

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality of opportunity; and legal, financial, environmental, health, respect for human rights, personnel and property considerations.

DERBYSHIRE COUNTY COUNCIL

COUNCIL

25 June 2007

Report of the Head of Corporate Finance

STATEMENT OF ACCOUNTS FOR 2006-07 (STRATEGIC POLICY & BUDGET)

1. Purpose of the Report

The report presents the accounts for adoption, and invites discussion on the content.

2. Information and Analysis

The Accounts and Audit Regulations require the accounts to be adopted by 30 June. They must be published by 30 September.

The accounts are subject to audit and any material adjustments will have to be reported back. They are open for inspection by the public for 4 weeks from 2 August. There have been major changes to the format of the Accounts as a result of the 2006 Statement of Recommended Practice issued by CIPFA. The core financial statements are as follows:

- Income and Expenditure Account
- Statement of Movement on the General Fund Balance

- Statement of Total Recognised Gains and Losses
- Balance Sheet
- Cash Flow Statement

Notes to the above statements are now grouped together in the Accounts.

The Accounts incorporate the Statement of Internal Control, Local Code of Corporate Governance and the Pension Fund Accounts.

3. Legal Considerations

The accounts must be adopted by 30 June and are subject to Audit.

4. Background Papers

The Accounts.

5. Key Decision

Yes.

6. OFFICER'S RECOMMENDATION

It is recommended that:

- (i) The accounts for 2006-07 be adopted, and
- (ii) The accounts be referred to the Audit Committee for scrutiny in July.

GRAHAM HUNT

Head of Corporate Finance

County Hall
MATLOCK

6 June 2007

Head of Corporate Finance, GRAHAM HUNT, C.P.F.A

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Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The authority is required:

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

The Accounts were approved by Cabinet on 25 June 2007.



Councillor J G Williams
Chair, Cabinet
26 June 2007

The Head of Corporate Finance's responsibilities

The Head of Corporate Finance is responsible for the preparation of the authority's statement of accounts which, in terms of the Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

In preparing this statement of accounts, the Head of Corporate Finance has:

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

The Head of Corporate 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.

Certificate of Head of Corporate Finance

I certify that the Statement of Accounts present fairly the financial position of Derbyshire County Council at 31 March 2007 and its income and expenditure for the year then ended.



Graham Hunt
Head of Corporate Finance
26 June 2007

Explanatory Foreword

Explanatory Foreword

Introduction

These accounts set out the financial results of the Council's activities for the year ended 31 March 2007. The County Council manages its affairs to ensure the economic, efficient and effective use of resources and safeguard its assets. This is vital if the Council is to continue to play a leading role in the community and provide high quality services for the benefits of all its residents. This task is shared by all Members and Officers of the Council under the leadership of Cabinet and the Chief Executive. The Strategic Director of Corporate Resources and Head of Corporate Finance play a particular role in ensuring financial stewardship.

This booklet is prepared following the statutory requirements of the Accounts and Audit Regulations 2005 and in accordance with the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code') which requires that the accounts present fairly the financial position and transactions of the County Council. Appropriate accounting policies have been applied consistently and prudent judgements and estimates have been made in compliance with the Code. The Council keeps proper, up to date financial records, maintains effective internal control and risk management systems and takes all reasonable steps to ensure the prevention and detection of fraud and other irregularities.

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

- An explanation of the accounting statements which follow
- A review of the Council's financial performance in 2006-07
- An indication of the Council's financial position as at 31 March 2007
- An overview of the Council's plans for future priorities in service delivery

A glossary of terms is provided on page 74 to assist the reader

The Statements

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

- *Statement of Responsibilities for the Statement of Accounts* which outlines the relative responsibilities of the Council and the Head of Corporate Finance for preparing the accounts.
- *Statement on the System of Internal Financial Control* which sets out the framework within which financial control is managed and reviewed and the main components of the system.
- *Statement of Accounting Policies* which explains the basis for recognition, measurement and disclosure of transactions and other events in the accounts
- *Income and Expenditure Account* which shows the County council's spending on services during the year and how the cost of those services has been financed from fees and charges, specific and general grants and local Council Tax payers. For comparison the previously estimated figures are also shown.
- *Statement of Movement on the General Fund Balance* which reflects the differences between the Income and Expenditure Account which measures resources consumed and generated over the year and how the Council calculates its requirement to raise council tax. A key difference relates to pensions – in the Income and Expenditure Account charges are made as future pension benefits are earned but in raising council tax account has taken of actual payments made to pensioners and pension funds.
- *Statement of Total Recognised Gains and Losses* which replaces the Statement of Total Movement on Reserves. The Income and Expenditure Account does not reflect all the gains and losses experienced by the Council and this statement is included to ensure gains and losses on the revaluations of fixed assets or arising from actuarial valuation of pensions are visible
- *Consolidated Balance Sheet* which summarises the financial position of the County Council. It provides a statement of the Council's assets and liabilities at the year end (31 March 2007)
- *Cash Flow Statement* which summarises the total external cash movements during the year for revenue and capital purposes

Explanatory Foreword (continued ...)

- *Notes to the Core Financial Statements* In previous years each statement had its own set of notes but these have now been consolidated into one set of notes for all the core financial statements
- *Pension Fund* The County Council administers the Derbyshire pension Fund. Other participating authorities include Derby City Council, all 8 District Councils and over 85 other admitted bodies
- *Capital Expenditure Statement* Although not a required statement the Council considers this statement showing capital expenditure in the year and its method of financing to provide the reader with a full picture of the Council's financial transactions in the year.
- *Dedicated Schools Grant DSG* This too is not a required statement but is included to show the full picture on service expenditure. From 2006/07 onwards funding for schools is received as a specific grant and is therefore netted out in the Income and Expenditure Statement on page 31. This statement shows the breakdown of expenditure held centrally and delegated to individual schools funded by the DSG.

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

Summary of the Council's financial performance for the year 2006-07

The Audit Commission assesses each local authority at regular intervals through a Comprehensive Performance Assessment (CPA). In 2006/07 the authority was re-assessed on its Use of Resources as part of the annual review of its CPA score and scored 3 out of 4, the same score as previously. A 3 out of 4 is classed as "performing well" and helped to contribute to the maintenance of the Council's overall 4 star CPA rating, the maximum score. In 2006 the Council implemented an action plan to deliver a Use of Resources score of 4 out of 4 by 2009; the Council has made progress towards achieving this score and in consequence has been held up nationally as an exemplar of good practice for its Financial Standing.

Revenue Expenditure

The Council set a total revenue budget for the year of £371.763m but comparisons with the previous year are difficult because there was a major change in the way central government support for the funding of schools is provided. Previously funds were provided as part of the Council's overall RSG but now funds are received via a specific grant, the impact of which is to reduce the Council's overall expenditure by £376m compared to what it would have been. RSG and the Council's share of NNDR are reduced to compensate. The budget was set with limited use of reserves and balances but the identification of £6m of efficiency savings allowed the funding of £6.8m of service pressures in addition to inflation with the majority of this being provided to deal with pressures on services for children and vulnerable adults.

The resultant council tax increase was 4.5%, once again amongst the lowest of any county council in the country.

The Code defines how the Council's expenditure on services should be split within the Income and Expenditure Account (page 31). Expenditure is however controlled at departmental level and the table below shows that expenditure compared to the revised estimate.

Explanatory Foreword (continued ...)

Department	Revised Estimate £	Actual £	Total Variance £
Corporate Resources Department	2,553,398	1,156,909	(1,396,489)
Chief Executives	5,389,920	4,588,850	(801,070)
Corporate	19,236,862	16,988,034	(2,248,828)
Cultural & Community Services	18,868,357	17,442,896	(1,425,461)
Children & Younger Adults	175,457,000	175,274,605	(182,395)
Environmental Services	79,111,025	76,690,451	(2,420,574)
Older Adults	99,293,363	98,598,823	(694,540)
Total Service Expenditure	399,909,925	390,740,568	(9,169,357)
less Capital Charges	(30,175,497)	(29,784,925)	390,572
add external financing costs	32,405,000	32,400,030	(4,970)
less interest receipts	(5,052,000)	(8,201,005)	(3,149,005)
Charged against capital	(4,916,542)	(4,916,542)	0
			-
Net expenditure	392,170,886	380,238,126	11,932,760
Transfers to/from(-) reserves	(2,460,692)	1,850,159	4,310,851
PSA Reward Grant		(1,819,726)	(1,819,726)
Local Authority Business Growth Initiative		(1,521,200)	(1,521,200)
Use of reserves for equal pay claims	(13,000,000)	(12,956,789)	
Use of reserves for expenditure b/f	(5,435,000)	(5,435,000)	
			-
	371,275,194	360,355,570	10,962,835
Financed by			
RSG	21,159,369	20,901,675	(257,694)
Amending report	(617,000)	0	617,000
NNDR	109,613,814	109,254,831	(358,983)
Council Tax	240,989,573	240,989,817	244
	371,145,756	371,146,323	567
Use of balances	129,438	(10,790,753)	

The revised estimate for service expenditure increased from the original estimate as a result of approvals for the carry forward of previous year underspends to be financed from balances.

Explanatory Foreword (continued ...)

The major change from the original estimate arises from the decision to fund equal pay claims at a cost of almost £13m. The use of balances to meet this expenditure will avoid more significant costs in later years.

