		(4,284)					0
			45				0
						(52,393)	0
							0
3,904							0
		(82,902)					0
(1,776)	(202,016)	(1,040,660)	63	4,742	(731)	449,627	(1,047,527)

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 21. TRANSFERS TO / FROM EARMARKED RESERVES

	1st April 2009 £'000	Transfers Out £'000	Transfers In £'000	1st April 2010 £'000	Transfers Out £'000	Transfers In £'000	31st March 2011 £'000
<b>Adult Care</b>							
Independent Living Schemes Rent	0	22	(137)	(115)	0	(30)	(145)
Learning Disability Campus Closure	0	0	(38)	(38)	0	(258)	(296)
Other Adult Care Grants	(1,692)	2,472	(1,258)	(478)	72	(248)	(654)
Second Home Reserves	0	0	0	0	0	(180)	(180)
Supporting People Grant	0	0	(1,716)	(1,716)	0	0	(1,716)
<b>Cultural &amp; Community</b>							
Other Culture Grants	(1,025)	566	(18)	(477)	141	(39)	(375)
Other Culture Reserves	(295)	98	(70)	(267)	14	(8)	(261)
<b>Environmental Services</b>							
Highways DLO	(4,277)	716	(1,598)	(5,159)	2,496	(900)	(3,563)
Waste Disposal - Royalties	(2,088)	0	0	(2,088)	0	0	(2,088)
Other Environmental Grants	(2,496)	222	0	(2,274)	231	0	(2,043)
Commuted Sums & Maintenance	(748)	0	(204)	(952)	0	0	(952)
Other Environmental Reserves	(2,752)	376	(931)	(3,307)	130	(2,958)	(6,135)





## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. PROPERTY, PLANT AND EQUIPMENT

The value of Property Plant and Equipment (PPE) assets in the balance sheet are shown at their carrying valuation, less accumulated depreciation charges. The table below shows the movement in Property Plant and Equipment assets during the year:

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000
<b>COST OR VALUATION</b>			
At 1st April 2010	1,474,667	86,925	301,292
Additions	86,635	3,044	23,226
Revaluations	(91,473)	0	0
Disposals	(6,847)	(49)	0
De-recognition of replaced components	(28,736)	0	0
Reclassification (within PPE)	30,638	0	0
Reclassification (Held for Sale)	(3,558)	0	0
<b>At 31st March 2011</b>	<b>1,461,326</b>	<b>89,920</b>	<b>324,518</b>
<b>DEPRECIATION AND IMPAIRMENTS</b>			
At 1st April 2010	(50,263)	(40,731)	(51,479)
Charge for Year	(24,603)	(13,043)	(7,492)
Revaluations	20,172	0	0
Disposals	228	0	0
Reclassification (Held for Sale)	57	0	0
<b>At 31st March 2011</b>	<b>(54,409)</b>	<b>(53,774)</b>	<b>(58,971)</b>
OPENING VALUE AT 1st APRIL 2010	1,424,404	46,194	249,813
<b>CLOSING VALUE AT 31st MARCH 2011</b>	<b>1,406,917</b>	<b>36,146</b>	<b>265,547</b>
<b>NATURE OF ASSET HOLDING AS AT 31ST MARCH 2011</b>			
Owned	1,298,025	36,146	265,547
Finance Lease	8,614	0	0
PFI	100,278	0	0
	<b>1,406,917</b>	<b>36,146</b>	<b>265,547</b>

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**NOTES TO THE CORE FINANCIAL STATEMENTS**

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Community Assets £'000	Assets Under Construction £'000	Property Plant & Equipment £'000
6,602	32,193	1,901,679
1,122	12,685	126,712
0	0	(91,473)
0	0	(6,896)
(395)	0	(29,131)
0	(30,638)	0
0	0	(3,558)
<b>7,329</b>	<b>14,240</b>	<b>1,897,333</b>
(3)	0	(142,476)
(3)	0	(45,141)
0	0	20,172
0	0	228
0	0	57
(6)	0	(167,160)
6,599	32,193	1,759,203
<b>7,323</b>	<b>14,240</b>	<b>1,730,173</b>
7,323	14,240	1,621,281
0	0	8,614
0	0	100,278
<b>7,323</b>	<b>14,240</b>	<b>1,730,173</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Due to the implementation of IFRS, the previous year assets were restated. The equivalent table showing the movement during 2009-10 is below:

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000
<b>COST OR VALUATION</b>			
At 1st April 2009	1,382,767	77,320	274,389
Additions	44,045	9,914	26,903
Revaluations	39,270	0	0
Disposals	(1,628)	(309)	0
Reclassification (within PPE)	11,300	0	0
Reclassification (Held for Sale)	(1,087)	0	0
<b>At 31st March 2010</b>	<b>1,474,667</b>	<b>86,925</b>	<b>301,292</b>
<b>DEPRECIATION AND IMPAIRMENTS</b>			
At 1st April 2009	(68,193)	(34,379)	(44,619)
Charge for Year	(22,268)	(6,444)	(6,860)
Revaluations	49,599	92	0
Disposals	(9,405)	0	0
Reclassification (Held for Sale)	4	0	0
<b>At 31st March 2010</b>	<b>(50,263)</b>	<b>(40,731)</b>	<b>(51,479)</b>
OPENING VALUE AT 1st APRIL 2009	1,314,574	42,941	229,770
<b>CLOSING VALUE AT 31st MARCH 2010</b>	<b>1,424,404</b>	<b>46,194</b>	<b>249,813</b>
<b>NATURE OF ASSET HOLDING AS AT 31ST MARCH 2010</b>			
Owned	1,353,141	46,194	249,813
Finance Lease	4,550	0	0
PFI	66,713	0	0
	<b>1,424,404</b>	<b>46,194</b>	<b>249,813</b>

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**NOTES TO THE CORE FINANCIAL STATEMENTS**

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Community Assets £'000	Assets Under Construction £'000	Property Plant & Equipment £'000
5,217	13,695	<b>1,753,388</b>
1,104	29,794	<b>111,760</b>
300	0	<b>39,570</b>
(15)	0	<b>(1,952)</b>
(4)	(11,296)	<b>0</b>
0	0	<b>(1,087)</b>
<b>6,602</b>	<b>32,193</b>	<b>1,901,679</b>
0	0	<b>(147,191)</b>
(3)	0	<b>(35,575)</b>
0	0	<b>49,691</b>
0	0	<b>(9,405)</b>
0	0	<b>4</b>
<b>(3)</b>	<b>0</b>	<b>(142,476)</b>
5,217	13,695	<b>1,606,197</b>
<b>6,599</b>	<b>32,193</b>	<b>1,759,203</b>
6,599	32,193	<b>1,687,940</b>
0	0	<b>4,550</b>
0	0	<b>66,713</b>
<b>6,599</b>	<b>32,193</b>	<b>1,759,203</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority is required to present for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model:

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000
<b>COST OR VALUATION</b>			
At 1st April 2010	1,406,352	86,925	301,292
Additions	86,635	3,044	23,226
Revaluations	0	0	0
Disposals	(6,167)	(49)	0
De-recognition of replaced components	(28,736)	0	0
Reclassification (within PPE)	30,638	0	0
Reclassification (Held for Sale)	(1,938)	0	0
<b>At 31st March 2011</b>	<b>1,486,784</b>	<b>89,920</b>	<b>324,518</b>
<b>DEPRECIATION AND IMPAIRMENTS</b>			
At 1st April 2010	(98,198)	(40,731)	(51,479)
Charge for Year	(19,696)	(13,043)	(7,492)
Revaluations	21,131	0	0
Disposals	2,656	0	0
Reclassification (Held for Sale)	164	0	0
<b>At 31st March 2011</b>	<b>(93,943)</b>	<b>(53,774)</b>	<b>(58,971)</b>
OPENING VALUE AT 1st APRIL 2010	1,308,154	46,194	249,813
<b>CLOSING VALUE AT 31st MARCH 2011</b>	<b>1,392,841</b>	<b>36,146</b>	<b>265,547</b>
<b>NATURE OF ASSET HOLDING AS AT 31ST MARCH 2011</b>			
Owned	1,298,471	36,146	265,547
Finance Lease	5,400	0	0
PFI	88,970	0	0
	<b>1,392,841</b>	<b>36,146</b>	<b>265,547</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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Community Assets £'000	Assets Under Construction £'000	Property Plant & Equipment £'000
6,602	32,193	1,833,364
1,122	12,685	126,712
0	0	0
0	0	(6,216)
(395)	0	(29,131)
0	(30,638)	0
0	0	(1,938)
<b>7,329</b>	<b>14,240</b>	<b>1,922,791</b>
(3)	0	(190,411)
(3)	0	(40,234)
0	0	21,131
0	0	2,656
0	0	164
(6)	0	(206,694)
6,599	32,193	1,642,953
<b>7,323</b>	<b>14,240</b>	<b>1,716,097</b>
7,323	14,240	1,621,727
0	0	5,400
0	0	88,970
<b>7,323</b>	<b>14,240</b>	<b>1,716,097</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The 2008-09 and 2009-10 group Balance Sheet include buildings and computers owned by Connexions Derbyshire Ltd. As the connexions service will be provided directly by the Authority in 2011-12 and the company wound down, these assets had been disposed of before 31<sup>st</sup> March 2011 and therefore no Property Plant and Equipment assets were owned at the balance sheet date.

### 23. INTANGIBLE ASSETS

	Software Licences £'000	Licences and Trademarks £'000	Patents £'000	Total £'000
<b>COST OR VALUATION</b>				
At 1st April 2010	3,583	0	0	3,583
Prior Period	0	0	0	0
Additions	867	0	0	867
Donations	0	0	0	0
Revaluations	0	0	0	0
Disposals	0	0	0	0
Reclassification	0	0	0	0
<b>At 31st March 2011</b>	<b>4,450</b>	<b>0</b>	<b>0</b>	<b>4,450</b>
<b>AMORTISATION</b>				
At 1st April 2010	(42)	0	0	(42)
Prior Period	0	0	0	0
Charge for Year	(358)	0	0	(358)
Revaluations	0	0	0	0
Disposals	0	0	0	0
Reclassification	0	0	0	0
<b>At 31st March 2011</b>	<b>(400)</b>	<b>0</b>	<b>0</b>	<b>(400)</b>
OPENING VALUE AT 1st APRIL 2010	3,541	0	0	3,541
<b>CLOSING VALUE AT 31st MARCH 2011</b>	<b>4,050</b>	<b>0</b>	<b>0</b>	<b>4,050</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

The 2009-10 comparative is below:

	Software Licences £'000	Licences and Trademarks £'000	Patents £'000	Total £'000
<b>COST OR VALUATION</b>				
At 1st April 2009	208	0	0	208
Prior Period	0	0	0	0
Additions	3,375	0	0	3,375
Donations	0	0	0	0
Revaluations	0	0	0	0
Disposals	0	0	0	0
Reclassification	0	0	0	0
<b>At 31st March 2010</b>	<b>3,583</b>	<b>0</b>	<b>0</b>	<b>3,583</b>
<b>AMORTISATION</b>				
At 1st April 2009	0	0	0	0
Prior Period	0	0	0	0
Charge for Year	(42)	0	0	(42)
Revaluations	0	0	0	0
Disposals	0	0	0	0
Reclassification	0	0	0	0
<b>At 31st March 2010</b>	<b>(42)</b>	<b>0</b>	<b>0</b>	<b>(42)</b>
OPENING VALUE AT 1st APRIL 2009	208	0	0	208
<b>CLOSING VALUE AT 31st MARCH 2010</b>	<b>3,541</b>	<b>0</b>	<b>0</b>	<b>3,541</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 24. INVESTMENT PROPERTIES

The Authority has no assets that are held solely for the purpose of income generation or capital appreciation.

### 25. NON-CURRENT DEBTORS

2008-09 £'000	2009-10 £'000		2010-11 £'000
38,219	36,594	Derby City 1997 Transferred Debt	35,274
1,375	1,320	Districts 1997 Transferred Debt	1,258
137	122	Further Education Funding Council	106
15	15	Loan to "Do you need a hand"	14
0	0	Loan to Derbyshire Learning and Community Partnership	15
923	842	Loans to Police Authority	761
70	70	Langwith Junction Stage Payments	70
1,399	199	Debtor Invoices paid in installments	0
232	258	Long term Car Loans Debtor	222
4,784	1,867	Other Long Term Debtors	59
1,730	1,709	Vehicle Finance Leases	1,568
<b>48,884</b>	<b>42,996</b>		<b>39,347</b>

### 26. FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the balance sheet:

	Non Current		Current	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
<i>Loans and receivables (principal amount)</i>	<i>13,000</i>	<i>21,000</i>	<i>133,000</i>	<i>148,000</i>
Loans and receivables	13,064	21,188	134,094	149,293
Available-for-sale financial assets	0	0	0	0
Unquoted equity investments at cost	0	0	0	0
Financial assets at fair value through profit and loss	0	0	0	0
<b>Total Financial Instrument Investments</b>	<b>13,064</b>	<b>21,188</b>	<b>134,094</b>	<b>149,293</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Non Current		Current	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Loans and receivables	380	2,410	0	0
Financial assets carried at contract amounts	0	0	11,203	8,972
<b>Total Financial Instrument Debtors</b>	<b>380</b>	<b>2,410</b>	<b>11,203</b>	<b>8,972</b>

	Non Current		Current	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
<i>Financial liabilities (principal amount)</i>	<i>(399,023)</i>	<i>(399,023)</i>	<i>(21,547)</i>	<i>(24,777)</i>
Financial liabilities	(383,122)	(382,953)	(24,112)	(27,304)
Financial liabilities at fair value through the I&E	0	0	0	0
<b>Total Financial Instrument Borrowing</b>	<b>(383,122)</b>	<b>(382,953)</b>	<b>(24,112)</b>	<b>(27,304)</b>

	Non Current		Current	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
PFI Phase 1	(24,088)	(24,816)	(728)	(681)
PFI Phase 2	(28,240)	(28,940)	(700)	(659)
PFI Building Schools for the Future	(33,931)	0	(554)	0
Finance Leases	(5,193)	(1,961)	(98)	(74)
<b>Total other long term liabilities</b>	<b>(91,452)</b>	<b>(55,717)</b>	<b>(2,080)</b>	<b>(1,414)</b>

	Non Current		Current	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Financial liabilities carried at contract amounts	0	0	(32,236)	(17,890)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(32,236)</b>	<b>(17,890)</b>

### Financial instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Financial liabilities measured at amortised cost £'000	Financial Assets			Total £'000
		Loans and receivables £'000	Available-for-sale assets £'000	Fair value through the I&E £'000	
Interest expense	(21,275)	0	0	0	(21,275)
Losses on de-recognition	0	0	0	0	0
Reductions in fair value	0	0	0	0	0
Impairment losses	0	0	0	0	0
Fee expense	0	0	0	0	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(21,275)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21,275)</b>
Interest Income	0	3,048	0	0	3,048
Interest income accrued on impaired financial assets	0	0	0	0	0
Increases in fair value	0	0	0	0	0
Gains on de-recognition	0	0	0	0	0
Fee income	0	0	0	0	0
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>3,048</b>	<b>0</b>	<b>0</b>	<b>3,048</b>
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0	0	0
<b>Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>(21,275)</b>	<b>3,048</b>	<b>0</b>	<b>0</b>	<b>(18,227)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2009-10

	Financial liabilities measured at amortised cost £'000	Financial Assets			Total £'000
		Loans and receivables £'000	Available-for-sale assets £'000	Fair value through the I&E £'000	
Interest expense	(21,885)	0	0	0	(21,885)
Losses on de-recognition	0	0	0	0	0
Reductions in fair value	0	0	0	0	0
Impairment losses	0	0	0	0	0
Fee expense	0	0	0	0	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(21,885)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21,885)</b>
Interest Income	0	4,298	52	0	4,350
Interest income accrued on impaired financial assets	0	0	0	0	0
Increases in fair value	0	0	0	0	0
Gains on de-recognition	0	0	0	0	0
Fee income	0	0	0	0	0
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>4,298</b>	<b>52</b>	<b>0</b>	<b>4,350</b>
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0	0	0
<b>Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>(21,885)</b>	<b>4,298</b>	<b>52</b>	<b>0</b>	<b>(17,535)</b>

From time to time during 2009-10 the year the Authority held investments in UK Treasury Bills. The gains on these are shown above. The Authority had no investment in Treasury Bills at 31 March 2010, or during 2010-11.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from the Public Works Loans Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value, and accrued interest is included;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Long Term Liabilities:

	Carrying Value		Fair Value	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Public Works Loan Board	(355,424)	(355,261)	(394,292)	(394,897)
Lender Option Borrower Option	(27,698)	(27,692)	(32,211)	(29,462)
<b>Long term borrowing</b>	<b>(383,122)</b>	<b>(382,953)</b>	<b>(426,503)</b>	<b>(424,359)</b>
Transferred Debt	(4,991)	(5,232)	(4,991)	(5,232)
PFI liability	(86,259)	(53,756)	(86,259)	(53,756)
Finance lease liability	(5,193)	(1,961)	(5,193)	(1,961)
<b>Total Long Term Liabilities</b>	<b>(479,565)</b>	<b>(443,902)</b>	<b>(522,946)</b>	<b>(485,308)</b>

Short Term Liabilities:

	Carrying Value		Fair Value	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Public Works Loan Board	(10,000)	(10,000)	(10,000)	(10,000)
Temporary Loans	(11,547)	(14,736)	(11,547)	(14,736)
<b>Short term borrowing</b>	<b>(21,547)</b>	<b>(24,736)</b>	<b>(21,547)</b>	<b>(24,736)</b>
Trade Creditors	(34,316)	(19,303)	(34,316)	(19,303)
<b>Total Short Term Liabilities</b>	<b>(55,863)</b>	<b>(44,039)</b>	<b>(55,863)</b>	<b>(44,039)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The fair value of the liabilities is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

Long term Assets:

	Carrying Value		Fair Value	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Long Term Investments – Money Markets	13,000	21,000	13,055	21,149
Long Term Trade Debtors	380	2,410	380	2,410
<b>Long Term Financial Assets</b>	<b>13,380</b>	<b>23,410</b>	<b>13,435</b>	<b>23,559</b>

Short Term Assets:

	Carrying Value		Fair Value	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Short Term Investments – Money Markets	133,000	148,000	133,000	148,000
Trade debtors	11,203	8,972	11,203	8,972
<b>Short Term Financial Assets</b>	<b>144,203</b>	<b>156,972</b>	<b>144,203</b>	<b>156,972</b>

The fair value of the assets is greater than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) attributable to the commitment to receive interest above current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 27. ASSETS HELD FOR SALE

Below is the movement of the authorities assets held for sale. An asset is classified as held for sale when it is in a state ready for sale (empty and repairs are complete), when the asset has been actively marketed and when a sale is expected shortly.

	2010-11		2009-10	
	Current £'000	Non-Current £'000	Current £'000	Non-Current £'000
Gross Book Value at 1st April	1,087	0	420	0
Accumulated Depreciation at 1st April	(4)	0	0	0
Carrying Value at 1st April	1,083	0	420	0
Assets newly classified as Held for Sale:				
Stanley Morley Railway Path (Part)	0	0	4	0
1-3 Woodside Place, Clay Cross	0	0	90	0
Bolsover Adult Community Ed. Centre	0	0	277	0
Community Ed. Centre (Depreciation)	0	0	(4)	0
Former American Adventure Site (Part)	0	0	716	0
Abercrombie Community Primary	2,603	0	0	0
Abercrombie Community Primary (Dpn)	(15)	0	0	0
Hopton Cottage	180	0	0	0
Hopton Cottage (Depreciation)	(14)	0	0	0
Portland House	171	0	0	0
Portland House (Depreciation)	(5)	0	0	0
Brookhill Road Industrial Estate	96	0	0	0
Brookhill Road Industrial Estate (Dpn)	(2)	0	0	0
Wingerworth Youth Centre	508	0	0	0
Wingerworth Youth Centre (Dpn)	(21)	0	0	0
Assets Moved from non-current to current	0	0	0	0
Assets Sold	(1,083)	0	(420)	0
	<b>3,501</b>	<b>0</b>	<b>1,083</b>	<b>0</b>



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 28. INVENTORIES

	Allroads Stores		Catering		Transport		Property Stock		Planning	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
<b>Balance as at 1st April 2010</b>	628	713	205	180	186	176	80	84	66	73
Purchases	6,159	2,323	40	205	146	164	42	0	0	0
Recognised as an expense during the year	0	0	0	0	0	0	0	0	0	0
Stock Issued	6,240	2,408	18	180	142	154	40	4	0	7
Written off balances	0	0	0	0	48	0	0	0	14	0
Reversals of write-offs in previous years	0	0	0	0	0	0	0	0	0	0
<b>Balance as at 31st March 2011</b>	<b>547</b>	<b>628</b>	<b>227</b>	<b>205</b>	<b>142</b>	<b>186</b>	<b>82</b>	<b>80</b>	<b>52</b>	<b>66</b>

	ICT Commissioning		Bank Account Schools		Outdoor Play Equipment		Other		Work in Progress	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
<b>Balance as at 1st April 2010</b>	39	235	33	38	14	5	16	20	574	2,536
Purchases	12	0	2	33	4	9	0	0	0	0
Recognised as an expense during the year	0	0	0	0	0	0	0	0	13,553	0
Stock Issued	0	196	0	38	0	0	0	4	13,745	1,962
Written off balances	0	0	0	0	0	0	0	0	0	0
Reversals of write-offs in previous years	0	0	0	0	0	0	0	0	0	0
<b>Balance as at 31st March 2011</b>	<b>51</b>	<b>39</b>	<b>35</b>	<b>33</b>	<b>18</b>	<b>14</b>	<b>16</b>	<b>16</b>	<b>382</b>	<b>574</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 29. CONSTRUCTION COSTS

	Estimated Cost £'000	Spend to Date £'000	Spend Still Due £'000
<b>Children &amp; Younger Adults</b>			
Aldercar Secondary School	1,820	619	1,201
Buxton Community School	1,513	1,290	223
Clowne Heritage School BSF	19,646	18,683	963
Dallimore Primary School	1,526	520	1,006
Lea Green Centre	1,092	589	503
Peak School, Chinley	3,717	574	3,143
Shirebrook Model Village Primary	2,495	1,344	1,151
Shirland Primary School	4,621	2,997	1,624
Staveley Hollingwood Primary	5,570	4,779	791
<b>Older Adults</b>			
Oaklands HOP & Care Centre	6,299	167	6,132
<b>Environmental Services</b>			
Grassmoor lagoons	4,771	826	3,945
Northwood Household Recycling	820	0	820
	<b>53,890</b>	<b>32,388</b>	<b>21,502</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 30. DEBTORS

The Authority's debtor balance can be analysed into the following categories:

2009-10			2010-11	
£'000	£'000		£'000	£'000
		<b>Amounts Owing to the Authority</b>		
6,891		From Other Local Authorities	13,116	
11,286		From NHS Bodies	16,745	
16,086		From Government Departments	8,711	
372		From Inter-Group Organisations	7,335	
24,203	<b>58,838</b>	From Other Sundry Debtors	24,896	<b>70,803</b>
		<b>Paid in Advance by the Authority</b>		
1,494		To Other Local Authorities	188	
0		To NHS Bodies	0	
273		To Government Departments	229	
0		To Inter-Group Organisations	0	
7,678	<b>9,445</b>	To Other Sundry Debtors	6,480	<b>6,897</b>
	<b>68,283</b>	<b>Total Debtors</b>		<b>77,700</b>
	(741)	Less Provision for Bad Debts		(107)
	<b>67,542</b>	<b>Carrying Value of Debtors</b>		<b>77,593</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

After consolidation of Connexions Derbyshire Ltd, the group debtors balance is as follows:

2009-10			2010-11	
£'000	£'000		£'000	£'000
		<b>Amounts Owing to the Authority</b>		
6,891		From Other Local Authorities	13,116	
11,286		From NHS Bodies	16,745	
16,086		From Government Departments	8,711	
186		From Inter-Group Organisations	7,136	
25,025	<b>59,474</b>	From Other Sundry Debtors	25,333	<b>71,041</b>
		<b>Paid in Advance by the Authority</b>	0	
1,494		To Other Local Authorities	188	
0		To NHS Bodies	0	
273		To Government Departments	229	
0		To Inter-Group Organisations	0	
7,678	<b>9,445</b>	To Other Sundry Debtors	6,480	<b>6,897</b>
	<b>68,919</b>	<b>Total Debtors</b>		<b>77,938</b>
	(741)	Less Provision for Bad Debts		(107)
	<b>68,178</b>	<b>Carrying Value of Debtors</b>		<b>77,831</b>

The residual balance of inter-group debtors in 2010-11 includes £0.099m in relation to Derby City Councils share of inter-group debtors and the remaining balance are amounts owed from the Pensions Fund and Trust Funds. The residual balance of inter-group debtors in 2009-10 all relates to amounts owed to Derby City Council specifically in relation to the group entity (other amounts owing to Derby City Council not related to the group entity are held in Other Local Authorities).

### 31. BAD DEBT PROVISION

The bad debt provision for the Authority has been calculated using trends of debt written off in previous years, based on age of debt and type of debtor. This is then adjusted for any specific circumstances known to the Authority in relation to individual debtors.

During 2010-11 the Authority wrote off £56,284.19 of invoiced debt.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 32. CASH AND CASH EQUIVALENTS

2008-09 £'000	2009-10 £'000		2010-11 £'000
9,826	840	<b>County Fund Bank Account Balance</b>	686
(35,227)	(20,547)	Adjustment to bank balance for timing	(14,002)
<b>(25,401)</b>	<b>(19,707)</b>	<b>Cash Book for County Fund Account</b>	<b>(13,316)</b>
3,437	150	<b>Schools Cash Income Account Balance</b>	429
0	0	Adjustment to bank balance for timing	0
<b>3,437</b>	<b>150</b>	<b>Cash Book for Schools Cash Account</b>	<b>429</b>
<b>(21,964)</b>	<b>(19,557)</b>	<b>Cash Book Balance (Overdraft)</b>	<b>(12,887)</b>
(2,400)	(1,912)	Non DCC Funds (creditor in 10-11)	0
8,977	8,784	Amounts held by Bank Account Schools	9,599
68	68	Amounts held in Petty Cash Tins	184
163	183	Amounts held in Imprest Bank Accounts	249
<b>(15,156)</b>	<b>(12,434)</b>	<b>Cash Balance (Overdraft)</b>	<b>(2,855)</b>
18,399	15,776	Bank instant-access deposit accounts	18,527
5,084	20,012	Money Market Funds	20,010
85,603	60,547	Short-term deposits	71,008
<b>93,930</b>	<b>83,901</b>	<b>Total Cash and Cash Equivalents</b>	<b>106,690</b>

The group accounts include 50% of Connexions Derbyshire Ltd resulting in a petty cash balance in 2010-11 of £1k (£2k in 2009-10) and a bank balance of £397k (£627k in 2009-10) being added to the figures above.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 33. CREDITORS

The authorities creditor balance can be analysed into the following categories of creditor:

2009-10			2010-11	
£'000	£'000		£'000	£'000
		<b>Amounts Owing by the Authority</b>		
(1,588)		To Other Local Authorities	(11,169)	
(105)		To NHS Bodies	(834)	
(16,823)		To Government Departments	(17,526)	
0		To Inter-Group Organisations	(1,858)	
(37,158)	(55,674)	To Other Sundry Creditors	(51,564)	(82,951)
		<b>Income in Advance to the Authority</b>		
(2,445)		From other Local Authorities	(103)	
0		From NHS Bodies	(1,177)	
(47,218)		From Government Departments	(14,557)	
0		From Inter-Group Organisations	0	
(4,746)	(54,409)	From Other Sundry Creditors	(3,442)	(19,279)
	(110,083)	<b>Carrying Value of Creditors</b>		(102,230)

After consolidation of Connexions Derbyshire Ltd, the balance is as follows:

2009-10			2010-11	
£'000	£'000		£'000	£'000
		<b>Amounts Owing by the Authority</b>		
(1,588)		To Other Local Authorities	(11,169)	
(105)		To NHS Bodies	(834)	
(17,016)		To Government Departments	(17,680)	
0		To Inter-Group Organisations	(1,858)	
(38,187)	(56,896)	To Other Sundry Creditors	(51,931)	(83,472)
		<b>Income in Advance to the Authority</b>		
(2,445)		From other Local Authorities	(103)	
0		From NHS Bodies	(1,177)	
(47,218)		From Government Departments	(14,557)	
0		From Inter-Group Organisations	0	
(4,746)	(54,409)	From Other Sundry Creditors	(3,442)	(19,279)
	(111,305)	<b>Carrying Value of Creditors</b>		(102,751)

## NOTES TO THE CORE FINANCIAL STATEMENTS

The remaining balance of intergroup creditors relate to balances with the Pensions Fund and Trust Funds.

### 34. PROVISIONS

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

	Insurance Provision £'000	Planning Appeal costs £'000	Educating hospitalised children £'000	Other £'000	Total £'000
<b>Balance at 1st April 2009</b>	<b>(7,061)</b>	<b>0</b>	<b>0</b>	<b>(7,436)</b>	<b>(14,497)</b>
New provisions made in 2009-10	(1,481)	(442)	(300)	(148)	<b>(2,371)</b>
Provisions Used in 2009-10	1,248	0	0	7,524	<b>8,772</b>
Unused Amounts Reversed in 2009-10	0	0	0	0	<b>0</b>
Unwinding of discounting in 2009-10	0	0	0	0	<b>0</b>
<b>Balance at 1st April 2010</b>	<b>(7,294)</b>	<b>(442)</b>	<b>(300)</b>	<b>(60)</b>	<b>(8,096)</b>
New provisions made in 2010-11	(2,722)	0	(250)	(81)	<b>(3,053)</b>
Provisions Used in 2010-11	1,657	391	300	53	<b>2,401</b>
Unused Amounts Reversed in 2010-11	0	0	0	0	<b>0</b>
Unwinding of discounting in 2010-11	0	0	0	0	<b>0</b>
<b>Balance at 31st March 2011</b>	<b>(8,359)</b>	<b>(51)</b>	<b>(250)</b>	<b>(88)</b>	<b>(8,748)</b>

### Insurance Provision

The Authority operates an insurance fund primarily to meet the estimated outstanding claims under the 'excess' clauses of the Authority's insurance policies. Settlement of claims is likely to be spread over a number of years. The fund is made up of both provisions and reserves. The element of the fund relating to provisions represents obligations as at 31<sup>st</sup> March as a result of past claims and events where a reliable estimate can be made. The reserve balance relates to the estimated amount required to cover claims not yet made where a liability is expected to exist.

## NOTES TO THE CORE FINANCIAL STATEMENTS

2008-09 £'000	2009-10 £'000		2010-11 £'000
2,249	1,927	External premiums	2,024
64	58	General charges & expenses	17
990	647	Claims paid in the year	656
<b>3,303</b>	<b>2,632</b>	<b>Total Expenditure</b>	<b>2,697</b>
(2,892)	(2,866)	Income from schools	(984)
(3,002)	(2,885)	General fund contribution	(4,722)
(449)	(191)	Other income	(112)
<b>(6,343)</b>	<b>(5,942)</b>	<b>Total Income</b>	<b>(5,818)</b>
<b>(3,040)</b>	<b>(3,310)</b>	<b>(Surplus) / Deficit to move to balances</b>	<b>(3,121)</b>
(2,130)	(1,481)	Contribution to provision	(2,722)
(910)	(1,829)	Contribution to reserve	(399)
<b>(3,040)</b>	<b>(3,310)</b>	<b>Total Moved to fund balances</b>	<b>(3,121)</b>
		<b>Provisions</b>	
<b>(6,945)</b>	<b>(7,061)</b>	<b>Balance at 1st April 2010</b>	<b>(7,294)</b>
(2,130)	(1,481)	Contribution from revenue	(2,722)
2,014	1,248	Claims paid and risk management costs	1,657
<b>(7,061)</b>	<b>(7,294)</b>	<b>Balance at 31st March 2011</b>	<b>(8,359)</b>
		<b>Reserves</b>	
(10,111)	(11,663)	<b>Balance at 1st April 2010</b>	(13,570)
(910)	(1,829)	Contribution from revenue	(399)
(642)	(78)	Interest on balances	(67)
<b>(11,663)</b>	<b>(13,570)</b>	<b>Balance at 31st March 2011</b>	<b>(14,036)</b>
<b>(18,724)</b>	<b>(20,864)</b>	<b>Fund Balance at 31st March 2011</b>	<b>(22,395)</b>

### Planning Appeal Costs

The planning appeals costs provision is in relation to the failed planning application for the proposed construction of a state of the art waste treatment facility and education centre by the Authority's waste management contractor, Resource Recovery Solutions (Derbyshire) Ltd.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Educating Hospitalised Children

Under inter-Authority recoupment regulations Local Authorities can provide tuition to 4 to 19 year olds whilst in hospital without prior consent from the funding Authority and have up to 12 months from the end of the financial year to notify the funding Authority of the provision and charges. Trend analysis is used to estimate the expected cost of tuition provided in 2010/11 and a provision is made for expected value of claims not yet received.

### Other

Other provisions are individually insignificant.

### 35. OTHER NON-CURRENT LIABILITIES

2008-09 £'000	2009-10 £'000		2010-11 £'000
(367,844)	(539,809)	Pensions Liability - LGPS	(382,640)
(53,591)	(63,930)	Pensions Liability - Teachers Pensions	(60,993)
(55,095)	(24,816)	PFI Phase 1	(24,088)
0	(28,940)	PFI Phase 2	(28,240)
0	0	PFI - BSF	(33,931)
0	0	Finance Lease - Joint Service Centre	(3,209)
(1,949)	(1,963)	Finance Lease - Other Leases	(1,984)
<b>(478,479)</b>	<b>(659,458)</b>	<b>Single Entity Accounts</b>	<b>(535,085)</b>
(3,264)	(6,365)	Pensions Liability - Connexions	(4,363)
<b>(481,743)</b>	<b>(665,823)</b>	<b>Group Entity Accounts</b>	<b>(539,448)</b>

Further information about the Pensions Fund can be found in note 62. Further information about the PFI schemes can be found in note 60. Further information about leases can be found in note 59.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 36. USABLE RESERVES

Usable reserves relate to cash backed reserves that are available to finance future services or capital expenditure. Below are details of the Authority's usable reserves and their purpose:

- General Fund Balance – revenue reserves available for future service delivery.
- Revenue Earmarked Reserves – revenue reserves available for future service delivery, however future spending pressures have been identified for which this will be used.
- Usable Capital Receipts – proceeds from the sale of property plant and equipment assets which is available to finance future capital developments.
- Capital Grants Unapplied – unused grant receipts for capital developments.

Details of the Authority's usable reserves can be found in the Movement in Reserves Statements and notes 20 and 21.

After consolidation of Connexions Derbyshire Ltd, the group usable reserves include the Profit and Loss Account balance of £0.115m which is 50% of Connexions total Profit and Loss Account.

### 37. UNUSABLE RESERVES

The balance of unusable reserves is made up of a number of adjustment accounts. The amounts all represent timing differences between cash movements and statutory reporting requirements. As such none of the balances are available to finance future spending. How the movements in reserves impact on other reserves is detailed in note 20. The reserves that make up the balance are as follows:

2008-09 £'000	2009-10 £'000		2010-11 £'000
65,432	163,374	Revaluation Reserve	202,016
0	0	Available for Sale Financial Instruments	0
1,109,881	1,135,117	Capital Adjustment Account	1,040,661
(524)	(18)	Financial Instruments Adjustment Account	(63)
1,920	1,934	Deferred Capital Receipts Reserve	1,776
(421,435)	(603,740)	Pensions Reserve	(443,633)
250	601	Collection Fund Adjustment Account	731
(5,533)	(5,526)	Accumulated Absences Account	(4,742)
<b>749,991</b>	<b>691,742</b>	<b>Single Entity Accounts</b>	<b>796,746</b>
(3,263)	(6,365)	Connexions Pensions Reserve	(4,362)
<b>746,728</b>	<b>685,377</b>	<b>Group Entity Accounts</b>	<b>792,384</b>

Following are detailed descriptions and movements through each of the reserves:

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation;
- Disposed and the gains are realised.

The reserves contained only revaluation gains accumulated since 1st April 2007, this being the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance in the Capital Adjustment Account.