Actual net expenditure was below the revised estimate and therefore balances did not reduce by the full £13m above. There were underspends on most services, with no significant overspends with the main reasons for the underspend being

- Interest on balance was £3m higher than budgeted
- No calls on the Risk Management provision (£2.7m) were necessary
- PSA Performance Reward Grant of £1.8m and Local Authority Business Growth Initiative funding of £1.5m had been anticipated but not budgeted for

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

- Pays for more than 430 schools and 12,700 staff to educate nearly 115,000 pupils
- Provides a free home help service to 14,700 vulnerable people
- Delivers 725,000 meals on wheels
- Supplies over 18,700 aids and adaptations to disabled people
- Carries out nearly 1,000 child protection investigations
- Invests over £25m repairing and improving over 3,500 miles of roads and pavements
- Organises free and half price school transport for 35,000 pupils
- Spends £1.7m on books, CDs and DVDs for our 59 libraries
- Look after 3,200 miles of footpaths, five country parks, wildlife sites and information centres
- Dispose of over 360,000 tonnes of household waste collected by the district councils and brought to recycling centres
- Provides 60,000 b-line cards offering discounts to young people and 175,000 Gold cards offering free travel and discounts to older and disabled people

County Fund Reserves and Balances

At 1 April 2006 the Council had uncommitted general reserves of almost £27m and was anticipating that this would remain fairly constant by the end of 2006/07. Midway through the year the decision was taken to use balances to fund equal pay claims and avoid heavier costs in future years. Despite the use of £13m to deal with this issue increased interest on balances and not having to utilise the risk management contingency have enabled reserves to be held at almost £21m at the end of the year although services have made proposals to utilise some of this.

Capital Expenditure

The estimated capital expenditure was £116.05m against which expenditure was £96.7m, slightly less than in the previous year. The main reason for the underspend were delays to the MEGZ project because of a hold up in statutory procedures outside the authority's control, and work on the Ilkeston-Awsworth link, waste disposal and change management projects not progressing as quickly as anticipated. These projects are all expected to progress quickly during 2007/08. The Council was holding over £25m of capital receipts at 31 March 2006 which are available to support future capital spending programmes.

Pension Fund

The Pension Fund's overall return for 2006-07 was 6.9% (2005-06 25.0%) which compares to the average return on local authority funds of 7.0%. Over the last 10 years the return was 8.0% per annum which is 0.3% per annum ahead of the average. For comparison the 10 year figures for average earnings and retail prices are 4.3% and 2.8% respectively.

Explanatory Foreword (continued ...)

The Fund's latest Actuarial Valuation was carried out as at 31 March 2004 at which point it was calculated that the Fund's assets represented 70% of its past service liabilities compared with 88% at the March 2001 valuation. The main reasons for the decrease in funding level were the unfavourable performance of equity markets relative to the actuary's assumptions and the fall in gilt yields. If the market continues to hold or improve the gains it has made over the last three years the next valuation (2007) should show an improvement on this position.

Accounting Policies

A significant change has been made to policy regarding capital financing. In previous years services were charged with both depreciation (based on the expected life of the asset) and a cost of capital financing charge or notional interest (6% of the asset value). There is no longer a requirement to make the cost of capital financing charge and as a result service expenditure would appear artificially lower than in previous years. To allow valid comparison the prior year comparators have been restated to remove the notional interest charge

Planned Future Developments

Under the Council's Financial Strategy it has further developed its forward financial plan into a forecast of resources and costs up to 2011-12. The plan indicates significant pressure from both reduced central government funding as part of the next Spending Review in 2007 and from cost pressures such as Building Schools for the Future, new waste disposal requirements, increasing need for services from vulnerable people and other Council Plan targets as well as ongoing pressures of pay and prices. All this is within the context of keeping council tax rises down to as low a level as possible.

More detail on the 2007-08 financial position can be found in the reports to Cabinet and Council on the budget and the Council's budget book which are available on the web site www.derbyshire.gov.uk

Graham Hunt
Head of Corporate Finance

Statement on Internal Control

Incorporating Local Code of Corporate Governance

1. Scope of Responsibility

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

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

2. The Purpose of the System of Internal Control

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

3. The next section outlines the internal control environment in which the Council operates and reviews the effectiveness of the controls. This system of internal control has been in place at the Council for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

4. The Internal Control Environment

The key elements of control are described below:

- (a) The Council sets out its objectives through a series of Plans, the major of these being the Community Strategy, the Council Plan and Service Plans, Asset Management Plans, and key strategies eg Financial, Human Resources, Information Technology, Property, Legal; Action Plans arising from Best Value Reviews, Improvement & Scrutiny Reports and External Inspection reports; Revenue and Capital Budgets are also key controls. Systems to monitor outcomes are also in place.

Notable amongst the External Inspection reports is the Audit Commission's Comprehensive Performance Assessment (CPA), where the Council achieved an "excellent, improving well" rating. The CPA now constitutes one of the main external examinations of the Council's service performance, use of resources, and provision of value for money.

- (b) The Council facilitates policy and decision making through a series of mechanisms designed with effectiveness, efficiency, economy, transparency and accountability to local people as prime objectives, all within the statutory framework within which the Council operates. The Council's policy and decision making process is set out in the Council's Constitution which describes how the Council operates and how decisions are made through Council and Cabinet, explains the role of Standards, Improvement & Scrutiny and the Council's Staff, and sets out the rights of Citizens in respect of their dealings with the Council. An Audit Committee is also well established.

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

Statement on Internal Control (continued)

- (c) The financial management of the Council is integrated with and influenced by many of the above processes, and includes processes for forward planning of expenditure and resources, budget consultation, setting and monitoring, and completion of final accounts, all aimed to be accurate, informative and timely. The Council also has in place financial regulations designed to support sound financial management policies and procedures, and adherence thereto, and also to reflect the Council's current political and management structure and business activities.
- (d) In order to ensure compliance with policies, procedures and statutory requirements, the Council has a range of controls and processes in place, as set out below. These processes also assist the authority in ensuring the economical, effective and efficient use of resources, in securing continuous improvement in exercising its functions, and provide for an effective performance management and reporting process.
- (e) The SIC describes the assurance framework for the Council, which is a structure which identifies the principal risks to the Council in meeting its objectives, key controls in place to manage them, and a process for gaining assurances about their effectiveness.

Review of Effectiveness of Internal Controls

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

Control	Review of Effectiveness
<p>Statutory roles of the Council's Monitoring Officer and Section 151 Officer to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure legality and sound financial standing.</p>	<p>Council, Cabinet, Committees and Chief Officers have a full range of professional officer advice to enable them to carry out their functions effectively and in compliance with statutory requirements. The External Auditor provides an independent assessment of the Council's compliance. An unqualified audit opinion was received for the 2005-06 accounts. The Council scored 3 out of 4 in the 2006 CPA 'Use of Resources' assessment. An action plan has been developed in response to areas for improvement identified by the Auditor.</p> <p>In setting the budget for 2007-08, Council was advised on the robustness of the budget process, forward financial prospects, reserves, service pressures, efficiency savings and key risks. The budget report presented to Council was approved without amendment.</p> <p>Budget monitoring is in place, and actions are taken to regularise overspends.</p> <p>The Accounts and Audit Regulations have been modified to require a statement that Direct Schools Grant (DSG) has been deployed in accordance with Regulations. The new process required by DFES - the Schools Management of Financial Information Systems (FMSiS) - will underpin this statement. FMSiS requires, over time, all schools to be evaluated to assess compliance with standards of financial control and management. Internal Audit are undertaking this work and will report on the outcomes.</p>

Statement on Internal Control (continued)

Control	Review of Effectiveness
<p>Audit Committee established with effective arrangements in place.</p>	<p>The Committee approves a programme of meetings and agenda items for the forthcoming year, and receives reports including internal and external audit programmes and associated progress and year-end reports, financial regulations and reporting codes, risk register updates, and budget monitoring. The Committee also reviews the annual statement of accounts, the statement of internal control, and the effectiveness of the Council's system of internal audit.</p>
<p>Internal Audit provide independent and objective assurances across the whole range of the authority's activities.</p>	<p>The External Auditor is able once again to place reliance on the work of the Section (Annual External Audit Report 2005-06) and identified areas for improvement, which will be actioned.</p> <p>The Audit Committee receives regular reports, in accordance with its terms of reference, concerning the Section's plans and performance, and proposals to address any resources issues.</p> <p>The Head of Audit Services produces an annual statement on the adequacy of the Council's control framework as part of the Unit's Annual Audit Report (Audit Committee 6 July 2006 covering 2005-06 accounts). A similar statement will be included in the Unit's 2006-07 Report.</p> <p>Audit Committee will also conduct a review of the effectiveness of the Council's system of internal audit, as required by the Accounts & Audit (Amendment) Regulations 2006.</p> <p>Arrangements are in place, and are subject to regular review, to achieve effective working protocols between internal and external audit with the aim of ensuring efficient audit resource allocation and to avoid duplication.</p>
<p>Risk Management policies and procedures are in place with the objective of ensuring that the risks facing the authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed, and these arrangements are approved and reviewed by Audit Committee following advice from the Chief Executive and all Chief Officers.</p>	<p>The Risk Management Policy was reviewed and approved by Cabinet on 6 April 2004 and is currently being further reviewed. Regular reviews of the risk registers are undertaken, and reports updating the risks facing the Council are taken to both Audit Committee and Cabinet. Risk considerations are incorporated into the budget process and service planning. Risk awareness training for members and managers has taken place and will continue, and further awareness raising is provided through Dnet and Workforce articles and payslip enclosures.</p> <p>A number of major strategic and operational developments have been identified which require detailed risk analysis and registers, including Building Schools for the Future, Waste Strategy & Procurement, Local Area Agreements and Core Systems.</p> <p>The Council has developed a partnership register and protocols to address the expansion in this area, particularly Local Area Agreements. Internal Audit will test the effectiveness of these arrangements as part of the audit programme.</p>

Statement on Internal Control (continued)

Control	Review of Effectiveness
	<p>Cabinet (13 December 2005) has approved a Business Continuity Strategy & Operational Plan.</p> <p>The 'Project Appraisal & Management Toolkit' available on Dnet to all staff incorporates a risk assessment module to assess risks relating to new projects or initiatives. A "Risk Awareness" Toolkit for Members is available on Dnet.</p> <p>Insurance policies and funds are in place and are regularly reviewed to ensure the Council is adequately safeguarded.</p> <p>A 'Corporate Insurance Strategy', setting out a framework for dealing with insurable risks, including internal/external funding, the role of insurance brokers, actuarial reviews and procurement processes, was approved by Cabinet on 22 June 2004.</p> <p>The Council has adopted a procurement strategy (Cabinet 2 November 2004) to ensure effective use of resources and compliance with relevant statutory requirements.</p> <p>A policy for the financial vetting of contractors was approved by Cabinet on 22 February 2005.</p> <p>This is not an exhaustive list and many other risk mitigation measures are in place.</p>
<p>Provision of effective, efficient and responsive systems of financial management.</p>	<p>To support forward planning and ensure the Council can meet its objectives, a Financial Strategy document has been approved and will be subject to review; a Five Year Financial Plan was approved by Cabinet in June 2006, and this will be reviewed shortly. Procedures have been reviewed to ensure the requirement for earlier completion of final accounts is achieved.</p> <p>Financial Regulations and Standing Orders - new and revised regulations were implemented from 1 April 2002 and the Regulations were reviewed by Audit Committee during 2006. Internal Audit, as part of their standard work processes, test compliance against the regulations across Departments, and their effectiveness.</p> <p>In order to maintain essential service provision, a major project to replace the Council's core systems is now underway.</p> <p>Systems are in place to deliver the framework necessary to identify, quantify and monitor "Gershon" efficiency savings, and an officer group is established to evaluate and monitor service improvement initiatives and achievement of targets. Cabinet has been regularly informed of progress against Gershon targets.</p>
<p>Codes of practice are issued by external bodies in respect of Council services and processes, with which the Council is expected to comply.</p>	<p>The Council has complied with the 2003 CIPFA Code relating to Capital Finance & Treasury Management.</p> <p>In preparing its Funding Strategy Statement (FSS), that sets out a strategy for</p>

Statement on Internal Control (continued)

Control	Review of Effectiveness
	<p>dealing with employers' pension liabilities in the longer term, the Council has had regard to the guidance issued by CIPFA in its publication, "CIPFA Pensions Panel Guidance on Preparing and Maintaining a Funding Strategy Statement". (The FSS was approved by the Pensions Committee on 24 March 2005.) In addition a governance policy statement for the pension fund was adopted by the Council in March 2006 in accordance with Local Government Pension Scheme regulations.</p>
<p>The scrutiny function is carried out and developed through Improvement & Scrutiny Committees covering a wide range of Council functions.</p> <p>The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members.</p>	<p>The Improvement & Scrutiny Committees have continued to carry out reviews across a wide range of functions and Cabinet has received reports and recommendations from the Committees.</p> <p>The Council adopted the Code of Conduct for Members in 2002. The Standards Committee keeps it under review and is responsible for Members' training on conduct issues. Three of nine Members of the Committee are Independent Members appointed for a four year term. An Independent Member would Chair the Investigation Panel if a complaint of misconduct falls to be dealt with by the Council. So far none have.</p> <p>Since 2002 the Government and the Standards Board for England have been working towards devolution of standards issues to Councils. Regulations now provide for local investigation and local determination of cases. The Local Government and Public Involvement and Health Bill would take this further with local referral of cases for investigation instead of referral by the Standards Board for England. The Standards Committee are preparing for this.</p> <p>In March 2007, the Government published a new Model Code of Conduct which the Council will need to consider and adopt before October. It contains significant changes and these will be drawn to the attention of all members.</p>
<p>A performance management framework is in place to measure progress against objectives, and to provide for remedial action where appropriate, and to inform planning and decision making.</p> <p>Data quality arrangements are established.</p>	<p>The Council's processes are well embedded and investment has been made in new systems to achieve effective and robust outcomes.</p> <p>Adequate arrangements are currently in place, but there are a number of areas for improvement identified by the external auditor which will be actioned, relating to checking procedures, consistency and data sharing.</p> <p>Internal Audit will test the effectiveness of the arrangements as part of their audit programme.</p>
<p>Reports received recently from external agencies and inspectorates, which would encompass major services, and other specific external evaluations.</p>	<p>The latest CPA judgement, issued in December 2006, resulted in an overall highest excellent rating for the Council, and also judged that the Council is improving well.</p> <p>A full list of 'Awards and Accolades' is contained in the Council's Annual Report - Evaluation Section.</p>
<p>Delivery of services by trained, skilled and experienced personnel.</p>	<p>The Council is staffed by suitably qualified and experienced employees, selected against accurate and specific job descriptions and person specifications.</p>

Statement on Internal Control (continued)

Control	Review of Effectiveness
	<p>The Council has demonstrated its commitment through IIP accreditation, due priority to employee training needs and competencies, work aids, such as IT facilities, and improved communication with staff, including an Employee Attitude Survey. Induction and awareness training is in place.</p> <p>The Council is investing in a Learning Management System to support training development, recording and monitoring across the Council.</p>

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

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

5. Significant Internal Control Issues

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

Statement on Internal Control (continued)

Derbyshire County Council Statement on Internal Control - Assurance Framework

Responsible Bodies: Council, Cabinet, Audit Committee and Chief Officer Group

Responsible Bodies: Council, Cabinet, Audit Committee and Chief Officer Group		
<p>Strategies, Plans, Policies and Procedures</p> <ul style="list-style-type: none"> ▪ Council Plan ▪ Business and Service Plans ▪ Corporate and Service Risk Registers ▪ Anti Fraud policy ▪ External Audit/Audit Plan ▪ CRB checks ▪ Complaints Procedures ▪ Financial Regulations ▪ Health and Safety Policies ▪ Standards Committee ▪ Internal Audit/Audit Plan ▪ Monitoring Officer Role ▪ Performance Management framework ▪ Procurement Strategy ▪ Register of Interests ▪ Risk Management Strategy ▪ Scrutiny Committees ▪ Standards Committee ▪ Strategies: Financial, HR, IT, Legal, Procurement ▪ Whistle blowing policy 	<p>Operational Measures</p> <ul style="list-style-type: none"> • External Audit/Audit Letter • Health and Safety policies • Project Management measures • Performance Management • Internal Audit • Quality Standards • Strategic Risk Review Group • Risk Management Group • Whistle blowing policy 	<p>Service Delivery</p> <ul style="list-style-type: none"> • External Audit/Audit Letter • Service delivery plans • Health and Safety policies • Project Management monitoring and risk registers • Performance Management • Internal Audit • Quality Standards • Whistle blowing policy

Note: Certain controls fulfil more than one area of assurance

Statement on Internal Control (continued)

LOCAL CODE OF CORPORATE GOVERNANCE

Good Corporate Governance underpins credibility and confidence in our public services. A framework for Corporate Governance in local government has been set out in the CIPFA/SOLACE Framework for Corporate Governance in Local Government. The Council complies with the underlying principles of good governance:

- Openness and inclusivity
- Integrity
- Accountability

The Council's Code of Corporate Governance sets out the principles used to run its business in accordance with five key components:

1. Community Focus
2. Service Delivery Arrangements
3. Structures and Processes
4. Risk Management and Internal Control
5. Standards of Conduct

1. Community Focus

In carrying out its duties the Council works with and for the local community, exercises leadership in the local community, where appropriate, and undertakes an ambassadorial role to promote the well-being of the county by maintaining arrangements which:

- Give accountability to stakeholders for the council's performance and effectiveness in delivery of its services.
- Demonstrate openness in all its dealings.
- Demonstrate inclusivity through effective communication and engagement with the local community.
- Articulate a clear strategic vision in response to local need.

2. Service Delivery Arrangements

The Council monitors the implementation of its agreed policies and decisions and aims to achieve continuous improvement in the procurement and delivery of services by maintaining arrangements which:

- Demonstrate accountability for service delivery at a local level.
- Ensure effectiveness through measurement of performance.
- Demonstrate integrity in its dealings with service users and partnerships to ensure the right provision of services locally.
- Demonstrate openness and inclusivity through consultation with key stakeholders and service users.

Statement on Internal Control (continued)

3. Structures and Processes

The Council has put into place effective managerial structures and processes to govern its decision making and the duties of the authority by:

- Defining roles and responsibilities of Members and officers to ensure accountability and clarity of the council's business and their roles within it.
- Ensuring proper scrutiny and review of all aspects of performance and effectiveness.
- Demonstrating integrity by securing a balance of power and authority.
- Documenting its structures and procedures and ensuring they are communicated and understood to demonstrate openness and inclusivity.
- Ensuring these structures and processes are kept up to date and adapted to meet the needs of a changing and improving environment.