2008-09 £'000	2009-10 £'000		2010-11 £'000
26,207	65,432	<b>Balance at 1st April</b>	<b>163,374</b>
40,341	102,541	Upward revaluation of assets	45,116
0	0	Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services	(255)
<b>66,548</b>	<b>167,973</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the (surplus)/deficit on the provision of services</b>	<b>208,235</b>
(1,116)	(4,134)	Difference between fair value depreciation and historic cost depreciation	(4,907)
0	(465)	Accumulated gains on assets sold or scrapped	(1,312)
0	0	Amount written off to the Capital Adjustment Account	0
<b>65,432</b>	<b>163,374</b>	<b>Balance at 31st March</b>	<b>202,016</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revaluation downwards or impaired and the gains are lost;
- Disposed of and the gains are realised.

2008-09 £'000	2009-10 £'000		2010-11 £'000
0	0	<b>Balance at 1st April</b>	0
7	52	Upward revaluation of investments	0
0	0	Downward revaluation of investments not charged to the (surplus)/deficit on the provision of services	0
7	52		0
(7)	(52)	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of other Investment Income	0
0	0	<b>Balance at 31st March</b>	0

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 22 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

## NOTES TO THE CORE FINANCIAL STATEMENTS

2008-09 £'000	2009-10 £'000		2010-11 £'000
1,086,209	1,109,881	<b>Balance at 1st April</b>	1,135,117
		Items charged to the Comprehensive Income and Expenditure Statement:	
(33,805)	(31,441)	Charges for Depreciation	(40,233)
(32,543)	(25,925)	Charges for Impairment	(116,162)
0	(42)	Amortisation of intangible assets	(358)
(6,711)	(12,570)	Revenue Expenditure Funded from Capital Under Statute	(9,836)
276	1,338	Disposal or sale as part of non-current assets	(35,569)
<b>1,013,426</b>	<b>1,041,241</b>		<b>932,959</b>
0	0	Adjusting amounts written out of the Revaluation Reserve	0
<b>1,013,426</b>	<b>1,041,241</b>	<b>Net written out amount of the cost of non-current assets</b>	<b>932,959</b>
		Capital financing applied in the year:	
5,403	5,754	Use of the Capital Receipts Reserve to finance new capital expenditure	5,229
56,021	61,334	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	62,558
0	0	Application of grants to capital financing from the from the Capital Grants Unapplied Account	15,115
17,770	19,409	Statutory Provision for the financing of capital investment charged against the General Fund Balance	20,516
17,261	7,379	Revenue contributions to financing of capital expenditure	4,284
<b>1,109,881</b>	<b>1,135,117</b>		<b>1,040,661</b>
0	0	Movements in the market value of Investment Properties	0
0	0	Movements in the Donated Assets Account	0
<b>1,109,881</b>	<b>1,135,117</b>	<b>Balance at 31st March</b>	<b>1,040,661</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid and discounts received on early redemption of loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Authority's case the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 42 years.

2008-09 £'000	2009-10 £'000		2010-11 £'000
(700)	(524)	<b>Balance at 1st April</b>	(18)
174	552	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
(3)	(51)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(50)
(529)	(23)		(68)
5	5	Amount by which the finance charge to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	5
(524)	(18)	<b>Balance at 31st March</b>	(63)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2008-09 £'000	2009-10 £'000		2010-11 £'000
1,538	1,920	<b>Balance at 1 April</b>	1,934
660	2,124	Transfer of deferred sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	3,746
(278)	(2,110)	Transfer to the Capital Receipts Reserve upon receipt of cash	(3,904)
<b>1,920</b>	<b>1,934</b>	<b>Balance at 31st March</b>	<b>1,776</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences from the different arrangements for accounting for post employment benefits and funding benefits in accordance with statute. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as benefits are earned by employees, updating the liabilities to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions or pays any pensions for which it is directly responsible. The debit balance on the Reserve therefore shows a shortfall in the benefits earned by employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2008-09 £'000	2009-10 £'000		2010-11 £'000
(478,499)	(421,435)	<b>Balance at 1 April</b>	(603,740)
77,816	(163,871)	Actuarial gains or (losses) on pensions assets and liabilities	89,564
(68,396)	(69,483)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	17,535
47,644	51,049	Employer's pensions contributions and direct payments to pensioners payable in the year	53,008
<b>(421,435)</b>	<b>(603,740)</b>	<b>Balance at 31st March</b>	<b>(443,633)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Connexions Pensions Reserve:

2008-09 £'000	2009-10 £'000		2010-11 £'000
(1,934)	(3,263)	<b>Balance at 1 April</b>	(6,365)
(1,082)	(2,998)	Actuarial gains or (losses) on pensions assets and liabilities	1,187
(696)	(688)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	201
449	584	Employer's pensions contributions and direct payments to pensioners payable in the year	615
<b>(3,263)</b>	<b>(6,365)</b>	<b>Balance at 31st March</b>	<b>(4,362)</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Reserve from the Collection Fund.

2008-09 £'000	2009-10 £'000		2010-11 £'000
(38)	250	<b>Balance at 1 April</b>	601
288	351	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	130
<b>250</b>	<b>601</b>	<b>Balance at 31st March</b>	<b>731</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Accumulated Absences Reserve

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Reserve Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Reserve Balance is neutralised by transfers to or from the account.

2008-09 £'000	2009-10 £'000		2010-11 £'000
0	(5,533)	<b>Balance at 1 April</b>	(5,526)
(5,533)	7	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	784
<b>(5,533)</b>	<b>(5,526)</b>	<b>Balance at 31st March</b>	<b>(4,742)</b>

### 38. CASH FLOW – OPERATING ACTIVITIES

2008-09 £'000	2009-10 £'000		2010-11 £'000
(667,167)	(671,156)	Payments to and on behalf of employees	(697,205)
(492,982)	(590,246)	Other Operating Payments	(471,915)
261,783	270,382	Council Tax	276,609
144,763	142,392	Non Domestic Rates Redistribution	161,674
628,216	658,856	Revenue Grants	668,554
190,941	250,572	Other Income	114,289
<b>65,554</b>	<b>60,800</b>	<b>Operating Costs of Providing Services</b>	<b>52,006</b>
(20,536)	(19,585)	External Interest Paid	(21,543)
(3,825)	(3,746)	Interest on PFI & Finance Leases	(4,938)
15,412	6,206	Interest Received	5,357
<b>56,605</b>	<b>43,675</b>		<b>30,882</b>

Details of cash grants received can be found in note 57.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The group operating activities after consolidation of Connexions Derbyshire Ltd is as follows:

2008-09 £'000	2009-10 £'000		2010-11 £'000
(671,865)	(676,214)	Payments to and on behalf of employees	(702,275)
(494,322)	(591,653)	Other Operating Payments	(474,081)
261,783	270,382	Council Tax	276,609
144,763	142,392	Non Domestic Rates Redistribution	161,674
633,693	664,439	Revenue Grants	674,372
191,550	251,609	Other Income	115,480
<b>65,602</b>	<b>60,955</b>	<b>Operating Costs of Providing Services</b>	<b>51,779</b>
(20,536)	(19,585)	External Interest Paid	(21,543)
(3,825)	(3,746)	Interest on PFI & Finance Leases	(4,938)
15,412	6,206	Interest Received	5,357
<b>56,653</b>	<b>43,830</b>		<b>30,655</b>

### 39. RECONCILIATION OF NET SURPLUS / (DEFICIT) ON THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT TO THE OPERATING ACTIVITIES NET CASH FLOW

2009-10 £'000		2010-11 £'000
<b>34,686</b>	<b>Surplus/(Deficit) on the Provision of Services</b>	<b>(20,112)</b>
	<b>Non Cash Transactions:</b>	
58,932	Depreciation and Impairment	161,660
18,434	Adjustments for IAS19	(70,543)
(351)	Adjustment for Collection Fund	(131)
(2,100)	Movement in Revenue Debtors	(13,299)
7,008	Movement in Revenue Creditors	(8,048)
1,999	Movement in Inventories	289
(6,401)	Movement in Provisions	652
<b>77,521</b>	<b>Total Non Cash Transactions</b>	<b>70,580</b>
	<b>Items Classified Elsewhere</b>	
(68,532)	Capital Receipts and Disposals	(19,586)
<b>43,675</b>		<b>30,882</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 40. CASH FLOW – INVESTING ACTIVITIES

2008-09 £'000	2009-10 £'000		2010-11 £'000
(98,527)	(127,510)	Purchase of Fixed Assets	(99,794)
(16,000)	(21,000)	Purchase of Long Term Investments	(13,000)
2,733	1,444	Proceeds from Sale of Fixed Assets	10,513
56,021	80,733	Capital Grants Received	62,558
1,322	46,544	Deposits Repaid	36,586
<b>(54,451)</b>	<b>(19,789)</b>		<b>(3,137)</b>

The group position after consolidation of Connexions Derbyshire Ltd is as follows:

2008-09 £'000	2009-10 £'000		2010-11 £'000
(98,610)	(127,592)	Purchase of Fixed Assets	(99,797)
(16,000)	(21,000)	Purchase of Long Term Investments	(13,000)
2,733	1,444	Proceeds from Sale of Fixed Assets	10,513
56,021	80,733	Capital Grants Received	62,558
1,322	46,544	Deposits Repaid	36,586
<b>(54,534)</b>	<b>(19,871)</b>		<b>(3,140)</b>

### 41. CASH FLOW – FINANCING ACTIVITIES

2008-09 £'000	2009-10 £'000		2010-11 £'000
(32,011)	(140,408)	Repay Amounts Borrowed	(70,304)
(1,177)	(1,408)	Principal Repayment on PFI & Leases	(1,689)
0	12,500	New Long Term Loans	10,000
36,931	95,403	New Short Term Loans	57,037
<b>3,743</b>	<b>(33,913)</b>		<b>(4,956)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 42. MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT

Movement in net debt between 2009-10 and 2010-11 (2010-11 position)

2009-10 £'000	2010-11 £'000		Movement £'000
149,293	134,094	Current Investments	(15,199)
83,901	106,690	Cash and Cash Equivalents	22,789
(27,304)	(24,112)	Current Borrowing	3,192
(388,185)	(388,113)	Non Current Borrowing	72
(55,719)	(91,452)	PFI & Finance Lease Liabilities	(35,733)
<b>(238,014)</b>	<b>(262,893)</b>		<b>(24,879)</b>

Movement in net debt between 2008-09 and 2009-10 (2009-10 position)

2008-09 £'000	2009-10 £'000		Movement £'000
178,792	149,293	Current Investments	(29,499)
93,930	83,901	Cash and Cash Equivalents	(10,029)
(59,055)	(27,304)	Current Borrowing	31,751
(388,158)	(388,185)	Non Current Borrowing	(27)
(57,044)	(55,719)	PFI & Finance Lease Liabilities	1,325
<b>(231,535)</b>	<b>(238,014)</b>		<b>(6,479)</b>

Reconciliation between the cash movement and the movement in net debt for 2009-10 and 2010-11:

2009-10 £'000		2010-11 £'000
<b>(10,029)</b>	<b>(Increase) in Cash &amp; Cash Equivalents</b>	<b>22,789</b>
(46,544)	Investments repaid	(36,586)
(107,903)	New Loans Raised	(67,037)
140,408	Loans Repaid	70,304
1,408	Payment of PFI & Lease Principal	1,689
16,263	Maturity of Investments	21,384
(83)	New lease liability during year	(37,422)
<b>(6,480)</b>		<b>(24,879)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 43. TRADING OPERATIONS

The Authority has a number of industrial estates that operate in a commercial environment. As part of the Authority's economic development strategy, the rents charged can be lower than the market rate to support small and new businesses. The trading objective of the industrial estates is to break even within any consecutive 3 year period. Trading operations form part of the Other Operating Income and Expenditure on the Comprehensive Income and Expenditure Statement, full details of which are in note 17.

2008-09 £'000	2009-10 £'000		2010-11 £'000
517	673	Gross Expenditure	446
(1,844)	(1,470)	Rental Income Received	(1,493)
<b>(1,327)</b>	<b>(797)</b>		<b>(1,047)</b>

### 44. INTEREST PAYABLE

2008-09 £'000	2009-10 £'000		2010-11 £'000
20,547	21,334	Interest on Loans	21,538
3,825	3,746	PFI Interest	4,688
0	152	Finance Lease Interest	250
0	56	Other Interest	8
<b>24,372</b>	<b>25,288</b>		<b>26,484</b>

### 45. INTEREST RECEIVABLE

2008-09 £'000	2009-10 £'000		2010-11 £'000
(15,387)	(6,321)	Interest on Investments	(5,358)
(25)	(31)	Car Loan Interest	(37)
0	(319)	Other Interest	(225)
<b>(15,412)</b>	<b>(6,671)</b>		<b>(5,620)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 46. AGENCY SERVICES

None of the Authority's agency relationships during the year are material.

### 47. ROAD CHARGING SCHEMES

There are no toll roads in Derbyshire.

### 48. LEVIES AND PRECEPTS

The Authority is required to pay certain levies and precepts to other agencies as a contribution to their running costs. The amounts paid during the year were:

2008-09 £'000	2009-10 £'000		2010-11 £'000
		Precepts to the Environment Agency	
173	178	Severn Trent Region	174
33	34	North West Region	35
33	48	Yorkshire Region	64
0	2	Financial Reporting Council Levy	2
<b>239</b>	<b>262</b>		<b>275</b>

### 49. MEMBERS ALLOWANCES

2008-09 £'000	2009-10 £'000		2010-11 £'000
947	950	Allowances	957
105	128	Expenses	118
<b>1,052</b>	<b>1,078</b>		<b>1,075</b>

### 50. OFFICERS REMUNERATION

The remuneration paid to the Authority's senior officers during 2010-11 is as follows:

The previous Director of Finance retired in February 2011, and was replaced immediately without a transitional period.

The Deputy Chief Executive and Strategic Director of Children and Younger Adults changed contract terms on 1<sup>st</sup> October 2010 which reduced their contracted hours from 37 per week (5 days) to 29.6 hours (4 days).

## NOTES TO THE CORE FINANCIAL STATEMENTS

	£ Salary	£ Bonuses	£ Expense Allowances	£ Compensation For Loss Of Office	£ Benefits	£ Remuneration	£ Employers Pension Contributions	£ Total Remuneration 2010-11
<b>Chief Executive (Mr Nick Hodgson)</b>								
	151,056	0	0	0	379	151,435	27,492	178,927
<b>Strategic Director of Adult Care</b>								
	118,895	0	0	0	390	119,285	21,639	140,924
<b>Strategic Director of Environmental Services</b>								
	118,895	0	0	0	195	119,090	21,639	140,729
<b>Deputy Chief Executive and Strategic Director of Children &amp; Younger Adults</b>								
	116,665	0	0	0	395	117,060	21,231	138,291
<b>Strategic Director Policy &amp; Community Safety</b>								
	96,474	0	0	0	239	96,713	17,558	114,271
<b>Strategic Director Cultural &amp; Community Services</b>								
	96,474	0	0	0	55	96,529	17,558	114,087
<b>Director of Finance (11months in 2010-11)</b>								
	83,766	0	0	0	0	83,766	15,036	98,802
<b>Director of Finance (1month in 2010-11)</b>								
	6,923	0	0	0	0	6,923	1,388	8,311
<b>Director of Property</b>								
	89,304	0	0	0	61	89,365	16,253	105,618
<b>Director of Communications &amp; Access to Services</b>								
	89,304	0	0	0	0	89,304	16,253	105,557
<b>Director of Human Resources</b>								
	91,381	0	0	0	299	91,680	16,631	108,311
<b>Director of Transformation</b>								
	87,227	0	0	0	122	87,349	15,875	103,224
<b>Director of Legal Services</b>								
	82,618	0	0	0	144	82,762	15,036	97,798
<b>Head of Chief Executive Office</b>								
	76,128	0	0	0	223	76,351	13,855	90,206

## NOTES TO THE CORE FINANCIAL STATEMENTS

2009-10 the position was:

	Salary £	Bonuses £	Expense Allowances £	Compensation For Loss Of Office £	Benefits £	Remuneration £	Employers Pension Contributions £	Total Remuneration 2009-10 £
<b>Chief Executive (Mr Nick Hodgson)</b>								
	151,205	0	0	0	1,324	<b>152,529</b>	27,115	<b>179,644</b>
<b>Strategic Director of Adult Care</b>								
	116,342	0	0	0	1,330	<b>117,672</b>	20,857	<b>138,529</b>
<b>Strategic Director of Environmental Services</b>								
	116,342	0	0	0	1,265	<b>117,607</b>	20,857	<b>138,464</b>
<b>Deputy Chief Executive and Strategic Director of Children &amp; Younger Adults</b>								
	129,765	0	0	0	1,177	<b>130,942</b>	23,266	<b>154,208</b>
<b>Strategic Director Policy &amp; Community Safety</b>								
	94,430	0	0	0	1,238	<b>95,668</b>	16,923	<b>112,591</b>
<b>Strategic Director Cultural &amp; Community Services</b>								
	96,623	0	0	0	1,260	<b>97,883</b>	17,317	<b>115,200</b>
<b>Director of Finance</b>								
	89,453	0	0	0	975	<b>90,428</b>	16,030	<b>106,458</b>
<b>Director of Property</b>								
	87,376	0	0	0	1,113	<b>88,489</b>	15,657	<b>104,146</b>
<b>Director of Communications &amp; Access to Services</b>								
	87,376	0	0	0	0	<b>87,376</b>	15,657	<b>103,033</b>
<b>Director of Human Resources</b>								
	93,916	0	0	0	1,172	<b>95,088</b>	16,962	<b>112,050</b>
<b>Director of Transformation</b>								
	85,299	0	0	0	1,171	<b>86,470</b>	15,284	<b>101,754</b>
<b>Director of Legal Services</b>								
	91,530	0	0	0	894	<b>92,424</b>	16,403	<b>108,827</b>
<b>Head of Chief Executive Office</b>								
	74,464	0	0	0	1,214	<b>75,678</b>	13,340	<b>89,018</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority's other employees earning above £50k during the year (excluding employers pension contributions) were paid the following amounts:

	2010-11		
	No of Employees		
Remuneration Between:	Teachers	Other	Total
£50,000 and £54,999	220	50	270
£55,000 and £59,999	100	35	135
£60,000 and £64,999	48	16	64
£65,000 and £69,999	22	9	31
£70,000 and £74,999	12	2	14
£75,000 and £79,999	4	9	13
£80,000 and £84,999	6	4	10
£85,000 and £89,999	9	1	10
£90,000 and £94,999	3	0	3
£95,000 and £99,999	1	0	1
£100,000 and £104,999	1	0	1
	<b>426</b>	<b>126</b>	<b>552</b>

In 2009-10 the position was:

	2009-10		
	No of Employees		
Remuneration Between:	Teachers	Other	Total
£50,000 and £54,999	223	46	269
£55,000 and £59,999	101	22	123
£60,000 and £64,999	56	11	67
£65,000 and £69,999	11	7	18
£70,000 and £74,999	7	0	7
£75,000 and £79,999	7	6	13
£80,000 and £84,999	7	9	16
£85,000 and £89,999	6	2	8
£90,000 and £94,999	1	0	1
£95,000 and £99,999	2	0	2
£100,000 and £104,999	0	0	0
	<b>421</b>	<b>103</b>	<b>524</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The increase in the number of officers between 2009-10 and 2010-11 in the lower bands shown above is due to the implementation of Single Status. Although Single Status has resulted a new pay structure, those employees incurring a pay reduction have been given a three year protection resulting in affected employees staying in the same banding as presented in 2009-10. However any employee that was not negatively affected in this way that has benefited from a pay increase to a salary above £50,000 will also be included in the bandings. The position that will be reported in 2012-13 will be the final year affected by the pay protection.