4. Risk Management and Internal Control

The Council has established a risk strategy and framework and maintains systematic processes for managing risk. This area is covered in greater detail within the Statement of Internal Control.

5. Standards of Conduct

Members and Chief Officers within the Council exercise leadership by conducting themselves as a role model for others within the authority to follow. The Council has defined standards of personal behaviour to be expected from members and staff and those involved in service delivery. This is achieved by having in place arrangements such as the Standards Committee that ensure:

- Accountability, through establishing systems for investigating breaches and disciplinary problems, and taking action where appropriate.
- Effectiveness, through monitoring compliance.
- Integrity, by ensuring objectivity and impartiality are maintained in all relationships.
- Openness and inclusivity, through the documentation of standards and their regular review.
- Ensuring such standards are clearly understood to display openness and inclusivity and are kept up to date on a regular basis.

The Council will deliver these outcomes by:

- Annually defining a series of local procedures and practices which together create a framework for good corporate governance as described by the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance.
- Chief Officers annually reviewing the adequacy and effectiveness of the Code of Corporate Governance including statement of internal control which is a specific statutory requirement and the extent of compliance, and reporting to Audit Committee and Cabinet.
- Producing an annual Assurance Statement on the extent to which the local code has been adhered to and show where adherence has not been achieved and any action required.

The key policies and processes that illustrate the council's commitment to this process include:

Policies

- Community Strategy
- Local Area Agreement
- Council Plan
- Council Constitution
- Code of Conduct for Members and Employees
- Statement of Internal Control
- Risk management Strategy
- Strategic Audit Plan and Annual Internal Audit Report
- Equal Opportunities Policy

Statement on Internal Control (continued)

- Corporate Equality Plan
- Race Equality Scheme
- Disability Equality Scheme
- Gender Equality Scheme
- Annual Report
- Medium Term Financial Strategy
- Human Resources Strategy
- Procurement Strategy
- Property Strategy
- Capital Strategy
- Asset Management Plan
- Consultation Strategy
- Communication Strategy
- Business Continuity Strategy
- Confidential Reporting Code

Processes

- Cabinet
- Council
- Standards Committee
- Improvement and Scrutiny Committees
- Audit Committee
- Local Area Forums
- 50+ Forums
- County Youth Forum
- Citizens' Panel
- Workers' Groups

For more information on Corporate Governance within Derbyshire County Council please see our web site www.derbyshire.gov.uk or contact Call Derbyshire on 08 456 058 058.

Statement on Internal Control (continued)

Derbyshire County Council Local Code of Corporate Governance - Annual Assurance Statement

Derbyshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically and effectively.

In discharging this accountability, Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the resources at its disposal. The Council has approved a Local Code of Corporate Governance to achieve this aim which is consistent with the principles and requirements in the document entitled CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance. A copy of Derbyshire's Code of Corporate Governance can be obtained from our website www.derbyshire.gov.uk or by contacting Call Derbyshire on 08 456 058 058. This Annual Assurance Statement has been produced, in addition to the Local Code, to assure the public of the extent to which the local code has been adhered to.

Corporate governance affects the quality of services. Weaknesses in governance arrangements contribute to service and organisational failure. In light of this, corporate governance has a critical impact on the level of trust that the public is willing to place in public bodies and services.

The Assurance Statement is written to give assurance to the public about the council's commitment to achieving good corporate governance. In the coming 12 months the Council promises to do the following:

1. Oversee the implementation and monitoring of the operation of the Code.
2. Annually review the operation of the Code.
3. Report six monthly to the council's Audit Committee and Cabinet on compliance with the Code and any changes necessary to ensure its effectiveness in practice.

This year the Council has continued to put in place arrangements which ensure it complies with the criteria set out in the CIPFA/Solace Framework. These arrangements also enable the council to be satisfied that its approach to Corporate Governance is both adequate and effective in practice.

In order to demonstrate our commitment to ensuring adequate and effective arrangements are in place, the council undertook the following actions in 2006-07 in addition to the monitoring and review of its existing policies and procedures:

- Achieved 4 Star "Improving Well" rating in CPA 2006
- Published the Sustainable Community Strategy 2006-09
- Published the Disability Equality Scheme 2006-09
- Developed the Gender Equality Scheme 2007-2010
- Achieved level 2 of the Equality Standard, undertaken a wide programme of equality impact assessments
- Implemented the Access to Services Strategy
- Strengthened consultation with seldom heard groups
- Undertook a Best Value User Satisfaction Survey which highlighted an improvement in overall satisfaction in the council's services
- Produced a Partnerships Protocol and Toolkit and undertook a stakeholder survey to gather partners' views of the effectiveness of the council's work
- Created a draft Voluntary and Community Sector (VCS) Funding Policy and ensured VCS funding is aligned more closely to Council Plan priorities
- Developed proposals for increasing the engagement of backbench members in the work of the council, and improved the effectiveness of the member information service
- Developed a more structured and cohesive approach to member training through the agreement of a Member Development Review process
- Undertaken a lead role in the North Derbyshire Improvement Partnership Initiative "Leadership Development Programme" which enhances and develops management competencies to increase capacity
- Improved the effectiveness of performance management and data quality arrangements through further development in the use of CorVu, the council's performance management system, both within the council and with partners.

Statement on Internal Control (continued)

The following actions are planned for 2007-08:

- Develop a new Local Area Agreement for 2008 onwards
- Achieve level 3 of the Equality Standard by March 2008
- Implement the Disability and Gender Equality schemes
- Continue to roll out Local Area Forums across Derbyshire so that all residents are represented by a forum
- Further develop engagement with seldom heard groups – creation of a BME Forum
- Develop and produce Local Area Profiles to build rounded pictures of local areas, to assist in the identification of need in local communities, and highlight geographical and community variations
- Further develop a web based risk assessment process which will enable managers to review risks and update the risk register at any time

Monitoring Arrangements

Chief Officers are collectively responsible for annually reviewing Corporate Governance arrangements including a statement of internal control which is a specific statutory requirement and reporting to Audit Committee and Cabinet on the adequacy and effectiveness of the Code of Corporate Governance and the extent of compliance.

On the basis of this work the Chief Executive, Members and senior officers are satisfied that the Council's arrangements are robust and adequate. However, the Council is a large and complex organisation, undergoing significant change; therefore the Local Code will be reviewed annually and strengthened as part of the Council's commitment to good corporate governance.

Statement on Internal Control (continued)

APPENDIX 1

Evidence for SIC

1. **Annual External Audit Report 2005-06**
 - DCC Website - search 'Annual External Audit Report'
2. **Budget 2007-08** - DCC Website - Meetings and Decisions - Council 7/2/07
3. **Annual Internal Audit Report 2005-06**
 - DCC Website - Meetings and Decisions - Audit Committee - 6 July 2006
4. **Risk Management Policy, Corporate Risk Register Update and Corporate Insurance Strategy**
 - DCC Website - Meetings and Decisions - Cabinet - 06/04/2004 (Risk Management Strategy); Cabinet - 22/06/2004 (Corporate Insurance Strategy); Cabinet 22/02/05 (Financial Vetting of Contractors); Cabinet 13/12/05 (Business Continuity Strategy); Cabinet 02/11/2004 (Procurement Strategy)
5. **Project Appraisal and Management Toolkit**
 - Dnet - Project Appraisal and Management Toolkit.
6. **Financial Strategy & Five Year Financial Plan**
 - DCC Website - Meetings & Decisions - Cabinet 20/9/05 & 6/6/06
7. **Financial Regulations**
 - Dnet - Financial Information - Financial Regulations.
8. **CIPFA's Code for Capital Finance, Pension Fund Strategy Statement & Government Policy Statement**
 - DCC Website - Meetings and Decisions - Council Meeting 07/02/2007, Pensions Committee 03/06/05 - Minutes 24/03/05 - Minute No 7/05 - Funding Strategy Statement; Investment & Pensions Committees 31 March 2006 - Governance Policy Statements.
9. **Improvement & Scrutiny Committees**
 - DCC Website - Meetings and Decisions - Improvement and Scrutiny Committees.
10. **Standards Committee**
 - DCC Website - Meetings and Decisions - Standards Committee.
11. **Gershon Savings**
 - DCC Website - Main Site/Meetings & Decisions - Search "Gershon".
12. **Comprehensive Performance Assessment (CPA)**
 - DCC Website/Dnet
13. **Investors in People & Training**
 - Dnet - Departmental sites and/or internal information.
 - Training – Dnet – Democratic Services – Quick Search "Training"
14. **Consultation**
 - DCC Website - site search - consultation

Statement on Internal Control (continued)

- Dnet - site search - consultation

15. Council Plans, Service Plans, Revenue & Capital Budgets and Monitoring Reports, Council Constitution, Confidential Reporting Code, Anti-Fraud Strategy, Forward Plan of Key Decisions, LEA inspections etc are accessible either via the DCC Website, Dnet or from Democratic Services.
16. Legislation setting out the statutory obligations of the Council is available from the County Secretary or from Government websites.

Evidence for Local Code

List of supporting evidence for the Local Code - monitoring forms held in the Policy Unit.

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

The Statement of Internal Control and Local Code of Corporate Governance are hereby approved.