### 51. DEDICATED SCHOOLS GRANT

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

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

Details of the deployment of DSG are as follows:

2009-10 Total £'000		Central Expenditure £'000	ISB £'000	2010-11 Total £'000
414,929	Final DSG for 2010-11	62,034	363,187	425,221
6,134	Brought forward from 2009-10	6,962	2,083	9,045
0	Carry forward to 2011-12 agreed in advance	0	0	0
<b>421,063</b>	<b>Agreed budgeted distribution in 2010-11</b>	<b>68,996</b>	<b>365,270</b>	<b>434,266</b>
(57,834)	Actual central expenditure	(48,841)		(48,841)
(354,184)	Actual ISB deployed to schools		(362,238)	(362,238)
0	Local authority contribution for 2010-11	0	0	0
<b>9,045</b>	<b>Carry forward to 2011-12</b>	<b>20,155</b>	<b>3,032</b>	<b>23,187</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 52. POOLED BUDGETS

The Authority entered into two pooled budget arrangements as follows;

- The Authority has a pooled budget arrangement with Derbyshire County Primary Care Trust (PCT) for the provision of an Integrated Community Equipment Service to meet the needs of people living in Derbyshire, the service is being provided by Medequip Assistive Technology Ltd.

The Authority and the Trust have an agreement in place for funding this service that is due to run until 31st March 2015, with the partners contributing funds to the agreed budget equal to 45% and 55% of the budget respectively. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

2008-09 £'000	2009-10 £'000		2010-11 £'000
		<b>Funding provided to the pooled budget:</b>	
(1,575)	(1,658)	The Authority	(1,599)
(1,925)	(2,026)	The Trust	(1,954)
		<b>Expenditure met by the pooled budget:</b>	
3,481	3,861	The Authority	3,440
4,255	4,718	The Trust	4,205
<b>4,236</b>	<b>4,895</b>		<b>4,092</b>

- The Authority has a pooled budget with the PCT for jointly funded placements for children with complex needs. The PCT contribute 33%, the remainder is funded by the Authority, the Authority is the host of the budget.

Any surplus or deficit carries forward to reduce the amount the partners need to pay to meet next year's contributions as per the partnership agreement, and as such an earmarked reserve is in place to hold the unspent amount.

2008-09 £'000	2009-10 £'000		2010-11 £'000
		<b>Funding provided to the pooled budget:</b>	
0	0	The Authority	(3,043)
0	0	The Trust	(1,569)
		<b>Expenditure met by the pooled budget:</b>	
0	0	The Authority	2,688
0	0	The Trust	1,324
<b>0</b>	<b>0</b>		<b>(600)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 53. EXTERNAL AUDIT COSTS

2008-09 £'000	2009-10 £'000		2010-11 £'000
288	292	External audit costs	293
15	16	Statutory inspection	0
28	25	Certification of grant claims and returns	5
2	12	Other services	21
<b>333</b>	<b>345</b>		<b>319</b>

The reduction in statutory inspection is due to the Government decision to abolish the annual Comprehensive Area Assessment.

External audit costs were expected to increase significantly in 2010-11 as a result of additional auditing requirements resulting from the introduction of International Financial Reporting Standards (IFRS); however mitigation in the form of a 6% rebate from the Audit Commission (£16k) has resulted in a minimal change.

### 54. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2010-11, incurring liabilities of £3.467m. This figure includes both the budgeted redundancies and the additional £3.040m funded from reserves. These are split by department below:

	Amount £'000	Number of Employees
Children & Younger Adults	1,391	204
Adult Care	1,010	107
Environmental Services	780	56
Community & Cultural Services	144	22
Corporate Resources & Chief Executives	142	12
<b>Total</b>	<b>3,467</b>	<b>401</b>

### 55. CAPITALISATION OF BORROWING COSTS

The Authority has chosen not to exercise its right to capitalise borrowing costs.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 56. IMPAIRMENT LOSSES

Details of the impairment charge by class of asset are shown in note 22. All impairments in 2010-11 are in relation to a fall in value of property assets, following the annual valuation exercise carried out by the Authority's RICS qualified valuer.

The Authority has seen a higher charge for impairment than in previous years; this higher charge is mainly in relation to schools due to there being no marketable value for these properties, they require valuation on a Depreciated Replacement Cost (DRC) basis. DRC relies upon a theoretical calculation of the cost to replace a building with a modern building, then reducing this value to represent the condition of the current building. The Impairment charge this year is due to the currently favourable construction costs, and the condition of schools.

### 57. GRANT INCOME

The Authority has received a number of grants during the year, which is represented in the cash flow statement. These grants are listed below, with a reconciliation to the amount recognised as income during the year in the Comprehensive Income and Expenditure Statement. The Authority has not received any donations during the year.

	Cash Received in Year £'000	Add reversal of 09-10 Income in Advance £'000	Less reversal of 2009- 10 grant due £'000	Less 10-11 Income in Advance Accrual £'000	Add 2010-11 grant due £'000	Amount in Income and Expenditure Statement £'000
<b>Capital Grants Credited to Taxation and Non Specific Grant Income</b>						
Primary Capital Programme Grant	(9,416)	(5,484)	0	0	0	(14,900)
Devolved Formula Capital	(8,434)	0	(6)	0	0	(8,440)
Sure Start Grant	(9,206)	0	865	0	0	(8,341)
Integrated Transport Grant	(8,095)	0	0	0	0	(8,095)
Building Schools for the Future	(5,263)	(2,445)	0	0	0	(7,708)
Other Capital Grants and Contributions	(6,968)	0	568	0	0	(6,400)
S106 Contributions	(2,857)	0	0	0	0	(2,857)
Standards & Diversity	(1,320)	0	0	0	0	(1,320)
Detrunking Grant	(795)	0	0	0	0	(795)
Modernisation Grant	(619)	0	0	0	0	(619)
Waste Infrastructure Capital Grant	(495)	0	0	0	0	(495)
Transforming Adult Social Care	(474)	0	0	0	0	(474)
Targeted Capital Grant	(440)	0	0	0	0	(440)
Social Care Single Capital Pot	(396)	0	0	0	0	(396)
Playbuilder Capital Grant	(377)	0	0	0	0	(377)
Extended Schools Grant	(307)	0	0	0	0	(307)
Social Care IT Infrastructure	(269)	0	0	0	0	(269)
Youth Capital Fund	(193)	0	0	0	0	(193)
Safer Stronger Communities Fund	(129)	0	0	0	0	(129)
<b>Total</b>	<b>(56,053)</b>	<b>(7,929)</b>	<b>1,427</b>	<b>0</b>	<b>0</b>	<b>(62,555)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Cash Received in Year £'000	Add reversal of 09-10 Income in Advance £'000	Less reversal of 2009- 10 grant due £'000	Less 10-11 Income in Advance Accrual £'000	Add 2010-11 grant due £'000	Amount in Income and Expenditure Statement £'000
<b>Revenue Grants Credited to Taxation and Non Specific Grant Income</b>						
Revenue Support Grant	(23,477)	0	0	0	0	(23,477)
Area Based Grant	(47,925)	0	0	0	0	(47,925)
PFI Grant	(8,018)	0	0	0	0	(8,018)
<b>Total</b>	<b>(79,420)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(79,420)</b>
<b>Credited to Cultural, Environmental, Regulatory and Planning Services</b>						
Various Arts Council Grants	(46)	0	0	0	0	(46)
Various English Heritage Grants	(339)	0	0	120	0	(219)
Various Natural England Grants	(103)	0	9	0	(18)	(112)
East Midlands Development Agency	(281)	0	0	0	0	(281)
RIEPs funding	(130)	0	4	11	(22)	(137)
Other various Grants	(186)	(4)	28	0	(13)	(175)
<b>Total</b>	<b>(1,085)</b>	<b>(4)</b>	<b>41</b>	<b>131</b>	<b>(53)</b>	<b>(970)</b>
<b>Credited to Adult Social Care</b>						
Social Care Reform Grant	(3,744)	0	0	0	0	(3,744)
Department of Health Grants	(825)	0	0	0	0	(825)
European Social Care Grant	(539)	0	346	0	(460)	(653)
Government Office for East Midlands	(112)	0	0	51	0	(61)
Other various Grants	(91)	(42)	0	7	(8)	(134)
<b>Total</b>	<b>(5,311)</b>	<b>(42)</b>	<b>346</b>	<b>58</b>	<b>(468)</b>	<b>(5,417)</b>
<b>Credited to Highways Roads and Transport</b>						
Supporting Community Transport	(223)	0	0	223	0	0
Department for Transport Road Safety	(57)	0	5	0	(17)	(69)
Flood Management from DEFRA	(25)	0	0	25	0	0
Environment Agency for Flooding	(5)	0	0	1	0	(4)
<b>Total</b>	<b>(310)</b>	<b>0</b>	<b>5</b>	<b>249</b>	<b>(17)</b>	<b>(73)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Cash Received in Year £'000	Add reversal of 09-10 Income in Advance £'000	Less reversal of 2009- 10 grant due £'000	Less 10-11 Income in Advance Accrual £'000	Add 2010-11 grant due £'000	Amount in Income and Expenditure Statement £'000
<b>Credited to Childrens and Education Services</b>						
Dedicated Schools Grant	(425,219)	0	0	0	0	(425,219)
Learning and Skills Council Grants	(33,710)	0	0	11	0	(33,699)
School Standards Grant	(23,524)	(3)	0	0	0	(23,527)
Standards Fund	(51,451)	(14,083)	0	14,480	(2,235)	(53,289)
Sure Start	(21,926)	(324)	0	741	0	(21,509)
CWDC Social work development fund	(350)	0	0	0	0	(350)
Diploma Grant	(1,205)	(107)	0	0	0	(1,312)
Family Intervention Project	(629)	0	0	0	0	(629)
Youth Opportunity Fund	(574)	(7)	1	170	0	(410)
16-19 Grants from LSC	(11,134)	0	59	708	0	(10,367)
LSC Grants for Adult Education	(7,640)	(4)	18	293	0	(7,333)
Remodelling Social Work Delivery Pilot	(170)	0	0	0	0	(170)
Sports Council England	(399)	(326)	0	274	(22)	(473)
Cohort 6 Young Apprentice Scheme	(557)	0	0	0	0	(557)
Schools Block Primary	(221)	0	178	0	(164)	(207)
Golden Hellos	(203)	(238)	0	124	0	(317)
Sundry Youth Projects	(269)	(59)	42	82	(116)	(320)
Schools misc income	(535)	(1,056)	0	0	0	(1,591)
Sundry Adult Ed grants	(363)	(64)	0	123	(3)	(307)
Various Home Office Grants	(216)	0	42	4	(14)	(184)
Department for Education Grants	(449)	(138)	0	147	0	(440)
Various Youth Justice Board Grants	(1,302)	(57)	0	30	0	(1,329)
Other Grants	(209)	(2,206)	17	10	(71)	(2,459)
<b>Total</b>	<b>(582,255)</b>	<b>(18,672)</b>	<b>357</b>	<b>17,197</b>	<b>(2,625)</b>	<b>(585,998)</b>
<b>Credited to Non Distributed Costs - (reapportioned to other services)</b>						
RIEPs funding	(34)	0	0	0	0	(34)
Space Derbyshire	(75)	0	0	0	0	(75)
Hosting wide area Network	(25)	0	0	0	0	(25)
Home Office Grant	(40)	0	0	17	0	(23)
<b>Total</b>	<b>(174)</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>0</b>	<b>(157)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The total cash grants received, and total recognised as income in the year, is as follows:

	Cash Received in Year £'000	Add reversal of 09-10 Income in Advance £'000	Less reversal of 2009- 10 grant due £'000	Less 10-11 Income in Advance Accrual £'000	Add 2010-11 grant due £'000	Amount in Income and Expenditure Statement £'000
Capital Grants	(56,053)	(7,929)	1,427	0	0	(62,555)
General Revenue Grants	(79,420)	0	0	0	0	(79,420)
Cultural, Environmental, Regulatory and Planning Services	(1,085)	(4)	41	131	(53)	(970)
Adult Social Care	(5,311)	(42)	346	58	(468)	(5,417)
Highways Roads and Transport	(310)	0	5	249	(17)	(73)
Childrens and Education Services	(582,255)	(18,672)	357	17,197	(2,625)	(585,998)
Non Distributed Costs - (reapportioned)	(174)	0	0	17	0	(157)
<b>Total Grants Received</b>	<b>(724,608)</b>	<b>(26,647)</b>	<b>2,176</b>	<b>17,652</b>	<b>(3,163)</b>	<b>(734,590)</b>
Less Capital Grants (not in revenue note)	56,053					
<b>Total Revenue Grant in Cash Flow</b>	<b>(668,555)</b>					

The amount of £734.590m in the Comprehensive Income and Expenditure Statement is detailed in note 16, segmental reporting. The amount of £668.555m in the Cashflow Statement is detailed in note 38.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 58. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2008-09 £'000	2009-10 £'000		2010-11 £'000
		Capital Expenditure:	
49,731	50,019	Schools	48,555
0	458	Childrens Centres & Residential	4,400
1,357	1,747	Other Childrens Service Spend	2,446
28,413	26,903	Highways, Roads and Transport	23,226
2,132	7,422	Refuse Disposal	2,510
0	0	Purchase of Vehicles	1,840
408	1,096	Countryside	1,507
450	171	Cultural & Community Services	155
16,952	7,306	Other Environmental Spend	1,002
6,824	10,199	Adult Care	1,196
208	3,375	Software Additions	867
5,170	6,440	Other Corporate Spend	1,173
<b>111,645</b>	<b>115,136</b>	<b>Total Capital Expenditure</b>	<b>88,877</b>
0	0	Leased and PFI Additions	38,701
<b>111,645</b>	<b>115,136</b>	<b>Total Capital Additions</b>	<b>127,578</b>
6,711	12,570	Revenue Expenditure Funded from Capital Under Statute	9,836
<b>118,356</b>	<b>127,706</b>	<b>Total Capital Investment</b>	<b>137,414</b>
34,184	53,239	Loans	11,527
28,151	7,379	Revenue Contributions	4,284
0	5,754	Capital Receipts	5,229
56,021	61,334	Capital Grants and Contributions	77,673
0	0	Lease & PFI Liability	38,701
<b>118,356</b>	<b>127,706</b>	<b>Total Capital Financing</b>	<b>137,414</b>

The PFI and Lease figures shown above are the new arrangements entered into during 2010-11. The leases entered into in 2009-10 and 2008-09 were insignificant. The previous PFI arrangements were entered into pre 2008-09. This has resulted in zero figures for 2008-09 and 2009-10.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 59. LEASE TYPE ARRANGEMENTS

#### FINANCE LEASES – AUTHORITY AS LESSEE

The Authority has a number of property assets that were acquired under finance leases. All assets are carried as Property Plant and Equipment on the Balance Sheet at the following net amounts:

2008-09 £'000	2009-10 £'000		2010-11 £'000
		<b>Land and Building Leases:</b>	
0	0	Joint Service Centre	3,230
55	54	Buxworth Primary School	841
808	786	Matlock John Hadfield House	764
488	475	Alfreton Genesis Centre Adult Education	462
189	184	St Katherine's House 2 leases for Court's	179
1,115	1,180	8 School leases	1,178
187	182	4 Children's and Day Centre Leases	181
576	561	5 Other Finance Leased Buildings	652
600	600	Land at Woodthorpe, Staveley (land)	600
467	467	Glossop Whitefield Day Nursery (land)	469
60	60	2 Other Finance Leased Land	60
<b>4,545</b>	<b>4,549</b>		<b>8,616</b>

The Authority is committed to making minimum payments under these leases comprising of settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following:

2008-09 £'000	2009-10 £'000		2010-11 £'000
		Finance Lease Liabilities:	
68	74	Current	98
1,948	1,961	Non-Current	5,193
2,212	2,150	Interest payable in future years	10,780
<b>4,228</b>	<b>4,185</b>		<b>16,071</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The minimum lease payments will be payable over the following periods:

2008-09 £'000	2009-10 £'000		2010-11 £'000
218	225	Not later than 1 year	714
871	897	Later than 1 year but no later than 5	2,850
3,139	3,063	More than 5 years	12,507
<b>4,228</b>	<b>4,185</b>		<b>16,071</b>

The finance lease liabilities are payable in over the following periods:

2008-09 £'000	2009-10 £'000		2010-11 £'000
68	74	Not later than 1 year	98
324	351	Later than 1 year but no later than 5	482
1,624	1,610	More than 5 years	4,711
<b>2,016</b>	<b>2,035</b>		<b>5,291</b>

The minimum lease payments do not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010-11 the Authority paid £0.011m contingent rents (£0.011m in 2009-10).

The Authority has 3 sub-let arrangements within the Joint Service Centre during 2010-11 as follows:

- 2 floors are leased to the Facility Partners bistro commencing in 2011 for 5 years. The minimum lease payments due in this time is £0.175m;
- 2 floors are leased to SN Pre School commencing in 2011 for 5 years. The minimum lease payments due in this time is £0.075m;
- 2 floors to Derbyshire Police commencing in 2011 for 5 years. The minimum lease payments due in this time is £0.042m.