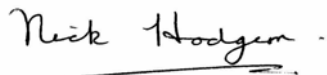
Signed:



Chair of Cabinet

Date:

Signed:



Chief Executive

Date:

General Statistics

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

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

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

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

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

General Statistics (continued ...)

	Financial Year		Financial Year
	2005-06		2006-07
Area and Population			
Area of County (hectares)	255,077		255,077
Population	750,100		753,500
Density per hectare	2.94		2.95
Revenue Expenditure			
Employees	556,025	55	609,512
Running Expenses	422,969	42	452,783
Debt charges	31,781	3	34,637
Gross expenditure	1,010,775	100	1,096,932
Gross expenditure per head of population	£1,347.52		£1,455.78
Council Tax			
	£'000	%	£'000
Precepts	228,536	23	240,990
Revenue Support Grant	249,792	25	20,901
Non-Domestic Rates	226,136	22	109,255
PSA 1 Reward Grant	746	0	1,819
Specific Grants	166,465	16	556,514
Other sources	139,100	14	167,453
Total Income	£1,010,775	100	£1,096,932
Rateable Value			
Non Domestic Rateable Value	£ million		£ million
	403,216		422,163
Council Tax			
Tax Base (Equivalent Band D properties)	248,400		250,097
Band D Council Tax (County Council element only)	£917.05		£958.32
Capital Expenditure			
Gross expenditure	£'000		£'000
	98,707		96,729
Capital expenditure per head of population	£131.59		
Met from:		%	
Loans	46,614	47	35,234
Capital Receipts and other Internal Funds	14,991	15	8,147
Capital grants and contributions	37,102	38	53,347
	98,707	100	96,728

Statement of Accounting Policies

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

Changes in Accounting Policies

The 2006 SORP makes a number of changes to the requirements for the 2006-07 accounts. The changes in summary are:

- The required primary financial statements have changed. The changes aim to bring the accounts more into line with the format used in the commercial and other sectors. The Consolidated Revenue Account is replaced by an Income and Expenditure Account and a Statement of Movement on the General Reserve Balance. The Statement on Total Movement in Reserves is replaced by a Statement of Total Recognised Gains and Losses (STRGL). The order of the statements and notes has been standardised, the SORP requires the core statements to be presented together followed by their supporting notes and supplementary statements.
- There is no longer a requirement to make a capital financing charge to services. Because this is a change in accounting policy, the prior year comparatives have been restated to remove the notional interest charge from the Income and Expenditure Account. As a result, there is no equivalent to the Asset Management Revenue Account (AMRA) which formerly existed in the Consolidated Revenue Account. Amortisation of Government grants were previously posted to AMRA, these are now included within the gross operating expenditure.
- The new Income and Expenditure format requires information to be disclosed which was not previously visible in the statement of accounts. Notably, the gain/loss on disposal of fixed assets is disclosed on the face of the Income and Expenditure Account.

Fixed Assets

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

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

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

Depreciation

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

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

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

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

Government Grants

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

Statement of Accounting Policies (continued ...)

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

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

Statement on Internal Control (continued)

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

Basis of provision for redemption of debt

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

Details of the minimum revenue provision for the repayment of principal which the County Council is required to make under the Local Government and Housing Act 1989 are provided as a note to the Consolidated Revenue Account.

The average rate of interest charged by the Pool was 5.54% (5.79% in 2005-2006). Loan liability has been transferred from other authorities under the Local Government Act 1972 for services now the responsibility of the County Council. The loan debt continues to be serviced by District Councils and loan charges reimbursed to them by the County Council. Following Local Government Reorganisation on 1 April 1997, Derby City Council reimburses the County Council a share of loan debt outstanding at that date based on the respective council tax bases of the two authorities.

Capital Receipts

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

Deferred Charges

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

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

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

Nature of substantial reserves, provisions, and contingent liabilities.

The Council has set aside a number of financial reserves and provisions, operating as part of the County Fund, and set up for specific purposes.

Details of reserves are provided in the statement of total movement in reserves.

Any under or over spending on the delegated budgets of schools in 2006-2007 has been carried forward and will be added to or deducted from their accumulated balances in 2007-2008. The net balance carried forward is shown in the Consolidated Balance Sheet as a reserve, but is committed to be spent on schools and is not available to the authority for general use. Details of the Dedicated Schools Grant are provided as a note to the Core Financial Statements.

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

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

Statement of Accounting Policies (continued ...)

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

Allocation of central support services

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

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

Work in progress, stocks and stores

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

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

Pensions

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

Teachers:

This is an unfunded scheme administered by the Department for Education and Skills. The pension cost charged to the accounts is the contribution rate set by the DFES on the basis of a notional fund. However where discretionary benefits have been awarded by the Authority the liabilities accrue directly to the Authority and have therefore been accounted for in line with FRS 17 as set out below.

Other Employees

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

- (2) Financial Reporting Standard No 17

The pension costs included in the financial statements in respect of the LGPS have been drafted in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

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

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

Leasing

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

Auditor's Opinion

SUBJECT TO AUDIT

Statement on Internal Control (continued)

Auditor's Opinion (continued...)

SUBJECT TO AUDIT

Statement on Internal Control (continued)

Auditor's Opinion (continued...)

SUBJECT TO AUDIT

Income and Expenditure Account

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

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

The Authority's budget requirement is then funded from three sources. Revenue Support Grant is a general grant received from Central Government. National non-domestic rates are levied on non-domestic properties with the rate poundage set by Central Government. Receipts are re-distributed to individual local authorities based on residential population. The balance is collected from the Council Tax which was introduced as the local tax with effect from April 1993. It is based on the assessed capital values of domestic properties grouped into 8 bands.

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

Statement on Internal Control (continued)

INCOME AND EXPENDITURE ACCOUNT

2005-06

Net Expenditure £'000		Gross Expenditure £'000	Income £'000
401,801	Education	636,203	(583,182)
6,646	Central	29,679	(19,250)
518	Courts	1,048	(227)
40,581	Cultural, Environmental & Planning	48,108	(6,684)
49,192	Highways, Roads & Transport	77,068	(27,623)
182,487	Social Services	312,520	(112,734)
5,990	Non distributed costs	6,862	(264)
(18,555)	Non distributed costs- Past service gain	-	-
6,498	Corporate & Democratic Core	7,621	(3)
		-	-
675,158	Net Cost of Services	1,119,109	(749,967)
(1,281)	Surplus/Deficit on Trading Operations		
18,467	Interest Paid		
(10,306)	Interest received		
15,519	Pensions Interest cost & expected return on assets		
214	Levies & Precepts		
697,771	Net Operating Expenditure		
(228,536)	Council Tax		
(249,792)	RSG		
(226,136)	NNDR		
(746)	PSA 1 Reward Grant		
(923)	Local Authority Business Growth Incentive		
(8,362)	(Surplus)/Deficit for the year		

Statement of Movement on the General Fund Balance

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

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

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Balances held by governors under schemes to finance schools are shown separately in the Balance Sheet and are not therefore included below.

2005-06		2006-07
£'000		£'000
(8,362)	(Surplus)/Deficit for the year on the Income and Expenditure Account	12,091
6,478	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(5,412)
(1,884)	Increase/Decrease in General Fund Balance for the Year	6,679
(28,323)	General Fund Balance brought forward	(30,207)
(30,207)	General Fund Balance carried forward	(23,528)
(30,207)	Amount of General Fund Balance generally available for new expenditure	(23,528)

Note of Reconciling Items for the Statement of Movement on the General Fund Balance

2005-06		Note	2006-07
£'000			£'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(31,068)	Depreciation and impairment of fixed assets		(30,926)
<u>(32,939)</u>	Net charges made for retirement benefits in accordance with FRS 17	27	<u>(54,520)</u>
(64,007)			(85,446)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
13,608	Minimum revenue provision for capital financing		15,052
(746)	Capital expenditure charged in year		(4,917)
	Employer's contributions payable to Derbyshire Pension Fund and Teachers		
<u>37,415</u>	Pensions Agency	27	<u>41,909</u>
50,277			52,044
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
—			—
2,176	Net transfer to or from () earmarked reserves		<u>1,499</u>
<u>18,032</u>	Amortisation of Government Grants		<u>26,491</u>
<u>6,478</u>	Net additional amount required to be credited or debited to the General Fund balance for the year		<u>(5,412)</u>

Statement of Total Recognised Gains and Losses

2005-06 £'000		Note	2006-07 £'000
(8,362)	Surplus () or deficit on the income and expenditure account for the year		12,091
(194,818)	Surplus arising on revaluation of fixed assets		(14,565)
9,217	Actuarial gains () and losses on pension fund assets and liabilities	27	(59,033)
(454)	Any other gains and losses		(2,140)
(194,417)	Total gains and losses for the year		(63,647)

BALANCE SHEET

31 March 2006 £'000		Notes
	Fixed assets	13-16
1,245,980	Land & buildings	
54,502	Vehicles, plant, equipment	
170,536	Infrastructure	
2,712	Community	
56,541	Non-Operational	
66,727	Long Term Debtors	
1,596,998	Total long-term assets	
	<i>Current Assets</i>	
5,998	Stocks/WIP	22
35,696	Debtors	
231,576	Short term investments	20
4,697	Landfill Allowances	
	<i>Current Liabilities</i>	
(114,547)	Creditors	
(11,980)	Temporary loans	
(25,335)	Cash overdrawn	
1,723,103	Total assets less current liabilities	
(378,281)	Long term Borrowing	23
(6,215)	Loan Liability OLAS	
(436,568)	Liability relating to defined benefit pension scheme	27
(88,995)	Govt. grants and contributions deferred	
(7,740)	Provisions Insurance Fund	18
(9,522)	Other	8
795,782	TOTAL ASSETS LESS LIABILITIES	
	<i>Represented by</i>	
927,507	Fixed Asset Restatement Account	
190,101	Capital Financing Account	17
12,883	Usable capital receipts reserve	
(436,568)	Pensions Reserve	27
	<i>Earmarked Reserves</i>	
2,069	DLOs	
27,613	LMS	
41,970	Other	
30,207	County Fund Balance	
795,782	TOTAL EQUITY	21

Cash Flow Statement

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

Statement on Internal Control (continued)

CASH FLOW STATEMENT 2006-07 (continued ...)