### **OPERATING LEASES – AUTHORITY AS LESSEE**

The Authority has a substantial number of assets under operating leases including:

- The use of 126 Property assets as part of the delivery of education locally;
- The use of 16 Property assets as local libraries;
- The use of 8 Property assets for Youth Information and Clubs;
- The use of 46 Land assets for Community and Environmental purposes;
- The use of 60 Property assets for miscellaneous use including office accommodation.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The minimum lease payments due under non-cancellable leases in future years in respect of these properties will be payable over the following periods:

2008-09 £'000	2009-10 £'000		2010-11 £'000
985	903	Not later than 1 year	895
2,782	2,317	Later than 1 year but no later than 5	2,355
2,502	2,064	More than 5 years	3,925
<b>6,269</b>	<b>5,284</b>		<b>7,175</b>

The rental expenditure that was charged to the Net Cost of Services in relation to these properties was:

2008-09 £'000	2009-10 £'000		2010-11 £'000
1,016	985	Minimum Lease Payment	903
48	48	Contingent Rental	48
0	0	Sublease income	0
<b>1,064</b>	<b>1,033</b>		<b>951</b>

There are no operational leased buildings that are sub-let.

The Authority also has a number of vehicle leases under operating leases. Including an Electric Car and a small number of Gritting Lorries and Minibuses, the majority of the fleet is now financed through capital borrowing. In addition there are a number of Fire Service vehicles still held on operating leases, entered into prior to the disaggregation of Derbyshire Fire and Rescue Service from Local Authority Control. The vehicle operating leases are:

Vehicle Type	Total	Vehicle Type	Total
2 Axle Gritter	14	Mobile Library	4
3 Axle Gritter	3	Site Unit	6
Bulk Gritter	3	Tipper	1
Car	1	Tipper + Crane	1
Electric Vehicle	1	Trailer	1
Fire Tender	3	Van	6
Gully Emptier	1	Water Carrier	2
Hydraulic Platform	3	Water Cart	1
Land Rover	7	Water Ladder	15
Minibus	8		

## NOTES TO THE CORE FINANCIAL STATEMENTS

The minimum lease payments due under non-cancellable leases in future years in respect of these vehicles will be payable over the following periods:

	2010-11 £'000	2009-10 £'000
Not later than one year	96	79
One to five years	66	0
Later than five years	0	0
	<b>162</b>	<b>79</b>

The rental expenditure in relation to these vehicles was all charged to the Highways, Roads and Transport service line.

Approximately thirty Water Ladders and other Fire vehicles and appliances have been acquired by the Authority entering into operating lease prior to the disaggregation of Derbyshire Fire and Rescue Service from Local Authority Control. These assets are sub-let to Derbyshire Fire and Rescue Service

	2010-11 £'000	2009-10 £'000
Minimum lease payments	254	326
Contingent rents	0	0
LESS: Sublease payments receivable	(258)	(414)
	<b>(4)</b>	<b>(88)</b>

The Authority also has various immaterial operating lease contracts such as:

- Contract for the provision of photocopier and printer services
- Embedded property lease for the provision of residential care

### FINANCE LEASES – AUTHORITY AS LESSOR

The Authority has a number of properties that have been leased out upon receipt of a premium (payment at the start of the lease period). With respect of these leases, there is no further lease income to be received and therefore there is no debtor held in the accounts. Details of the properties are:

- Castleton Former Cross Works leased to Peak District National Park on a 100 year lease commencing in 1987 for a one off payment of £34,000 at the start of the lease term;
- Grassmoor Golf Centre to Grassmoor Golf Ltd on a 1000 year concurrent lease commencing in 2002 for a one off payment of £230,000;
- Buxton Magistrates Court, Peak Buildings to the Secretary of State on a 125 year lease commencing in 2005.

The Authority has no other buildings in 2010-11 leased out under finance leases.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The Authority leases out vehicles under a finance lease arrangement to the following:

- Derby City Council for provision of public services;
- Derbyshire Dales District Council for the provision of street cleaning;
- Community Transport Schemes for the provision of community services.

Vehicle Type	Total
Car	8
Front Mower	2
Lorry	3
Minibus	6
Pick-up	2
Precinct Sweeper	4
Tanker	2
Tractor	1
Van	76

The rental income due to be received over the remaining life of the leases is as follows:

	2010-11 £'000	2009-10 £'000
Finance lease debtor:		
Current	190	205
Non-Current	1,587	1,729
Unearned finance income	448	660
<b>Gross investment in lease</b>	<b>2,226</b>	<b>2,595</b>
Unguaranteed residual value of property	(1,302)	(1,274)
Lease payments still due	924	1,320

The unguaranteed residual value of the asset relates to the estimated value of the vehicles at the end of the lease (i.e. an estimated sale value).

## NOTES TO THE CORE FINANCIAL STATEMENTS

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Not later than one year	190	205	190	205
One to five years	328	415	285	415
Later than five years	1,259	1,315	0	41
	<b>1,777</b>	<b>1,935</b>	<b>475</b>	<b>661</b>

The Authority has no provisions for unrealised finance lease investments.

The minimum lease payments do not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

### OPERATING LEASE – AUTHORITY AS LESSOR

The Authority has a number of properties leased out under operating leases including:

- Industrial Estates accounted for as Trading Operations. Further information is in note 43;
- The Authority leases out the right to construct radio masts on land and buildings owned by the Authority to several telecommunications companies. These properties include land, schools and libraries;
- Elvaston Castle and County Park has several trading units such as tea rooms and ice cream stands under short term rental agreements;
- A number of residential properties were purchased under compulsory purchase schemes under plans to demolish them for new road networks. The planned changes had since been aborted and the properties have been leased back to the residents;
- Shirebrook Academy lease the school buildings from the Authority on a 3 year lease commencing in 2010, the rental income is a peppercorn.

The total future minimum lease payments receivable under non-cancellable leases in future years totals approximately £9.5m.

The minimum lease payments do not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010-11 the Authority received approximately £0.142m contingent rents.

The Authority leases out vehicles under operating leases for the following purposes:

- To Community Transport Schemes for the provision of community services.
- To Derbyshire Fire and Rescue Service.

The future minimum lease payments receivable under non-cancellable leases in future years:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2010-11 £'000	2009-10 £'000
Not later than one year	86	237
One to five years	59	19
Later than five years	0	0
	<b>144</b>	<b>256</b>

### 60. PFI AND SIMILAR CONTRACTS

The Authority has three Private Finance Initiatives (PFI) schemes in which private sector provider will build, maintain and provides 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 Authority's requirements.

- Schools Phase 1 – in 2001 the Authority signed a contract for the provision of two new secondary schools at Tupton and Chapel-en-le Frith. The schools were completed and occupied in April 2003 under a 26 year contract.
- Schools Phase 2 – during 2004-05 the Authority signed a contract for the provision of two further schools at Newbold and Long Eaton which became operational in February 2006. Long Eaton School will become an Academy on 1<sup>st</sup> April 2011, but the PFI contract will remain with the County Council.
- Building Schools for the Future (BSF) – the first of the Authority's schools to be provided under the BSF programme opened in November 2010 at Bolsover and Springwell (Staveley). These were designed and built as PFI schools and will be operated on a 25 year contract.

All of the PFI schools will be handed back to the Authority when the relevant contract expires. In the case of the Phase 1 schools this will be on 28 April 2029, for the Phase 2 schools it will be 12 February 2032 and for the BSF schools on 31 October 2035.

Under the terms of each of the agreements with the contractors, the Authority is able to voluntarily terminate any of the agreements at any time and the schools would transfer to the Authority. In this event the contractors would be entitled to compensation.

The Authority also has the right to terminate each of the agreements in the event of contractor default and in these circumstances the Authority is entitled to re-tender the contract.

The Authority has step in rights if action needs to be taken in connection with the services provided by any of the contractors because of a serious risk to the health or safety of persons or to discharge a statutory duty; and/or because an emergency has arisen.

### Property Plant and Equipment

The schools are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 22.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Payments

The Authority makes an agreed payment each year (the unitary charge) which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	2010-11		BSF £'000
	Phase 1 £'000	Phase 2 £'000	
<b>Within one year:</b>			
Service charge	1,841	2,108	2,257
Interest element	1,726	1,847	2,462
Repayment of liability	728	700	554
<b>Within two to five years:</b>			
Service charge	7,365	8,434	9,026
Interest element	6,362	6,912	9,424
Repayment of liability	3,454	3,278	2,639
<b>Within six to ten years:</b>			
Service charge	9,207	10,542	11,283
Interest element	6,417	7,317	10,572
Repayment of liability	5,853	5,420	4,508
<b>Within eleven to fifteen years:</b>			
Service charge	9,207	10,542	11,283
Interest element	4,078	5,352	8,716
Repayment of liability	8,192	7,386	6,364
<b>Within sixteen to twenty years:</b>			
Service charge	5,677	10,542	11,283
Interest element	950	2,674	6,095
Repayment of liability	6,589	10,063	8,984
<b>Within 21 years and beyond:</b>			
Service charge	0	1,860	10,398
Interest element	0	117	2,347
Repayment of liability	0	2,093	11,436

## NOTES TO THE CORE FINANCIAL STATEMENTS

In 2009-10 the position was:

	2009-10		BSF £'000
	Phase 1 £'000	Phase 2 £'000	
<b>Within one year:</b>			
Service charge	2,120	2,238	0
Interest element	1,774	1,889	0
Repayment of liability	680	658	0
<b>Within two to five years:</b>			
Service charge	7,365	8,434	0
Interest element	6,587	7,109	0
Repayment of liability	3,229	3,081	0
<b>Within six to ten years:</b>			
Service charge	9,207	10,542	0
Interest element	6,798	7,642	0
Repayment of liability	5,472	5,095	0
<b>Within eleven to fifteen years:</b>			
Service charge	9,207	10,542	0
Interest element	4,611	5,795	0
Repayment of liability	7,660	6,943	0
<b>Within sixteen to twenty years:</b>			
Service charge	7,518	10,542	0
Interest element	1,538	3,278	0
Repayment of liability	8,455	9,459	0
<b>Within 21 years and beyond:</b>			
Service charge	0	3,968	0
Interest element	0	395	0
Repayment of liability	0	4,362	0

## NOTES TO THE CORE FINANCIAL STATEMENTS

Although the payments that are made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2010-11		BSF £'000
	Phase 1 £'000	Phase 2 £'000	
Delivery of services (to CEIS)	2,120	2,238	978
Interest payment (to CEIS)	1,774	1,889	1,025
Reduction to liability (to BS)	680	658	222
<b>Unitary Charge Paid Total</b>	<b>4,574</b>	<b>4,785</b>	<b>2,226</b>
<b>Loan Liability B Fwd</b>	<b>(25,497)</b>	<b>(29,599)</b>	<b>0</b>
Loan liability in year	0	0	(34,707)
Reduction to liability	680	658	222
<b>Loan Liability C Fwd</b>	<b>(24,816)</b>	<b>(28,940)</b>	<b>(34,485)</b>
Liability in other non-current liabilities	(24,088)	(28,240)	(33,931)
Liability in creditors (current)	(728)	(700)	(554)
<b>Loan Liability C Fwd</b>	<b>(24,816)</b>	<b>(28,940)</b>	<b>(34,485)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

In 2009-10 the position was:

	2009-10		BSF £'000
	Phase 1 £'000	Phase 2 £'000	
Delivery of services (to CEIS)	2,022	2,207	0
Interest payment (to CEIS)	1,818	1,929	0
Reduction to liability (to BS)	636	619	0
<b>Unitary Charge Paid Total</b>	<b>4,476</b>	<b>4,755</b>	<b>0</b>
<b>Loan Liability B Fwd</b>	<b>(26,133)</b>	<b>(30,217)</b>	<b>0</b>
Loan liability in year	0	0	0
Reduction to liability	636	619	0
<b>Loan Liability C Fwd</b>	<b>(25,497)</b>	<b>(29,599)</b>	<b>0</b>
Liability in other non-current liabilities	(24,816)	(28,940)	0
Liability in creditors (current)	(681)	(659)	0
<b>Loan Liability C Fwd</b>	<b>(25,497)</b>	<b>(29,599)</b>	<b>0</b>

### 61. DEFINED CONTRIBUTION PENSION SCHEME

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department of Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010-11 the County Council paid £48.73m to Teachers' Pensions in respect of teachers' retirement benefits, representing 18.37% of pensionable pay. In 2009-10 the employer's contribution rate was 14.1%.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 62.

### 62. DEFINED BENEFIT SCHEME

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 post employment schemes:

- The Local Government Pension Scheme, administered locally by Derbyshire County Council – this is a funded defined benefit final salary scheme, meaning the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there is no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority are required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Reserve via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Reserve Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
• Current Service Cost	49,308	30,483	0	0
• Past Service Costs	(90,938)	0	(3,556)	0
• Settlements and Curtailments	494	194	786	1,401
Financing and Investment Income and Expenditure				
• Interest Cost	87,101	78,387	3,394	3,645
• Expected Return on Scheme Assets	(64,124)	(45,759)	0	0
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(18,159)</b>	<b>63,305</b>	<b>624</b>	<b>5,046</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• Actuarial gains and losses	(90,442)	154,302	878	9,800
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(108,601)</b>	<b>217,607</b>	<b>1,502</b>	<b>14,846</b>
Movements in Reserves Statements				
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	18,159	(63,305)	(624)	(5,046)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to the Scheme	48,568	46,543	4,440	4,506

## NOTES TO THE CORE FINANCIAL STATEMENTS

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income & Expenditure Statement to the 31<sup>st</sup> March 2011 is a gain of £90.442m.

### Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits Arrangements	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
<b>Opening balance at 1 April</b>	<b>1,547,196</b>	<b>1,104,148</b>	<b>63,931</b>	<b>53,591</b>
Current service cost	49,308	30,483	0	0
Interest cost	87,101	78,387	3,394	3,645
Contributions by scheme participants	16,521	15,736	0	0
Actuarial gains and losses	(48,827)	364,691	878	9,800
Benefits paid	(49,462)	(46,443)	(4,440)	(4,506)
Past service costs	(90,938)	0	(3,556)	0
Entity combinations	0	0	0	0
Curtailments	494	194	786	1,401
Settlements	0	0	0	0
<b>Closing balance at 31 March</b>	<b>1,511,393</b>	<b>1,547,196</b>	<b>60,993</b>	<b>63,931</b>

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2010-11 £'000	2009-10 £'000
<b>Opening balance at 1 April</b>	<b>(1,007,387)</b>	<b>(735,403)</b>
Expected rate of return	(64,124)	(45,759)
Actuarial gains and losses	(41,615)	(210,389)
Employer Contributions	(48,568)	(46,543)
Contributions by scheme participants	(16,521)	(15,736)
Benefits paid	49,462	46,443
Entity combinations	0	0
Settlements	0	0
<b>Closing balance at 31 March</b>	<b>(1,128,753)</b>	<b>(1,007,387)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £77.461m (2009-10 was £256.148m)

### Scheme History

	Present value of liabilities:		Present Value of assets:	Surplus/(deficit) in the Scheme:		Total £'000
	Local Government Pension Scheme £'000	Discretionary Benefits £'000	Fair value of assets in the Local Government Pension Scheme £'000	Local Government Pension's Scheme £'000	Discretionary Benefits £'000	
<b>2006-07</b>	1,161,573	61,213	(786,218)	375,355	61,213	<b>436,568</b>
<b>2007-08</b>	1,179,524	58,871	(848,249)	331,275	58,871	<b>390,146</b>
<b>2008-09</b>	1,104,148	53,591	(735,403)	368,745	53,591	<b>422,336</b>
<b>2009-10</b>	1,547,196	63,931	(1,007,387)	539,809	63,931	<b>603,740</b>
<b>2010-11</b>	1,511,393	60,993	(1,128,753)	382,640	60,993	<b>443,633</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £382.640m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme Actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31<sup>st</sup> March 2012 is £14.332m.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Limited an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1<sup>st</sup> April 2010.

The principal assumptions used by the Actuary have been:

	Local Government Pensions Scheme		Discretionary Benefits Arrangements	
	2010-11	2009-10	2010-11	2009-10
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.5%	7.5%	-	-
Government Bonds	4.4%	4.5%	-	-
Other Bonds	5.1%	5.2%	-	-
Property	6.5%	6.5%	-	-
Cash	0.5%	0.5%	-	-
Other	7.5%	7.5%	-	-
Mortality Assumptions:				
Longevity at 65 for a current pensioners:				
-Men	21.7	21.2	21.7	21.2
-Women	24.3	24.1	24.3	24.1
Longevity at 65 for a future pensioners:				
-Men	23.1	22.2	21.7	21.2
-Women	25.9	25.0	24.3	24.1
Rate of inflation (RPI)	3.4%	3.3%	3.3%	3.2%
Rate of inflation (CPI)	2.9%	2.8%	2.8%	3.2%
Rate of increase in salaries	4.65%	4.8%	-	-
Rate of increase in pensions	2.9%	3.3%	2.8%	3.2%
Rate of discounting in scheme liabilities	5.5%	5.6%	5.4%	5.5%
Take-up of option to convert annual pension into retirement lump sum				
Maximum Cash	50.0%	-	-	-
3/80ths Cash	50.0%	-	-	-



## NOTES TO THE CORE FINANCIAL STATEMENTS

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2010-11 %	2009-10 %
Equity investments	68.5	68.0
Debt Instruments:		
Government Bonds	6.8	14.6
Other Bonds	5.6	5.8
Property	5.1	5.1
Cash	6.3	5.8
Other assets	7.7	0.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2010-11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011:

		LGPS		Teachers
		Actuarial (Gain) / Loss on Assets Expressed as a Percentage of Total Assets	Actuarial (Gain) / Loss on Liabilities Expressed as a Percentage of Total Liabilities	Actuarial (Gain) / Loss on Liabilities Expressed as a Percentage of Total Liabilities
<b>2010-11</b>	%	(3.70)	(3.20)	1.30
<b>2009-10</b>	%	(20.90)	23.60	15.30
<b>2008-09</b>	%	29.10	(25.70)	(15.70)
<b>2007-08</b>	%	9.60	10.20	6.00
<b>2006-07</b>	%	0.30	(5.10)	(2.90)

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 63. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority's activities expose it to a variety of financial risks. The key risks are:

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

#### Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Authority's overall borrowing;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures to the maturity structure of its debt;
  - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with government guidance;

These are required to be reported and approved at or before the Authority's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported semi-annually to Members.

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

The annual treasury management strategy which incorporates the prudential indicators was approved by the Full Council which met on 3<sup>rd</sup> February 2010 and is available on the Authority's website.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Credit risk

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

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

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

The Annual Investment Strategy also imposes a maximum sum to be invested and loan duration for every counterparty.

The investment strategy for 2010-11 was approved by the Full Council on 3<sup>rd</sup> February 2010 and is available on the Authority's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Full Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks, building societies and money market funds of £183.66m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Authority's deposits, but there was no evidence at the 31<sup>st</sup> March 2011 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

	Amount £'000 31-Mar-11	Historical experience of default % 31-Mar-11	Adjustment for market conditions % 31-Mar-11	Estimated maximum exposure to default £'000 31-Mar-11	Estimated maximum exposure to default £'000 31-Mar-10
<b>Other financial assets</b>					
Trade debtors (Current and Non Current)	11,583	Local experience	Local experience	Local experience	Local experience

No breaches of the Authority's counterparty criteria occurred during the reporting period.

The Authority does not generally allow credit for its trade debtors, such that £4.083m of the £11.583m balance is past its due date for payment. The past due amount can be analysed by age as follows:

## NOTES TO THE CORE FINANCIAL STATEMENTS

2008-09 £'000	2009-10 £'000		2010-11 £'000
10,057	1,948	Less than three months	653
547	416	Three to six months	490
608	642	Six months to one year	725
1,092	1,212	More than one year	2,215
<b>12,304</b>	<b>4,218</b>		<b>4,083</b>

### Liquidity risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed. The Authority has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

### Refinancing and Maturity Risk

The cash flow procedures above are also relevant to the management of refinancing risk. The risk is that the Authority will be bound to replace a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods.

The approved limits for the maturity structure of debt are the key parameters used to address this risk. The Authority's treasury management strategies address the main risks, and the central treasury team addresses the operational risks within the approved parameters. This includes monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The maturity analysis of financial liabilities is as follows:

2008-09 £'000	2009-10 £'000		2010-11 £'000
(111,636)	(87,871)	Maturing within 1 year	(56,516)
(11,375)	(11,428)	Maturing in 1-2 years	(8,391)
(33,255)	(28,548)	Maturing in 2-5 years	(45,119)
(33,159)	(51,068)	Maturing in 5-10 years	(60,992)
(360,007)	(345,664)	Maturing in more than 10 years	(370,964)
<b>(549,432)</b>	<b>(524,579)</b>		<b>(541,982)</b>

All trade and other payables are due to be paid in less than one year.

### Market risk

**Interest rate risk** - The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Reserves.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Authority's prudential and treasury indicators and its expected treasury operations. Within this Strategy maximum limits are set for fixed and variable interest rate exposure. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	£'000
Increase in interest payable on variable rate borrowings	198
Increase in interest receivable on variable rate investments	(3,166)
Impact on Surplus or Deficit on the Provision of Services	(2,968)
Decrease in fair value of fixed rate investment assets	831
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	49,953

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**Price risk** - The Authority, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds.

**Foreign exchange risk** - The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

### 64. NATURE OF THE GROUP RELATIONSHIP

The responsibility for providing the connexions services to the public transferred from Central Government to Local Government on the 1<sup>st</sup> April 2008. At this point in time Connexions Derbyshire, wholly part of Central Government, operated in the Derby City and Derbyshire County areas. In order to maintain the service to the local residents, the City and County Council's entered into a joint venture relationship, each with 50% equity share in Connexions Derbyshire Ltd.

The accounts for Connexions Derbyshire Ltd are audited as a single entity by  
 Horwath Clark Whitehall LLP  
 123 Stourport Road  
 Kidderminster  
 Worcestershire  
 DY11 7BW

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 65. RECONCILIATION OF SINGLE ENTITY TO GROUP ENTITY ACCOUNTS

This reconciliation shows how the (surplus) / deficit or (Profit) / loss of each entity within the group has contributed to the (surplus) / deficit on the group Comprehensive Income and Expenditure Statement.

The accounts for Connexions Derbyshire Ltd are pre-audit. The reported (Profit) / Loss for Connexions Derbyshire Ltd is as follows:

2008-09 £'000	2009-10 £'000		2010-11 £'000
(12,172)	(13,423)	Turnover (Income)	(13,220)
		Less:	
9,396	10,115	Employee Costs	10,140
891	1,001	Premises Costs	1,101
1,876	2,299	Other Costs	2,153
<b>(9)</b>	<b>(8)</b>	<b>Pre-Audit Operating Outturn</b>	<b>174</b>
493	209	Adjustment for IAS 19 (Pensions)	(1,631)
<b>484</b>	<b>201</b>	<b>Pre-Audit (Profit) / Loss</b>	<b>(1,457)</b>
242	101	50% Share relating to the group	(729)

Deficit for the year for Derbyshire County Council	£20.112m
50% Group Share of Profit for Connexions Derbyshire Ltd	(£0.729m)
<b>Reported Group Deficit for the year</b>	<b>£19.384m</b>

### 66. GOLDEN HELLOS

The golden hello is a one-off taxable bonus to encourage graduates to enter the teaching profession and teach priority subjects in secondary schools. To be eligible for the golden hello, teachers have to meet the training, teaching and application criteria set by TDA (Training and Development Agency for Schools). The payments are made by the Authority but all costs are recovered from TDA.

Year	Number of Teachers	£'000
2008-09	80	300
2009-10	78	263
2010-11	80	300

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 67. TRUST FUNDS

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

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

2009-10 TOTAL £'000		TRUST FUNDS £'000	2010-11 OTHER FUNDS £'000	TOTAL £'000
4,387	Opening Balance	1,280	2,902	4,182
369	Add Income	33	180	213
4,756	Total Funds available in the year	1,313	3,082	4,395
(574)	Less Expenditure	(130)	(28)	(158)
<b>4,182</b>	<b>Closing Balance</b>	<b>1,183</b>	<b>3,054</b>	<b>4,237</b>
	<b>The funds are represented by:</b>			
58	Investments	40	0	40
2,668	Building Society Deposits	0	2,843	2,843
1,456	Cash & temporary loans	1,143	211	1,354
<b>4,182</b>	<b>Total Assets</b>	<b>1,183</b>	<b>3,054</b>	<b>4,237</b>
22	Increase in unrealised profit on investments included in expenditure	(18)	0	(18)
86	Number of Funds ( <i>Actual not 000s</i> )	60	18	78



## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

### Investment Policy

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

The table below shows the Fund's returns over 1, 3, 5 and 10 years to March 2011, compared to those of its specific benchmark and the Local Authority Average Fund.

	Return		
	Derbyshire Fund % pa	Benchmark % pa	Local Authority Average % pa
1 Year	7.6	8.0	8.2
3 Years	6.4	5.5	5.4
5 Years	4.7	4.1	4.0
10 Years	5.7	5.4	5.3

For comparison, the ten year figures for average earnings and retail price increases are 4.0% and 3.1%, respectively. On a year by year basis, returns tend to fluctuate significantly according to economic and market conditions and long-term returns are a more appropriate guide to the performance of the Fund. World equity markets continued the recovery that began last year, having a positive impact on both short and longer term performance.

### Members' Statistics

	Actuals		
	2009	2010	2011
Contributors	37,273	36,959	35,791
Pensioners and Dependants	19,957	20,929	22,024
Deferred Pensions	17,331	19,321	20,652

### Actuarial Position of the Fund

Every three years an actuarial valuation of the Fund is undertaken in accordance with the provisions of the Local Government Pension Scheme (Administration) Regulations 2008. The purpose of the valuation is to determine the solvency of the Fund and to set the level of contributions payable by each participating employer for the following three years. A valuation of the Fund was undertaken as at 31 March 2010 to set the level of employer contributions for the three years commencing 1 April 2011. The Net Assets of the Pension Fund at 31 March 2010 were £2.409 billion.

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

The contributions required in respect of future service have been determined using the “projected unit” method. The full rate of employer’s contribution provides for the cost of year-by-year accrual of benefits in respect of current Fund members and the amount required to meet a past service deficiency.

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

The financial assumptions used were as follows:

	<b>Past Service</b>	<b>Future Service</b>
Fixed Interest Gilts Yield	4.50%	n/a
Index Linked Gilts Real Yield	0.70%	n/a
Asset Out-Performance Assumption (Pre-Retirement)*	2.50%	n/a
Asset Out-Performance Assumption (Post Retirement)*	1.00%	n/a
Real Earnings Inflation (Over CPI Inflation)	1.75%	1.75%
Discount Rate (Pre Retirement)	7.00%	6.75%
Discount Rate (Post Retirement)	5.50%	6.75%
CPI Price Inflation	3.00%	3.00%
Salary Increases	4.75%	4.75%
Pension Increases	3.00%	3.00%

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

The actuarial value placed on the assets represented 81% of the value of the past service liabilities compared with 80% at the 2007 valuation. This deficit is being dealt with in accordance with the Funding Strategy Statement, which is available on the Authority’s website at [www.derbyshire.gov.uk/pensions/investments/funding\\_strategy](http://www.derbyshire.gov.uk/pensions/investments/funding_strategy).

A number of factors, both positive and negative, have impacted on the funding level. The cash value of the deficit has increased but as the fund value itself has risen significantly, the overall funding level has improved. Investment return, though good when compared to the local Authority average, was less than the return in the actuarial assumptions, increasing the deficit. This was largely compensated by deficit funding contributions from the contributing employers and the impact of the change from RPI to CPI, which has reduced liabilities.

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

### Employers' Contributions

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

Council	2010-11 %	Stepped or full rate	2011-12 %	Stepped or full rate
Derbyshire County	18.2	stepped	12.5 plus £14,331,600	full
Amber Valley Borough	21.9 plus £390,718	full	11.5 plus £916,700	full
District of Bolsover	20.2	full	11.9 plus £1,041,800	full
Chesterfield Borough	20.7	full	12.2 plus £1,768,800	full
Derby City	17.8	full	11.5 plus £6,315,800	full
Derbyshire Dales	19.6	full	11.6 plus £542,200	full
Erewash Borough	20.9	full	11.1 plus £1,012,300	full
High Peak Borough	23.8	full	11.4 plus £1,202,900	full
North East Derbyshire	20.2 plus £467,871	full	11.7 plus £1,308,700	full
South Derbyshire	19.9	full	11.8 plus £664,000	full

The cash amounts payable in 2010-11 were to amortise the past service deficits of former employees up to the point of transfer to other service providers. For 2011-12, with regard to the likelihood that the number of active Fund members will reduce with increasing early retirements and redundancies, the Actuary has proposed a change to the payment of employers' contributions. The percentage rate is intended to cover the cost of future service, with the past service deficit being identified as a fixed cash amount.

### Members' Contributions

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 came into force on 1 April 2008 and employees paid between 5.5% and 7.5% of their pay, excluding non-contractual overtime, depending on their pay banding. Certain contributors (previously classed as manual workers paying at a rate of 5%) had a protected rate of 5.5% in 2009-10. This increased to 6.5% (if appropriate) for 2010-11 and their protection ends in 2011-12.

### Further Information

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

**PENSION FUND ACCOUNTS**  
**PENSIONS FUND ACCOUNT**

2009-10 £'000		Note	2010-11 £'000
	<b>Contributions and Benefits</b>		
138,894	Contributions	7,24	142,700
10,408	Transfers In	8	13,791
149,302			156,491
(99,116)	Benefits	9,24	(110,277)
(15,701)	Payments to and on Account of Leavers	10	(11,225)
(1,067)	Administrative Expenses	11	(1,126)
(115,884)			(122,628)
<b>33,418</b>	<b>Net Additions from Dealings with Members</b>		<b>33,863</b>
	<b>Return on Investments</b>		
63,741	Investment Income	12	64,830
(3,300)	Taxes on Income	13	(4,088)
559,183	Profits and Losses on Disposal of Investments and Changes in Value of Investments	14	127,824
(3,321)	Investment Management Expenses	16	(3,176)
<b>616,303</b>	<b>Net Return on Investments</b>		<b>185,390</b>
<b>649,721</b>	<b>Net Increase in the Net Assets Available for Benefits During the Year</b>		<b>219,253</b>
1,758,789	Net Assets of The Fund at 1 April		2,408,510
<b>2,408,510</b>	<b>Net Assets of the Scheme Available to Fund Benefits at the Period End</b>		<b>2,627,763</b>

**PENSION FUND ACCOUNTS**  
**NET ASSET STATEMENT**

2009-10 £'000		Note	2010-11 £'000
2,404,282	Investment Assets	14,15	2,634,290
(3,211)	Investment Liabilities	14,15	(3,470)
8,782	Current Assets	18	9,350
(1,343)	Current Liabilities	19	(12,407)
<b>2,408,510</b>	<b>Net Assets of the Scheme Available to Fund Benefits at the Period End</b>		<b>2,627,763</b>

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# PENSION FUND ACCOUNTS

## NOTES TO THE PENSION FUND

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The Pension Fund (“Fund”) of Derbyshire County Council is governed in accordance with the various Local Government Pension Scheme Regulations. The Fund is a funded defined benefit final salary scheme, administered locally by the Authority on behalf of its own employees (except teachers, for whom separate pension arrangements apply), Unitary and District Council employees within Derbyshire and employees of other bodies who are specifically authorised by the Regulations.

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

### **1. Basis of preparation**

The accounts have been prepared in accordance with the Statement of Recommended Practice (“SORP”): Financial Reports of Pension Schemes (Revised May 2007) insofar as it is relevant and follow the Code of Practice on Local Authority Accounting (“the Code”) issued by the Chartered Institute of Public Finance in Accountancy (CIPFA).

These are the first set of accounts prepared under the Code, based on International Financial Reporting Standards. There are no material changes to the statements arising from the transition to the IFRS based Code.

The amount of separately invested Additional Voluntary Contributions (“AVCs”) paid by members during the year and their value at the net assets statement date are not included in the Pension Fund financial statements in accordance with regulation 5(2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (S1 1998 No 1831).

### **2. Accounting policies**

#### **Contributions**

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

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

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

#### **Benefits**

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

Where a member has a choice about the form of their benefit, the benefit is accounted for and the liability is recognised when the member notifies the Authority 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.

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# PENSION FUND ACCOUNTS

## NOTES TO THE PENSION FUND

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### **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.

The numbers of transfer payments primarily to other local Authority pension funds were significantly greater in the previous year. A backlog of transfers had arisen in 2008-09 when the Authority was awaiting changes to its computerised pensions administration system following revisions to the basis of transfer calculations. The majority of the outstanding cases were cleared in the first half of 2009-10.

The values of transfers to and from local Authority pension funds have risen due to a change in the basis of calculation.

### **Expenses**

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

### **Investment income**

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

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

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

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

### **Foreign currency translation**

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

Exchange gains and losses are treated as follows:

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

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

Investments are valued on the net assets statement at their market value as at 31 March 2011.

Quoted securities are included at closing bid prices.

Fixed interest stocks are valued excluding accrued income.

Unquoted investments are included at fair value estimated by the Trustees, based on the latest financial information available at the year end.

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

Property is included at open market value as at 31 March 2011, 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 Matthews & Goodman incorporating Edmund Kirby, Property Advisers.

## PENSION FUND ACCOUNTS NOTES TO THE PENSION FUND

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

#### 4. Accounting Standards issued and not yet applied

There are no Accounting Standards that have been issued and not yet applied in the preparation of these Pension Fund Accounts.

#### 5. Critical judgements made in applying the accounting policies

In applying the accounting policies in Note 2, it has not been necessary to make any critical judgements about complex transactions or in respect of uncertain future events.

#### 6. Assumptions made and other estimation uncertainty

There are no significant estimation techniques that have been employed and no other major sources of estimation uncertainty at the end of the reporting period.

#### 7. Contributions

	2009-10 £'000	2010-11 £'000
<b>Employers</b>		
Normal	74,318	75,795
Deficit Funding	28,802	30,052
Augmentation	-	108
<b>Members</b>		
Normal	35,774	36,745
	<b>138,894</b>	<b>142,700</b>

The rates of employers' contributions payable in 2009-10 and 2010-11 were set as part of the 2007 valuation which revealed an overall funding level of 80.2%.

#### 8. Transfers in

	2009-10 £'000	2010-11 £'000
Individual transfers in from other schemes	10,304	13,721
Restitution payments for mis-sold personal pensions	104	70
	<b>10,408</b>	<b>13,791</b>



**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND**

**9. Benefits**

	2009-10 £'000	2010-11 £'000
Pensions	75,424	79,085
Commutation of pensions and lump sum retirement benefits	21,116	28,620
Lump sum death benefits	2,576	2,572
	<b>99,116</b>	<b>110,277</b>

**10. Payments to and on account of leavers**

	2009-10 £'000	2010-11 £'000
Refund of contributions	17	19
Individual transfers out to other schemes	15,684	11,206
	<b>15,701</b>	<b>11,225</b>

**11. Administrative expenses**

	2009-10 £'000	2010-11 £'000
Administration and processing	998	971
Actuarial fees	19	105
Audit fee	50	50
	<b>1,067</b>	<b>1,126</b>

**12. Investment income**

	2009-10 £'000	2010-11 £'000
Income from fixed interest securities	11,665	11,129
Dividends from equities	43,180	43,993
Income from index-linked securities	2,537	3,019
Income from pooled investment vehicles	1,056	1,325
Net rents from properties	4,711	4,707
Interest on cash deposits	592	657
	<b>63,741</b>	<b>64,830</b>

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND**

**13. Taxes on Income**

	2009-10 £'000	2010-11 £'000
Irrecoverable taxation	3,300	4,088

**14. Investment assets and liabilities**

	Value at 1st April £'000	Purchases & hedging payments £'000	Sales & hedging receipts £'000	Profits & losses on disposal of investments & changes in value of investments £'000	Value at 31st March £'000
<b>Investment assets</b>					
Fixed interest securities	310,110	410,195	(409,038)	949	312,216
Equities	1,396,296	280,690	(263,667)	90,800	1,504,119
Index linked securities	156,638	37,525	(27,698)	7,037	173,502
Pooled investment vehicles	364,843	19,725	(9,047)	24,759	400,280
Properties	74,695	9,988	-	2,227	86,910
Currency hedging contracts	774	45,501	(47,084)	939	130
Insurance policies	25	-	-	4	29
	<b>2,303,381</b>	<b>803,624</b>	<b>(756,534)</b>	<b>126,715</b>	<b>2,477,186</b>
Cash deposits & short term loans	88,141				141,401
Other investment balances	12,760				15,703
	<b>2,404,282</b>				<b>2,634,290</b>
<b>Investment liabilities</b>					
Currency hedging contracts	(791)	30,434	(31,171)	1,109	(419)
Other investment balances	(2,420)				(3,051)
	<b>(3,211)</b>				<b>(3,470)</b>
	<b>2,401,071</b>				<b>2,630,820</b>

The total profits and losses on disposal of investments and changes in value of investment assets and investment liabilities is an increase of £127.824m.