2005-2006 £'000	SUMMARY	Note	£'000
REVENUE			
554,949	Outflows Employees		613,0
<u>408,337</u>	Other Operating payments		<u>438,3</u>
(228,536)	Inflows Precepts		(240,9)
(226,136)	NNDR		(109,2)
(249,792)	RSG		(20,9)
(168,134)	Other govt.grants	32	(559,8)
(142,248)	Cash for goods & services		<u>(156,0)</u>
(51,560)	Net cash flow revenue activities	28	
SERVICING OF FINANCE			
18,969	Interest paid		
<u>(10,236)</u>	Interest received		
8,733			
CAPITAL			
97,953	Outflows Purchase of Fixed Assets		
Inflows			
(3,747)	Sales		(15,5)
(38,281)	Grants		(46,2)
<u>0</u>	Other		
55,925			
13,098			
NET CASH (INFLOW) OUTFLOW			
MANAGEMENT OF LIQUID RESOURCES			
19,616	Net inc/dec s-term deposits		
3,179	Net inc/dec other liquid resources		
FINANCING			
261	Outflows Repaymts. amounts borrowed		
(37,785)	Inflows New loans raised		
(1,631)	(INCREASE)/DECREASE IN CASH	31	

Notes to the Core Financial Statements

1. Trading Operations

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

	2006-07		2005-06
	£'000		£'000
Turnover	1,719		1,768
Expenditure	(453)		(889)
Surplus	<u>1,266</u>		<u>879</u>

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

	Turnover		Surplus/(Deficit)
	£'000		£'000
Building construction and maintenance	23,481		175
Grounds maintenance	3,096		53
Building cleaning	7,946		21
Allroads-Highways maintenance	31,735		463

2. Section 137 Expenditure

Section 137 of the Local Government Act 1972, as amended by the Local Government and Housing Act 1989, allows local authorities to incur expenditure on activities or projects which will bring direct benefit to their area or its inhabitants and which are not specifically authorised by other powers. Expenditure incurred under this section in any financial year may not exceed the sum of £5.00 per head of resident population i.e. about £3.8 million. Expenditure incurred under section 137 in 2005-2006:-

	2006-07		2005-06
	£'000		£'000
Grants to voluntary organisations	268		220
Community Venture Scheme	<u>27</u>		<u>29</u>
	<u>295</u>		<u>249</u>

Notes to the Core Financial Statements (continued...)**3. Local Authorities (Goods and Services) Act 1970**

Under this statute local authorities are empowered to supply goods and services to specified public bodies such as colleges, the Derbyshire Police Authority and the Peak District National Park Authority. The Act provides that separate accounts shall be kept and the following statement shows the income received for the goods and services supplied by the County Council during 2006-2007:-

	2006-07 £'000	2005-06 £'000
Educational Services	218	325
Computer Services	139	99
Financial Services	449	451
Architectural Design and Property Management Services	0	1
Legal Services	168	164
Environmental Services vehicle maintenance	627	493
Other	23	18

Notes to the Core Financial Statements (continued...)

4. Central Support Services

The following statement shows for the financial year 2006-2007 central support service expenditure and the subsequent recharge to services etc:-

Central Departmental Expenditure	£'000	£'000	Allocations	£'000	£'000
Office of the Chief Executive			Cabinet Portfolios		
Management and General	573		Education	1,807	
Policy and Research	1,208		Chief Executive (exc Central)	441	
Public Relations	1,248		Other Services (exc Central)	4,873	
Scrutiny Committee	244		Public Protection	118	
Regeneration	<u>1,296</u>	4,569	Transport	Nil	
			Education Trading	6,487	
Corporate Resources Department			Cultural & Community	2,220	
Head of Corporate Finance's Division	5,285		Environmental Services	4,094	
County IT Division	5,262		Social Services	<u>8,257</u>	28,297
County Secretary's Division	3,564				
County Personnel Division	3,382				
Director of Corporate Resources	631		Capital		71
County Property Division	6,186				
Business Support	2,794		Allroads	26	
Administrative Support	Nil	27,104	Cleaning DSO	478	
			Catering DSO	<u>242</u>	746
Other Services					
County Hall	5,280				
Change Management	1,337		Superannuation Fund	1,168	
Network Upgrade	1,896		Partnership Funds	1	
MACCI	833		Inter-Departmental	<u>68</u>	1,237
Service Re-Design	122				
Geographical Information	200				
Change Management	1,611				
Corporate Activities	Nil				
Corporate Management	2,995				
Miscellaneous Services	<u>1,796</u>	<u>16,070</u>			
		47,743			
Less					
Internal Recharges	(796)				
Office of the Chief Executive	(7,903)				
Corporate Resources	<u>(8,693)</u>	<u>(17,392)</u>			
Other Central Services		<u>30,351</u>			<u>30,351</u>

Notes to the Core Financial Statements (continued...)

5. Related Party Transactions

The County Council receives Revenue Support Grant and National Non-Domestic Rates from the Department for Communities and Local Government and the amounts received are disclosed in the Consolidated Revenue Account. Grants for specific projects or services are received from other government departments and an analysis is provided as a note to the Cash Flow Statement.

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

A number of services are provided to the Police and Fire Authorities by the County Council ie financial, legal, personnel, IT, property and fleet costs totalling £1,002,000 in 2006-2007 to the Police Authority and £130,000 to the Fire Authority.

The County Council is the administering authority for the pension fund and a note on the fund's related party transactions is included as a note to the pension fund accounts. In addition, surplus funds held by the pension fund may be lent to the County Council on a temporary basis through the Consolidated Loans Pool. The amount at 31 March 2007 was NIL.

The Authority operates a car loan scheme with loans outstanding to Chief Officers at 31 March 2007 totalling £48,790.

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

6. Publicity

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

	2006-07	2005-06
	£'000	£'000
Recruitment Advertising	1,204	1,379
Non Recruitment Advertising	448	449
Other Publicity	380	530
Cost of Public Relations and Central Advertising Units not included above	1,124	1,053
	<u>3,156</u>	<u>3,411</u>

Notes to the Core Financial Statements (continued...)

7. Operating Leases

(a) The Authority uses leased vehicles, specialised plant and equipment under the terms of operating leases. The amount paid under these arrangements in 2006-07 was £2,259,000 (£2,448,000 in 2005-06).

(b) The Authority is committed to making payments of £1,301,000 in 2007-2008 comprising the following:

	£'000
Leases expiring within 1 year	549
Leases expiring between 2-5 years	752
	1,301

8. Provisions

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

	£'000
Education provision for inter-authority and hospital recoupment	2,601
Environmental Services provision for remedial works and work in progress	775
Education - possible repayment of DfES grant	1,885
Liability for BMW Landfill Usage	3,347

9. Private Finance Initiative Schemes

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

(a) Schools Phase 1

In 2001 the Council signed a contract for the provision of two new secondary schools at Tupton and Chapel-en-le Frith. The capital cost of the schools was £25.558m and they were completed and occupied in April 2003 under a 26 year contract. The Unitary Charge for 2006-07 was £3.972m.

The Council will gain ownership of the two schools at the end of the contract period at nil cost. This is known as the acquisition of the residual interest. The schools are currently valued at £38.825m and an element of the annual Unitary Charge is deemed to relate to the acquisition of the residual interest over the life of the contract and transferred to Deferred Charges. For 2006-07 this figure was £1.653m. As this adjustment is notional a matching transfer is made to the Capital Financing Reserve.

Unitary Charge payments of £4.200m are anticipated to be charged to the revenue account in 2007-08.

(b) Schools Phase 2

During 2004-05 the Council signed a contract for the provision of two further secondary schools at Newbold and Long Eaton. They were built at a cost of £32.945m and became operational in February 2006. The Council made a payment of £1.5m to the provider at the time of contract signature to secure a reduction in the level of future Unitary Charge. This has been treated as a prepayment in the accounts and will be charged to revenue in equal instalments over the life of the contract, starting in 2006-07.

The schools are valued at £38.500m and a residual interest element of £1.531m has been debited to Deferred Charges with a matching transfer to the Capital Financing Reserve. The Unitary Charge for the year 2005-06 was £4.390m and is expected to be £4.530m for the year 2007-08.

Notes to the Core Financial Statements (continued...)