Included within the above purchases and sales figures are transaction costs of £478k. These comprise stamp duty (£120k) and commissions paid to stockbrokers (£358k).

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

## PENSION FUND ACCOUNTS NOTES TO THE PENSION FUND

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

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts. The Fund's objective is to decrease risk in the portfolio by entering into futures positions to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets. At the year end, there were four currency hedging contracts, all with less than one year to expiry, with a gross contract value of £37.753m (2010, £39.998m).

	2009-10 £'000	2010-11 £'000
<b>Fixed interest securities</b>		
UK public sector quoted	211,317	280,002
UK corporate quoted	11,776	11,663
Overseas public sector quoted	87,017	20,551
	<b>310,110</b>	<b>312,216</b>
<b>Equities</b>		
UK quoted	812,752	893,483
Overseas quoted	583,544	610,636
	<b>1,396,296</b>	<b>1,504,119</b>
<b>Index-linked securities</b>		
UK public sector quoted	107,820	127,446
Overseas public sector quoted	48,818	46,056
	<b>156,638</b>	<b>173,502</b>
<b>Pooled Investment Vehicles</b>		
Property – unquoted	46,407	49,313
Other quoted	249,251	271,991
Other unquoted	69,185	78,976
	<b>364,843</b>	<b>400,280</b>

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND**

	2009-10 £'000	2010-11 £'000
<b>Properties</b>		
UK freehold	50,485	56,170
UK leasehold	24,210	30,740
	<b>74,695</b>	<b>86,910</b>
<b>Cash deposits and short term loans</b>		
Sterling cash deposits	35,903	34,756
Money market funds	22,114	30,692
Other Sterling short term loans	25,000	72,000
Foreign currency	5,124	3,953
	<b>88,141</b>	<b>141,401</b>

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

	2009-10		2010-11	
	£'000	%	£'000	%
In-house	1,952,207	81.3	2,151,620	81.8
Wellington Management International Ltd	213,872	8.9	233,774	8.9
UBS Global Asset Management (UK) Ltd	234,992	9.8	245,426	9.3
	<b>2,401,071</b>	<b>100</b>	<b>2,630,820</b>	<b>100</b>

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

<b>Fund</b>	<b>Country of registration of fund manager</b>
Montanaro Focus Fund	Channel Islands
Partners Group – Global Value 2008 Fund	Channel Islands
Atlantis Asian Recovery Fund	Ireland
Baring Australia Fund	Ireland
Aberdeen Global Japan Smaller Companies Fund	Luxembourg
J P Morgan Funds Latin American Equity Fund "A"	Luxembourg
Martin Currie Global Funds - Greater China Fund	Luxembourg

No single investments exceed 5% of net assets available for benefits at the year end (2010, none).

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND**

**15. Fund investments by geographical sector (at market value)**

	2009-10		2010-11	
	£'000	%	£'000	%
UK	1,466,152	61.1	1,701,265	64.7
N America	258,881	10.8	273,096	10.4
Europe	329,675	13.7	274,891	10.4
Asia and other	346,363	14.4	381,568	14.5
	<b>2,401,071</b>	<b>100</b>	<b>2,630,820</b>	<b>100</b>

**16. Investment management expenses**

	2009-10	2010-11
	£'000	£'000
Administration, management and custody	3,143	3,054
Performance measurement services	8	8
Legal and other advisory fees	170	114
	<b>3,321</b>	<b>3,176</b>

**17. Additional Voluntary Contributions**

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

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

## PENSION FUND ACCOUNTS NOTES TO THE PENSION FUND

The total value of funds provided by these contributions was:

	2009-10 £'000	2010-11 £'000
Equitable Life Assurance Society		
with profits fund	411	389
unit-linked funds	620	653
building society fund	10	10
<i>Total Equitable Life Assurance Society</i>	<i>1,041</i>	<i>1,052</i>
Standard Life		
managed fund	419	460
cautious managed fund	29	54
protection fund	54	36
ethical fund	81	68
with profits fund	321	333
<i>Total Standard Life</i>	<i>904</i>	<i>951</i>
Prudential Assurance Company Ltd		
deposit fund	3,766	3,570
<i>Total Prudential Assurance</i>	<i>3,766</i>	<i>3,570</i>
Clerical Medical		
with profits fund	469	555
unit linked fund	42	55
<i>Total Clerical Medical</i>	<i>511</i>	<i>610</i>
<b>Total AVC Investments</b>	<b>6,222</b>	<b>6,183</b>
Death in Service Cover		
Equitable Life	520	482

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

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND**

	Equitable Life £'000	Prudential £'000	Standard Life £'000	Clerical Medical £'000	Total £'000
<b>Value at 1.4.2010</b>	1,041	3,766	904	511	<b>6,222</b>
<i>Income</i>					
Contributions received	15	473	72	54	<b>614</b>
Interest and bonuses and change in market value	77	18	71	67	<b>233</b>
Transfers in	-	8	10	3	<b>21</b>
<i>Expenditure</i>					
Life assurance premiums	(2)	-	-	-	<b>(2)</b>
Retirement benefits	(77)	(647)	(106)	(9)	<b>(839)</b>
Transfers out and withdrawals	-	(34)	-	(16)	<b>(50)</b>
Contributions repayments	-	(14)	-	-	<b>(14)</b>
Deaths	(2)	-	-	-	<b>(2)</b>
<b>Value at 31.3.2011</b>	<b>1,052</b>	<b>3,570</b>	<b>951</b>	<b>610</b>	<b>6,183</b>

**18. Current assets**

	2009-10 £'000	2010-11 £'000
Employers' contributions due	4,664	4,721
Employees' contributions due	1,674	1,654
Sundry debtors	2,444	2,975
	<b>8,782</b>	<b>9,350</b>

Employers' and employees' contributions due at 31 March 2011 have been received since the year-end.

**19. Current liabilities**

	2009-10 £'000	2010-11 £'000
Amounts owed to Derbyshire County Council	-	7,107
Unpaid benefits	1,342	4,184
Sundry creditors	1	1,116
	<b>1,343</b>	<b>12,407</b>

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## PENSION FUND ACCOUNTS NOTES TO THE PENSION FUND

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### 20. Related party transactions

Derbyshire County Council is the administering Authority for the purposes of the Fund under the Local Government Pension Scheme (Administration) Regulations 2008.

Included in administrative expenses and investment management expenses in 2010-11 are charges from the Corporate Finance Division and other Council departments of £1.555m (2009-10, £1.449m) for providing services.

Included in investment income in 2010-11 is £40k paid by the Authority to the Fund as interest on late contributions.

At 31 March 2011 the Fund owed the Authority £7.107m (2010, nil).

### 21. Investment commitments

Unquoted investment commitments are commitments to private equity and infrastructure investments, not yet drawn down by the managers. Properties commitments are commitments in respect of two properties in the course of construction. At the end of the financial year, investment commitments in respect of future payments were:

	2009-10 £'000	2010-11 £'000
Properties	-	11,914
Unquoted investments	8,916	18,275
	<b>8,916</b>	<b>30,189</b>

### 22. Financial instruments

Many requirements of the financial instruments standards (IAS 39, IAS 32 and IFRS 7), which govern the recognition, measurement, presentation and disclosure of financial instruments, are not applicable to the Fund's accounts, since all material financial instruments are carried in the net assets statement at fair value.

#### Nature and extent of risks arising from financial instruments

Certain financial risks are a necessary and appropriate component of the investment strategy of the Fund in order for it to achieve the targeted long term rate of return assumed by the Fund Actuary. This rate of return is used in drawing up the Funding Strategy Statement and setting employer contribution rates.

The overall financial risk for the Fund is that its assets could be insufficient to meet its liabilities to pay benefits. At the financial instrument level, the Fund's key risks are:

- **Credit risk** – the risk of the Fund suffering loss due to another party defaulting on its financial obligations;
- **Liquidity risk** – the risk that funds might not be available to meet commitments because the Fund's assets are not readily marketable or easily turned into cash;
- **Market risk** - the risk that the Fund's financial instruments may suffer an adverse change in value, which is common to an entire class of assets or liabilities.



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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND

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Responsibility for Fund investments has been delegated to the Fund's Investment Committee ("Committee"). The Committee delegates day to day responsibility for the management of the Fund to the Director of Finance and appoints managers and advisers to manage investment risk on its behalf. The Fund's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks.

As required by the Committee's Statement of Investment Principles, the Fund is invested in accordance with strategic Asset Allocation Guidelines, to maximise returns within appropriate levels of risk, taking into account the Fund's liabilities and projected cashflows. These Asset Allocation Guidelines were designed by an independent adviser, following an external asset/liability study.

Economic background, market returns, asset allocation, investment activity, investment strategy and investment performance are monitored and reviewed by the Committee on a quarterly basis. In June 2011 it was agreed that the Committee would also receive a quarterly report to monitor specific risk measures associated with managing the fund.

#### **Credit risk**

The Fund is primarily exposed to credit risk through its daily treasury management activities and through its forward currency contracts, which address the currency risk on overseas bonds. Credit risk on cash deposits and short term loans arises from deposits with banks, financial institutions and UK government and local authorities. Credit risk on forward currency contracts arises from contracts with large banks.

**Treasury activities** - The Fund places security of capital and liquidity ahead of investment return. Credit risk on treasury activities is minimised through the Fund's annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Ratings Services and are approved counterparties on this basis. Investments with local authorities, the Government's Debt Management Office and UK Treasury Bills are also permissible. The Fund has agreed maximum loan durations and joint limits for each counterparty. The limits for financial institutions are based on the above credit assessment and are approved each year. The financial institutions' credit ratings and supplementary information are monitored throughout the year to ensure compliance with the policy.

The Treasury Management Investment Strategy for 2010-11 was approved by the Full Council on 3<sup>rd</sup> February 2010. On 22<sup>nd</sup> March 2010 relevant extracts were approved by the Committee.

No breaches of the Fund's counterparty criteria occurred during the reporting period.

The Fund's maximum exposure to credit risk in relation to its treasury/cash deposit investments in banks, building societies, money market funds and UK local authorities of £141.40m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, generally, for such entities to be unable to meet their commitments; the approach to risk assessment taken by the Fund makes this remote. A risk of non-recovery applies to all of the Fund's deposits, but there was no evidence at the 31<sup>st</sup> March 2011 that this was likely to occur.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND

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**Forward currency contracts** - Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the currency risk on overseas bonds, the value of which comprise less than 3% of investment assets at the year end and by selecting large banks as the counterparties. All forward currency contracts at the year end were with Bank of New York Mellon.

The maximum credit risk exposure on forward currency contracts is the full amount of the foreign currency which the Fund pays when the settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund. At the year end, there were four currency hedging contracts, all with less than 6 months to expiry, with a gross contract value of £37.753m. The Fund does not expect any losses from non-performance by any of its counterparties in relation to these contracts.

**Other financial assets** - Fixed interest and index-linked securities mainly include investments in UK, US, French and German Government securities and certain supranational banking organisations, such as the European Investment Bank. The Fund does not expect any losses from non-performance by any of its counterparties in relation to these financial assets.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets as they are marked to market. The market value of financial assets represents the Fund's exposure to credit risk in relation to those assets.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur during settlement of transactions.

#### **Liquidity risk**

The Fund is not yet mature and is cash flow positive each month in respect of its dealings with members. There is therefore no present requirement to realise assets in order to meet liabilities to pay benefits, as these are more than covered by contributions, and there is net cash available for investment. The Fund does, however, sell investments from time to time as part of normal investment management activities.

The majority of the Fund's investments are readily marketable and may be easily realised, if required. Emphasis is placed on treasury deposits of up to 6 months' duration to ensure that longer term investment strategy is not compromised by lack of liquidity. Listed equities may also be liquidated at short notice, normally 3 working days. Holdings of investments, which may be less easy to realise, are limited. Investment regulations limit investments in unquoted entities to 10% of the Fund and Investment Committee guidelines limit investments in direct property to 7%, private equity to 3% and infrastructure to 3%.

Sufficient funds are retained on instant access accounts to ensure that payment of benefits and the settlement of investment transactions can be made without the need to borrow.

The Fund manages its liquidity position using a comprehensive cash flow management system, as required by the CIPFA Code of Practice.

Maturity analysis for liabilities at the year end:

- There were no financial liabilities within the portfolio at the year end other than those that arose from the trading of investments. Such liabilities fall due within 12 months of the year end.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND

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- The only derivative financial liabilities held at the year end were 2 currency hedging contracts, both with less than 6 months to expiry, on which the net liability was £0.420m.

#### **Market risk**

The Fund is exposed to market risk because it is inherent in the investments the Fund makes. It can result from changes in such measures as interest and exchange rates and changes in prices due to factors other than these. This risk cannot be eliminated but it can be reduced.

The objective of market risk management is to manage and control market risk exposure to within acceptable parameters, whilst optimising the return on risk. Excessive volatility in market risk is managed through diversification. The risk reduction arises from the different investments not being perfectly correlated.

The Fund has applied diversification at various levels; that is, diversification between countries, asset classes, sectors and individual securities. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

Risk of exposure to specific markets is limited by adhering to defined ranges within the asset allocation guidelines, which are monitored and reviewed by the Committee on a quarterly basis.

**Interest rate risk** – This risk primarily impacts on the valuation of the Fund's bond holdings and to a lesser degree the return it receives on cash held. A rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Fund Account would rise;
- investments at fixed rates – the fair value of the assets would fall.

The Fund's correlation to interest rates indicates whether the Fund will under-perform (a negative correlation) or out-perform (a positive correlation) for a given change in interest rates. This correlation varies depending on the profile of investments held. During the reporting period the Fund's UK equity portfolio moved from having a positive correlation to interest rates, through a broadly neutral exposure, to having a slight negative correlation.

The Fund has a number of strategies for managing interest rate risk. Interest rates are monitored during the year, by the Fund's in-house and external managers. Within the annual treasury management strategy, maximum limits are set for fixed and variable interest rate exposure. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, subject to liquidity requirements.

**Other price risk** – Other price risk originates from factors specific to the individual instrument or to its issuer, or from factors affecting all instruments in the market.

The Fund manages price risk by holding bonds, index linked stocks and property and by holding a diversified equity portfolio spread geographically, across market sectors and across investments. Contracts specify the level of risk to be taken by the external Fund managers investing in overseas equities. These external managers are monitored by in-house managers. The Northfield risk monitoring system is used to monitor risk associated with the Fund's UK equity portfolio, which is managed by in-house managers. This risk is reported to the Committee each quarter. Pooled investment vehicles are used for specialist areas.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND

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A fund specific benchmark has been drawn up, which is designed to meet the Fund's performance requirements for the level of risk agreed by the Committee. Economic background, asset allocation, recent transactions, investment strategy and performance are monitored by the Committee on a quarterly basis.

**Currency risk** - The Fund is exposed to currency risk through its overseas equity shares, its overseas bonds and its foreign currency holdings. Currency risk on overseas bonds is managed using forward currency contracts. The Fund has a negative correlation to exchange rates, which means that the Fund will out-perform if Sterling weakens against the US Dollar and vice-versa.

#### **23. Actuarial Present Value of Promised Retirement Benefits**

Below is an extract from the Report of the Actuary, showing the actuarial present value of the Fund's promised retirement benefits, required by the Code, as at the date of the latest actuarial valuation. All these benefits are vested.

"IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a. both before and after retirement, rather than the rates as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 was £3.272 billion.

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% p.a. both before and after retirement. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was £2.910 billion.

Paul Middleman  
Fellow of the Institute of Actuaries  
Mercer Limited  
June 2011"

#### **24. Participating Employers**

The participating employers with active members in the Fund are Derbyshire County Council (which is also the Administering Authority), Derby City Council (Unitary Authority) and 8 district Councils (which are Scheduled Bodies) and a further 44 Scheduled and 39 Admission Bodies. The Unitary and District Councils are listed in the foreword of this Annual Report. Other participating employers are listed on the following page.

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

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND**

	2009-10		2010-11	
	Benefits payable	Contributions receivable	Benefits payable	Contributions receivable
	£'000	£'000	£'000	£'000
Derbyshire County Council	47,564	60,430	51,102	64,988
Scheduled Bodies	49,126	74,212	56,229	71,749
Admission Bodies	2,426	4,252	2,946	5,963
	<b>99,116</b>	<b>138,894</b>	<b>110,277</b>	<b>142,700</b>

	Total contribution rate % of pensionable payroll	
	2010-11	2011-12
<b>Scheduled Bodies</b>		
National Probation Service - Derbyshire	15.1	10.1 plus £435,700
Peak District National Park Authority	15.7	12.0 plus £241,100
Chesterfield Crematorium	27.1	12.8 plus £15,600
Derbyshire Valuation Tribunal (ceased on 16 Jan 2011)	43.8	-
The University of Derby	13.8	10.7 plus £651,900
Chesterfield College	15.3	11.9 plus £133,800
Derby College	14.0	11.2 plus £449,400
Derbyshire Police Authority (see note)	16.1	10.9 plus £1,317,100
Derbyshire Fire Authority	16.0	11.2 plus £173,100
Derby Homes Limited	14.7	10.9 plus £258,700
High Peak Community Housing Ltd	11.8	12.2 less £23,700
Rykneld Homes Ltd	14.6	13.5 plus £16,600
Landau Forte College	11.0	10.3 plus £1,300
Connexions Derbyshire Limited (ceased on 31 Mar 2011)	17.9	-
Chellaston Academy	17.5	17.5
Ecclesbourne Academy	13.7 plus £3,100	13.7 plus £38,700
Kirk Hallam Academy	11.5 plus £3,000	11.5 plus £37,400
Shirebrook Academy	20.1	11.3 plus £30,600
Town and Parish Councils - Group 1	22.6	21.8
Town and Parish Councils - Group 2	14.1	15.2

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## PENSION FUND ACCOUNTS NOTES TO THE PENSION FUND

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Note: Derbyshire Police Authority agreed to pay more than the contribution rate on the valuation report for 2010-11 of 14.5%.