10. Officers' Emoluments

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

Remuneration Band	Total 2006-07	Total 2005-06
--------------------------	--------------------------	--------------------------

Statement on Internal Control (continued)

£50,000- £59,999	111	84
£60,000- £69,999	27	40
£70,000- £79,999	27	11
£80,000- £89,999	6	3
£90,000- £99,999	-	3
£100,000-£109,999	3	2
£110,000-£119,999	1	
£120,000-£129,999	1	1
£130,000-£139,999	1	

11. Members' Allowances

The total of members allowances paid in 2006-2007 to the nearest £'000 was £1,032,000 compared to £999,000 in 2005-06.

12. Audit Costs

In 2006-07 the Authority incurred the following fees relating to external audit and inspection:

	2006-07	
2005-06	£'000	
£'000		
• Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	278	255
▪ Fees payable to the Audit Commission in respect of statutory inspection	14	12
• Fees payable to the Audit Commission for the certification of grant claims and returns (estimated)	60	54
• Fees payable in respect of other services provided by the appointed auditor	44	44

Notes to the Core Financial Statements (continued...)

13 Fixed Assets

Fixed assets of the Authority have been included in the balance sheet at their current value and details of the valuation policy are given in the notes to the accounts.

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

MOVEMENT OF FIXED ASSETS 2006/2007

£'000 VALUE	OPERATIONAL ASSETS			
	Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets
Opening Value as at 1 April 2006	1,278,144	70,951	199,303	2,712
Prior Year adjustment		295		
Additions	62,020	6,217	18,500	429
Disposals	(10,730)	(486)	(60)	(136)
Transfers	(176)	-		(958)
Revaluations	(5,625)	(1,822)		954
Value as at 31 March 2007	1,323,633	75,155	217,743	3,001
DEPRECIATION				
Opening Balance 1 April 2006	32,165	16,449	28,767	-
Charge for the year	18,577	7,350	4,984	15
Adjustments for				
Revaluations	(1,535)	(436)		
Disposals	(644)	(279)	(19)	
Balance 31 March 2007	48,563	23,084	33,732	15
NET BOOK VALUE AT 31 MARCH 2007	1,275,070	52,071	184,011	2,986

14 Fixed Assets held by the County Council

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

	Nos		
Schools		Social Services -	Residential Centres
- Nursery	8		Day Centres
- Primary	358	Libraries	
- Secondary	47	Depots	
- Special	10		

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

Notes to the Core Financial Statements (continued ...)

15. Fixed Asset Valuation

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

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

16. Capital Contracts

Listed below are schemes over £500,000 where there is still significant expenditure outstanding as at 31 March 2007.

Service	TOTAL ESTIMATED COST £'000	EXPENDITURE INCURRED £'000
Childrens Services		
Anthony Gell School	595	282
Bolsover Adult Centre	665	211
Hasland Junior School	3,686	1,910
Herbert Strutt Primary School	4,344	195
Hilton Primary School	1,362	458
Holbrook Special School	1,300	391
Hope Valley College	1,320	157
Ripley Mill Hill School	7,739	3,176
Older Adults		
Bolsover Thomas College/Grange	862	641
Environmental Services		
Composting Projects	2,500	2,144
Ilkeston Awworth Bypass	11,570	1,839
MEGZ - Markham Growth Zone	62,100	19,931

Notes to the Core Financial Statements (continued ...)

17. Capital Financing Account

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

18. Insurance Fund

The authority operates an insurance fund primarily to meet the estimated outstanding claims under the 'excess' clauses of

	£'000
Opening balance 1 April 2006	13,177
plus Internal insurance premiums	6,432
Funding for Risk Management initiatives	127
less Claims settled and risk management expenditure	<u>(3,287)</u>
Closing balance 31 March 2007	<u>16,449</u>

The fund balance as at 31 March 2007 can be analysed as set out below:-

	£'000
Provision to meet notified outstanding claims	5,871
Provision to meet risk management initiatives	175
Reserve to meet claims not yet notified	10,386
Reserve to meet risk management initiatives	<u>17</u>
Fund balance 31 March 2007	<u>16,449</u>

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

19. Associated Companies

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

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

The Authority acts as Treasurer to the CLASP Consortium and as at 31 March 2007 is holding cash of £958,000 on behalf of the Consortium.

20. Short Term Investments

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

Notes to the Core Financial Statements (continued ...)

21. Net Assets Employed

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

	31	March
		2007
		31
		Mar
		ch
		2006
		£'000
		£'000
Revenue	(294,232)	(343,039)
Capital	1,150,948	1,136,752
Direct Service Organisations	<u>2,713</u>	<u>2,069</u>
Total Equity as per Balance Sheet	<u>859,429</u>	<u>795,782</u>

22. Stock and Work in Progress

Stocks and work in progress can be analysed as follows:

	31	March
		2007
		31
		Mar
		ch
		2006
		£'000
		£'000
Environmental Services	293	272
Property Services - client	560	349
Other	248	80
DLO's - All Roads	712	669
- Property Services	76	84
DSO's - Catering	-	213
Work in progress - Property Services	<u>2,479</u>	<u>4,331</u>
	<u>4,368</u>	<u>5,998</u>

23. Long-term Borrowing

The total loans outstanding at 31 March 2007 was £423,049,976. £8,876,913 of this relates to temporary borrowing of surplus funds belonging mainly to the Derbyshire Fire Authority and the Peak District National Park Authority. The balance of £414,173,063 relates to long-term borrowing and can be analysed as follows:-

Outstanding at 31 March	Range of Interest	Total
2006	Rates Payable (%)	2007
£'000		£'000
Public Works Loan Board and market debt (Weighted Average Rate 5.54%)	3.2-9.625	414,173
An analysis of loans by maturity is:		£'000
		£'000
Maturing within one year		-
Maturing in 1-2 years		6,000
Maturing in 2-5 years		27,000
Maturing in 5-10 years		33,666
Maturing in more than 10 years		<u>347,507</u>
		<u>414,173</u>

24. Trust and Other Funds

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

Notes to the Core Financial Statements (continued ...)

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

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

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

2005-06		2006-07	2006-08
TOTAL		TRUST FUNDS	OTHER FUNDS
£'000		£'000	£'000
AGGREGATE REVENUE ACCOUNT			
2,848	Opening Balance	1,105	2,000
623	Add Income	90	100
<u>3,471</u>	Total Funds available in the year	<u>1,195</u>	<u>2,100</u>
119	Less Expenditure	18	100
<u><u>3,352</u></u>	Closing Balance	<u><u>1,177</u></u>	<u><u>2,000</u></u>
The funds are represented by:			
47	Investments	47	100
1,829	Building Society Deposits	0	100
<u>1,476</u>	Cash & temporary loans	<u>1,130</u>	<u>100</u>
<u><u>3,352</u></u>	Total Assets	<u><u>1,177</u></u>	<u><u>2,000</u></u>
96	Number of Funds	90	
5	Increase in unrealised profit on investments included in expenditure	0	

Notes to the Core Financial Statements (continued ...)

25

	CAPITAL RESERVES			REVENUE RESERVES	
	Fixed Asset Restatement Account	Capital Financing Account	Usable Capital Receipts Reserve	Other Capital Reserves	General Fund
	£'000	£'000	£'000	£'000	£'000
Balance as at 1.4.2006	927,507	190,101	12,883	6,261	30,207
Prior year adjustment	295				
Net surplus (deficit) for year		(10,975)		479	5,278
Unrealised gains (losses) on revaluation of fixed assets	3,392				
Repayment of transferred debt		(1,709)			
Funding of equal pay					(12,957)
Effects of disposal of fixed assets Cost or value of assets disposed of	(26,619)				
Usable receipts			15,590		
Appropriations to or from () the pension reserve					
Actuarial gains or losses()					
	904,576	177,417	28,473	6,740	22,528
Financing of fixed assets:-					
Capital receipts		3,085	(3,085)		
Revenue contributions/grants		33,743			
Earmarked Reserve		849		(849)	1,000
TOTALS	904,576	215,094	25,388	5,891	23,528

Notes to the Core Financial Statements (continued ...)

26 STATEMENT OF TOTAL MOVEMENT IN RESERVES

OTHER RESERVES

		Balance
		31.3.06
		£'000
Education	Schools Pool Premium	75
	Standards Fund Matched Funding	715
	DESCIT	349
	Read on Write Away	241
	Education PFI	4,626
Environmental Services	Traffic Man. & Permits project	76
	Laboratory renewals	99
	Waste Disposal Royalties	1,399
	Workshop Renewals	360
	Ilkeston Awsworth	0
	Capital Salaries Contingency	229
	IT Reserve	155
	Commuted sums	639
	DLO Reserve	1,353
	Monies on Deposit	1,022
	Aftersite Care	439
	Section 74	717
	Miscellaneous reserves	37
	LATS	731
Corporate	Lottery Treasure Chest	29
	Purchasing Equipment Repairs	524
	VAT recovered	94
	Computer Renewals	1,021
	VER/VR	1,000
	Corporate reserve	940
	Chief Executive's Department	642
	Change Management	7,868
	PSA Performance Reward	4,425
	LA Business Grant Incentive	923
	Derbyshire Waste Dividend Reserve	0
Comm. & Cult. Serv	Miscellaneous	131
Social Services	Foster Carer equipment	144
Capital		6,261
Insurance Fund reserve element		5,437
TOTAL AS PER BALANCE SHEET 31 March		42,701
LMS		27,613
DSO Appropriation Accounts		2,069
Capital		(6,261)
TOTAL AS PER MOVEMENT IN RESERVES NOTE		66,122

Statement on Internal Control (continued)

Differences between the expected and actual return on assets	(2,489)	0.3
Differences between actuarial assumptions about liabilities and actual experience	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	<u>59,823</u>	5.1
	<u>57,334</u>	4.9

(d) **Teachers Pension Scheme - Unfunded Liabilities**

	2006-07 £'000	%
Liability Gain	0	0
Change in Assumptions	<u>1,699</u>	2.9
	<u>1,699</u>	2.9

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

	Long Term Return %	31 March 2007 %	31 March 2006 %
Equities	7.5	72	71
Gilts	4.7	15	14
Other Bonds	5.4	2	2
Property	6.5	5	5
Cash	5.25	6	8
Total		<u>100</u>	<u>100</u>

Notes to the Core Financial Statements (continued ...)