### Town and Parish Councils

Group 1		Group 2
New Mills Town Council	Whaley Bridge Town Council	Alfreton Town Council
Clay Cross Parish Council	Willington Parish Council	Wingerworth Parish Council
Pinxton Parish Council	Shirebrook Town Council	Heanor & Loscoe Town Council
Wirksworth Town Council	Eckington Parish Council	Darley Dale Town Council
Old Bolsover Town Council		Morton Parish Council
Belper Town Council		Burnaston Parish Council
Killamarsh Parish Council		North Wingfield Parish Council
Ashbourne Town Council		Tupton Parish Council
Dronfield Town Council		Tibshelf Parish Council
Whitwell Parish Council		Kilburn Parish Council
Staveley Town Council		Glapwell Parish Council
Matlock Town Council		

The following Admission Bodies also participate:

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND**

	Total contribution rate % of pensionable payroll	
	2010-11	2011-12
Three Valleys Housing Limited	18.5	12.6 plus £119,500
Amber Valley Housing Limited	12.6	12.3 plus £46,000
Dales Housing Limited	20.0	14.9 plus £120,500
Tramway Museum Society	8.8 plus £9,600	10.9 plus £10,200
Derbyshire Coalition for Inclusive Living	16.4 plus £27,800	15.7 plus £2,300
Chesterfield Care Group	16.4 plus £5,600	14.1 plus £3,800
Belper Sports Centre	12 plus £26,100	13.0 plus £17,200
Derbyshire Student Residences Limited	12.9	12.7 plus £8,200
Commission for Social Care Inspection	6.2	21.4
Cleanaway Ltd (Contract with Chesterfield BC)	5.7	15.9 less £5,500
Cleanaway Ltd (Contract with Amber Valley BC)	16.1	15.4 plus £83,200
Rentokil Initial Management Services Ltd	34.4	22.0 less £700
CSB Contract Services Ltd	22.8	26.4 plus £400
Norwest Holst Ltd	17.3	16.8 less £200
Initial Facilities Management Ltd	19.3	17.7 plus £2,500
Initial Catering Services Ltd	17.5	16.5 less £800
DC Leisure Management Ltd (contract with Amber Valley BC)	13.9	13.6 less £5,900
Leisure and Community Partnership Ltd (contract with Amber Valley BC)	13.9	13.6 less £5,900
Vale Contract Services Ltd	14.1	14.6 less £200
Balfour Beatty Power Networks Ltd	15.1	14.2 less £300
Macintyre Care Ltd	16.6	15.1 less £7,200
SIV Enterprises Ltd	15.5	14.6 plus £3,500
Veolia Ltd (contract with High Peak BC)	15.4	14.6 less £20,800
KGB Cleaning & Support Services	15.9	15.1 less £300
APCOA	17.9	16.7 less £8,500
DC Leisure Management Ltd (High Peak BC)	13.3	13.0 less £16,300
Leisure & Community Partnership Ltd (High Peak BC)	13.3	13.0 less £16,300
Clean Slate UK Ltd	17.3	15.4 less £300
Graysons Restaurants Ltd	17.8	15.9 less £1,700
Dell Corporation Ltd	12.8	12.6 less £2,400
Superclean Services Wothorpe Ltd	17.5	15.7 less £500
Apollo Property Services	16.9	15.5
Ian Williams Ltd	15.9	14.8
Northgate UK Ltd	15.7	14.3
NIC Services Group Ltd	17.9	16.3
Arvato Government Services (Sefton) Ltd	15.8	14.5
Kier Ltd	14.6	13.8
Mitie Facilities Services Ltd	17.8	16.2
Compass Services Ltd	17.4	15.7

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# ANNUAL GOVERNANCE STATEMENT

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## **Scope of Responsibility**

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

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

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

This statement explains how Derbyshire County Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of a Statement on Internal Control. This code is available on the Authority’s website.

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

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

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

The governance framework has been in place at Derbyshire County Council for the year ended 31<sup>st</sup> March 2011 and up to the date of the Statement of Accounts being certified by the Chief Financial Officer.

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

### **Policy and Plans**

The Sustainable Community Strategy for Derbyshire sets out a vision for everyone in Derbyshire to enjoy a good quality of life, both now and in the future. The Strategy provides an overarching guiding framework for partnership working and sets the context for the Authority’s Council Plan. The Council Plan sets out key priorities to help the Authority achieve its ambitions and is supported by resource strategies, Departmental Service Plans and other strategies, policies and plans. The Authority monitors and reports on progress on an ongoing basis against



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# ANNUAL GOVERNANCE STATEMENT

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a range of identified targets. The Council Plan is reviewed throughout its currency and is currently undergoing review to reflect changing national requirements.

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

## **Leadership**

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

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

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

## **Role of the Audit Committee**

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

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

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

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# ANNUAL GOVERNANCE STATEMENT

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

## **The Internal Control Framework**

Derbyshire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Authority has established a Governance Group of senior officers, chaired by the Director of Legal Services, to review and monitor the Authority's governance arrangements. This review is supported by the work of Strategic Directors and Directors which, together with the work of Audit Services, demonstrate that good governance practices are embedded throughout the Authority. Further assurance is provided by the Head of Internal Audit's Annual Report, and also by comments made by the external auditor and other review agencies and inspectorates e.g. Ofsted, Care Quality Commission.

## **The Chief Financial Officer**

The Authority's financial management arrangements substantially conform to the governance requirements specified in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The continuing area identified for development in 2011/12 is the formalisation of the Director of Finance's role in the continuing assessment and development of the financial skills required by Members, managers and staff of the Authority.

## **Role of Audit Services**

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

A detailed review of the effectiveness of the system of internal audit was undertaken by the former Director of Finance utilising an objective assessment tool which concluded that the internal audit arrangements within the Authority are effective. A further review will be undertaken in the current year.

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

## **Role of Improvement and Scrutiny**

Improvement and Scrutiny Committees support the work of the Executive and the Authority as a whole, by reviewing and/or scrutinising decisions, producing reports and making recommendations and considering the call-in of decisions made prior to implementation. The role of Improvement and Scrutiny is defined in the Constitution and reports produced by the Committees can be accessed via the County Council's website.

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# ANNUAL GOVERNANCE STATEMENT

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## **Role of Standards Committee**

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

## **Member and Staff Development**

The Authority has reviewed its arrangements for Member Training and Development, establishing a group as recommended by an Improvement and Scrutiny review to oversee and implement a structured framework. The group has developed a Member Development Plan, and allocated budgets to each political group. Staff induction, training and personal development reviews are regularly undertaken and feed into training plans which are subject to ongoing review. The management competency framework supports the development of managers within the Authority.

## **Consultation and Delivery in Partnership**

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

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

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

## **Future Improvements**

The reviews of effectiveness undertaken by both internal and external audit have advised that the Authority's overall financial management and corporate governance arrangements are sound. During the year the Authority's core systems have undergone a process of major change in moving from mainframe systems to SAP applications. The impact on the control environment has been that Audit Services opinions issued on core systems have been limited. They have identified key recommendations which when implemented should significantly improve the control environment. The implementation of these recommendations will be a priority in the current year. This has been endorsed by the Audit Committee. A full review of the Authority's governance arrangements has been undertaken in order to produce this statement utilising an objective assessment process recommended by the Chartered Institute of Public Finance and Accountancy. This has highlighted opportunities to further strengthen present arrangements and the responsibility for monitoring progress in this regard is monitored by the Governance Group. A detailed action plan has been formulated to address these areas which includes;

- Production of a Governance Manual;
- Formalisation of the Director of Finance's role in the assessment and development of the financial skills required by Members, Managers and staff of the Authority;
- Performance management and trend information;
- The formalisation of risk management responsibilities in new job family specifications;
- Review and refresh of the Authority's Resource Strategies.

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## ANNUAL GOVERNANCE STATEMENT

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We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit Committee and that a plan to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address the issues highlighted above so as to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements which were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Nick Hodgson  
Chief Executive  
27<sup>th</sup> September 2011

Councillor Andrew Lewer  
Leader of the Council  
27<sup>th</sup> September 2011

On behalf of Derbyshire County Council

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## **AUDITOR'S OPINION**

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### **Opinion on the Authority and Group accounting statements**

I have audited the Authority and Group accounting statements of Derbyshire County Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Derbyshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on accounting statements**

In my opinion the accounting statements:

- give a true and fair view of the state of Derbyshire County Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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## AUDITOR'S OPINION

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### **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

### **Opinion on the pension fund accounting statements**

I have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Derbyshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the pension fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword and the annual report to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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## **AUDITOR'S OPINION**

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### **Opinion on accounting statements**

In my opinion the pension fund's accounting statements: give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011 other than liabilities to pay pensions and other benefits after the end of the scheme year; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### **Opinion on other matters**

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

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

#### **Authority's responsibilities**

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

#### **Auditor's responsibilities**

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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## AUDITOR'S OPINION

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### **Basis of conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Derbyshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

### **Certificate**

I certify that I have completed the audit of the Authority and Group accounts of Derbyshire County Council and Derbyshire County Council Pension Fund in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Ian Sadd  
Officer of the Audit Commission  
Rivermead House  
Grove Park  
Enderby  
Leicester  
LE19 1SU

28 September 2011



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## GLOSSARY OF TERMS

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### **Accrual**

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

### **Accountable Body**

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

### **Actuarial Basis**

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

### **Amortisation**

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

### **Amortised Cost**

The cost of intangible assets reduced by the amount of amortisation charged to date.

### **Appropriation**

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

### **Area Based Grant**

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

### **Assets**

Right or other access to future economic benefits.

### **Assets Held for Sale**

Non-Current Assets which meet the relevant criteria to be classified as held for sale.

### **Associates**

An entity (including partnerships) which is not a subsidiary or joint venture, where the Authority has significant influence.

### **Available for Sale Assets**

Financial assets that have a quoted market price and/or do not have fixed or determinable payments.

### **Balance Sheet**

Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

### **Balance Sheet Date**

The date at which the Authority reports its financial statements. For Derbyshire County Council, this date is the 31st March.

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

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

### **Bonds**

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

### **Budget**

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

### **Cabinet**

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

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## GLOSSARY OF TERMS

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### **Cap And Trade Scheme**

Schemes where a 'cap' or limit is imposed on authorities for certain activities. Authorities can increase or decrease their limit by 'trading' for allowances.

### **Capital Adjustment Account**

Capital reserve largely comprising of resource applied to capital financing and is not available to the Authority to support new investment

### **Capital Costs**

Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.

### **Capital Expenditure**

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

### **Capital Financing**

The cost of financing capital expenditure.

### **Capital Grant**

Grant which is intended to fund capital expenditure.

### **Capital Grant Unapplied Reserve**

Capital reserve reflecting the value of capital grant received where there are no conditions outstanding; however expenditure on the associated asset has not been incurred.

### **Capital Receipts**

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

### **Capital Reserves**

Reserve balances held for capital purposes

### **Carbon Reduction Commitment**

Cap and trade scheme aimed at improving the impact Local Authorities have on Climate Change.

### **Cash Flow Statement**

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

### **Central Support Services**

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

### **CIPFA Code**

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

### **Collection Fund**

The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

### **Collection Fund Adjustment Account**

Revenue reserve to represent the difference between the income received by a Local Authority in Council Tax and the amount attributable to them.

### **Collection Fund Statements**

The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

### **Community Assets**

Assets which are held for the benefit of the community where there is no determinable useful life, such as works of art.

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## GLOSSARY OF TERMS

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### **Community Schools**

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

### **Comprehensive Income and Expenditure Statement (CIES)**

This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.

### **Constitution**

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

### **Contingent Liability**

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

### **Core Service Areas**

The services provided by the Authority externally, such as education, highway maintenance and adult social care.

### **Corporate & Democratic Core**

Costs associated with the democratic management of the Authority such as the Chief Executives salary and Members Allowances.

### **Council**

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

### **Council Tax**

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

### **Council Tax Base**

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

### **Council Tax Precept**

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

### **Credit**

A credit represents income to an account.

### **Creditors**

Represents the amount that the Council owes other parties.

### **Debit**

A debit represents expenditure against an account.

### **Debt Charges**

This represents the interest payable on outstanding debt.

### **Debtors**

Represents the amounts owed to the Council.

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

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

### **Deficit**

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

### **Defined Benefit Scheme**

Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members' contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

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## GLOSSARY OF TERMS

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### **Defined Contribution Scheme**

Also known as a Money Purchase Scheme. Pension scheme arrangement where the employer's liability is restricted to the amount that they contribute. Benefits payable to the members depend on the performance of the invested contributions of the members and the employer, the level of contributions invested, the charges deducted by the product provider and the annuity rate at retirement.

### **Depreciation**

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

### **Derecognition**

The process upon which assets are no longer deemed to belong to the Authority either by sale, destruction or other form of disposal.

### **Direct Revenue Financing**

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

### **Discount**

An allowance received through the early repayment of debt

### **Discounted Cash Flow**

A method of analysing future cash flows, by removing the impact time has on the value of money, and producing an equivalent current value (present value).

### **Donated Assets**

Assets which have been acquired at below market cost.

### **Earmarked Reserves**

Reserve balances which have been set aside for future spending in a specific area.

### **Employee**

A person who holds an office within the Authority, but does not include a person who is an elected councillor.

### **Employee Costs**

The costs directly associated with employees, including but not exhaustively salaries and wages, National Insurance contributions and pension's costs.

### **Enhancement Expenditure**

Expenditure which increases the value of an asset.

### **Equities**

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

### **Exceptional Items**

Events which are material in terms of the Authority's overall expenditure and are not expected to recur frequently or regularly.

### **Extraordinary Items**

Material items possessing a high degree of abnormality which arise from events or transactions that fall outside the ordinary activities of the reporting entity and which are not expected to recur.

### **Fair Value**

Usually the amount that would be paid for an asset in an active market, however where there is no market for a certain type of asset (such as schools) other methods to determine fair value are used.

### **Finance Costs**

Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.

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## GLOSSARY OF TERMS

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### **Finance Lease**

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

### **Financial Assets**

A right to future economic benefits controlled by the Authority.

### **Financial Instruments**

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

### **Financial Instruments Adjustment Account**

Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against Council Tax.

### **Financial Liabilities**

An obligation to transfer economic benefits controlled by the Authority.

### **Fixed Assets**

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

### **Formula Grant**

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

### **Foundation Schools**

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

### **General Fund Balance**

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

### **General Reserves / General Fund Balance**

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

### **Going Concern**

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

### **Government Grants**

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

### **Grants**

Payment towards the cost of Local Authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

### **Group Accounts**

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

### **Impairment**

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

### **Inflow**

This represents cash coming into the Council.

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## GLOSSARY OF TERMS

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### **Infrastructure Assets**

Assets associated with the road networks owned and maintained by Derbyshire County Council.

### **Intangible Asset**

Non-current assets which do not have physical form such as software.

### **Internal Service Costs**

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

### **International Accounting Standard (IAS's)**

Regulations outlining the method of accounting for activities, IAS's are currently being replaced with International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board.

### **International Financial Reporting Standards (IFRS)**

Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

### **Inventories**

Fair value of current assets purchased which have not yet been consumed.

### **Investment Property Assets**

Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation).

### **Investments**

An asset which is purchased which is expected to increase in value by providing income, capital appreciation or both.

### **Joint Venture**

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

### **Landfill Allowance Trading Scheme**

Cap and trade scheme aimed at improving reducing the level of waste taken to landfill and encourage alternative refuse processes.

### **Leases**

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

### **Lessee**

The person or organisation that is using or occupying an asset under lease (tenant).

### **Lessor**

The person or organisation that owns an asset under lease (landlord).

### **Liabilities**

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

### **Liquid Resources**

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

### **Loans and Receivables**

Financial assets which are not quoted in an active market and have either a fixed or determinable payment.

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

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

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

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

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## GLOSSARY OF TERMS

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### **Materiality**

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

### **Members**

Elected councillors responsible for the democratic leadership of the Council.

### **Members Allowances**

Allowances paid to members in association with their roles and responsibilities.

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

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

### **Movement in Reserves Statement**

The statement detailing the movement in the reserves of the Authority.

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

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

### **Net Book Value**

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

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

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

### **Non-Current Assets**

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

### **Non-Distributed Costs**

The value of revenue operating expenditure that is not able to be apportioned to one of the authorities core service areas.

### **Operating Lease**

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

### **Outflow**

This represents cash going out of the Council.

### **Pensions Costs**

The benefits paid by the Authority which are accrued during the period of employment and paid to ex-employees after retirement.

### **Pensions Liability**

The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.

### **PFI**

See Private Finance Initiative

### **PFI Credits**

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

### **Premium**

A payment made in association with the early repayment of debt.

### **Previous Year Adjustments**

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

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## GLOSSARY OF TERMS

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### **Principal**

The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

### **Prior Period Adjustments**

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

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

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

### **Projected Unit Method**

This is a common actuarial funding method to value pension scheme liabilities.

### **Provision for Bad & Doubtful Debts**

A prudent reduction in the reported level of income owed to the Authority for non payment of invoices and other debt.

### **Provisions**

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

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

A Government agency which provides longer term loans to local authorities at favourable interest rates only slightly higher than those at which the Government itself can borrow.

### **Quoted Market Prices**

A method of determining the fair value of financial assets via prices quoted on an active market.

### **Recognition**

The process upon which assets are deemed to belong to the Authority either by purchase, construction or other form of acquisition.

### **Reserves**

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

### **Revaluation Gain**

The increase to the fair value of an asset following a valuation.

### **Revaluation Reserve**

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

### **Revenue Expenditure**

Expenditure which is not capital.

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

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

### **Revenue Grant**

Grant which is not capital.

### **Service Concession Arrangements**

Arrangements which involve the supply and maintenance of assets and service delivery.

### **Service Costs**

Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.

### **Short Term Benefits**

Employee benefits earned and consumed during employment.



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## GLOSSARY OF TERMS

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**Soft Loans**

Low interest rate loans.

**Specific Grant**

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

**Straight Line Basis**

The method of calculating depreciation via charging the same amount each year over the life of the asset.

**Subsidiary**

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

**Surplus**

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

**Surplus Assets**

Assets which are no longer in operation.

**Tenant**

The person or organisation that is occupying an asset under lease.

**Termination Benefits**

Employee benefits paid upon termination of employment such as redundancy.

**Trading Accounts**

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

**Treasury Management**

Utilisation of cash flows through investments and loans.

**UK GAAP**

United Kingdom Generally Accepted Accountancy Practice.

**Unidentified Income**

Income received by the Authority where the reason for the income is unknown.

**Usable Capital Receipts Reserve**

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

**Useful Life**

The period with which an asset is expected to be useful to the Authority in its current state.

**Value Added Tax**

National taxation charged on goods and services.

**Voluntary-aided schools**

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

**Voluntary-controlled schools**

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

**Waste Disposal Authorities**

Authorities with the statutory responsibility for disposal of refuse.

**Work in Progress**

The fair value of incomplete contracts for goods and services which are to be charged to external customers.

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## CONTACT US

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

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