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

	2007 £'000	2006 £'000
Estimated liabilities in scheme	1,179,524	1,161,573
Estimated assets in scheme	<u>848,249</u>	<u>786,218</u>
Net asset/(liability)	<u>(331,275)</u>	<u>(375,355)</u>

The figures disclosed above have been derived by approximate methods from the full actuarial valuation of the Fund carried out by Mercer Human Resources Consulting Limited as at 31 March 2004. The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The liability of £331m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit means that the financial position of the authority remains relatively healthy.

The main financial assumptions adopted as at 31 March were:

	2007	2006
a) retail price inflation:	3.1%	2.9%
b) increases in salaries:	4.6%	4.4%
c) increases in pensions and deferred pensions:	3.1%	2.9%
d) discount rate:	5.4%	4.9%
e) proportion of employees opting to take a commuted lump sum	50.0%	50.0%

(g) Teachers Pension Scheme - Unfunded Liabilities

	2007 £'000	2006 £'000
Estimated Liabilities accruing to the Authority at 31 March	58,871	61,213
The financial assumptions adopted by the actuary as at 31 March were:		
	2007	2006
Rate of inflation	3.1%	2.9%
Rate of increase in pensions	3.1%	2.9%
Discount rate	5.4%	4.9%

Notes to the Core Financial Statements (continued ...)

28	RECONCILIATION OF REVENUE CASH FLOW	£'000
	Deficit for the year from the Income and Expenditure Account	
	Non cash transactions	
	Items on an accrual basis(revenue only)	
	Increase in debtors	13,263
	Increase in creditors	(10,257)
	Decrease in stocks	(1,630)
	Items classified elsewhere in the Cash Flow Statement	
	Net Interest	
	Revenue Activities Net Cash Flow	
29	MOVEMENT IN LIQUID RESOURCES	31-03-07
		£'000
	Short -term investments	258,801
	Temporary loans	<u>(8,877)</u>
		<u>249,924</u>
30	FINANCING ITEMS	31-03-06
	Long term borrowing	(378,281)
	Other long term liabilities	<u>(6,215)</u>
		<u>(384,496)</u>
31	CASH OVERDRAWN	(25,335)

Notes to the Core Financial Statements (continued ...)**32. GOVERNMENT GRANTS**

The Authority receives Revenue Support Grant in aid of services generally (£20,902 in 2006-2007). It also receives other grants which are in aid of specific projects or services and which can be analysed for the year as follows:-

	£'000
Education:-	
Dedicated Schools Grant	376,114
Learning and Skills Council	35,079
Standards Fund	36,760
School Standards	18,479
Teachers Pay Reform	14,064
Surestart and Childcare	12,277
Social Services:-	
Preserved Rights	3,366
Supporting People	17,034
Access and System Capacity	8,708
Carers	2,600
Environmental Services Trunk Road Grant	2,337
PFI Revenue Support	6,798
Rural Bus Challenge	1,977
Other	<u>20,921</u>
	<u>556,514</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£'000
Increase in cash	(1,722)
Cash inflow from increase in debt	(35,640)
Cash outflow from increase in liquid resources	<u>30,328</u>
Movement in net debt for period	<u>(7,034)</u>

Pension Fund - Foreword to Financial Statements

Investment Policy

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

The return for 2006-07 for the Fund was 6.9% (2005-06, 25%) which compares with the average return on local authority funds of 7%. Over the last ten years the Fund's return was 8% per annum which is 0.3% per annum ahead of the average. For comparison the ten year figures for average earnings and retail price increases are 4.3% and 2.8% respectively. On a year by year basis returns tend to fluctuate significantly according to economic and market conditions and long-term returns are a more appropriate guide to the performance of the Fund.

Members Statistics	2005	2006	2007
Contributors	33,259	34,847	35,966
Pensioners	17,672	18,066	18,674
Deferred Pensions	10,502	12,037	13,463

Actuarial Position of the Fund

1. Every three years an actuarial valuation of the Fund is undertaken in accordance with the provisions of the Local Government Pension Scheme Regulations 1997. The purpose of the valuation is to determine the financial position of the Fund and to set the level of contributions payable by each participating employer for the following three years. A valuation of the Fund was undertaken as at 31 March 2004 to set the level of employer contributions for the three years commencing 1 April 2005. The Net Assets of the Pension Fund at 31 March 2004 were £1,308,901.
2. The contributions required in respect of future service have been determined using the "projected unit" method. The full rate of employer's contribution provides for the cost of year-by-year accrual of benefits in respect of current Scheme members and the amount required to meet a past service deficiency.
3. The valuation was undertaken using a market value approach. The assets were valued at their market value with market related discount rates used as the basis for determining the present value of the liabilities. There are a number of assumptions used in determining the value of past service liabilities, which are detailed in Note 4.

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

4. The financial assumptions used were as follows:-

	Past Service	Future Service
Fixed interest gilts yield:	4.6%	n/a
Index linked gilts real yield:	1.8%	n/a
Asset Out-performance Assumption (pre-retirement)*	2.5%	n/a
Asset Out-performance Assumption (post retirement)*	1.0%	n/a
Real Earnings Inflation	1.5%	1.5%
Discount rate (pre retirement)	7.1%	6.5%
Discount rate (post retirement)	5.6%	6.5%
Price inflation	2.8%	2.5%
Earnings Inflation	4.3%	4.0%
Pension Increases	2.8%	2.5%

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

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

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

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

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

Council	2006-07 %	Stepped or full rate	2007-08 %	Stepped or full rate
Derbyshire County	281	stepped	291	stepped
Amber Valley Borough	354	full	354	full
District of Bolsover	336	full	336	full
Chesterfield Borough	312	stepped	332	stepped
Derby City	290	full	290	full
Derbyshire Dales	298	full	298	full
Erewash Borough	336	stepped	367	stepped
High Peak Borough	371	stepped	386	stepped
North East Derbyshire	350	full	350	full
South Derbyshire	324	full	324	full

8. All employing bodies are paying a rate which is sufficient to meet the cost of future service and reduce their past service deficiency over a period of time.
9. Employees pay 6% of their pay excluding non-contractual overtime; certain employees (ie previously classed as manual workers) are protected and are required to pay 5% of their pay.
10. The Derbyshire Pension Fund Statement of Investment Principles Funding Strategy Statement and the report on the actuarial valuation are available on the Derbyshire County Council's website at www.derbyshire.gov.uk/pensions.

Pension Fund - Fund Account

Restated 2005-06 £'000	Note	Contributions and Benefits	2006-07 £'000
104,915	4,17	Contributions receivable	116,564
<u>13,018</u>	5	Transfer values in	<u>11,971</u>
<u>117,933</u>			<u>128,535</u>
67,451	6,17	Benefits payable	75,288
11,828	7	Leavers - transfer values out	9,191
<u>926</u>	8	Administrative expenses	<u>872</u>
<u>80,205</u>			<u>85,351</u>
<u>37,728</u>		Net additions from dealings with members	<u>43,184</u>
		Returns on investments	
48,193	9	Investment income	55,406
328,018	10	Change in market value of investments	77,414
<u>(2,256)</u>	12	Investment management expenses	<u>(2,529)</u>
<u>373,955</u>		Net returns on investments	<u>130,291</u>
411,683		Net increase in the Fund during the year	173,475
<u>1,502,723</u>		Net assets of the scheme at 1 April 2006	<u>1,914,406</u>
<u>1,914,406</u>		At 31 March 2007	<u>2,087,881</u>

Pension Fund Net Assets Statement as at 31 March 2007

Restated 31 March 2006 £'000	Note		31 March 2007 £'000
	10, 11	Investments	
192,257		Fixed interest securities	224,037
1,183,307		Equities	1,292,565
75,040		Index-linked securities	91,731
271,270		Pooled investment vehicles	285,351
61,755		Properties	57,890
117,293		Cash deposits and short term loans	112,256
<u>21</u>		Other	<u>24</u>
1,900,943		Total investments	2,063,854
<u>13,463</u>	14	Current assets and liabilities	<u>24,027</u>
<u>1,914,406</u>		Net assets of the scheme at 31 March 2007	<u>2,087,881</u>

Notes to the Pension Fund Financial Statements

1. Basis of preparation

The accounts have been prepared in accordance with the Statement of Recommended Practice ("SORP"): Financial Reports of Pension Schemes (Revised November 2002).

In accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831.), details of additional voluntary contributions (AVCs) paid by members during the year and at the balance sheet date are not included in the Pension Fund Accounts. They are disclosed separately in note 13. The previous year's figures included AVCs and have been re-stated.

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

2. Accounting Policies

Contributions

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

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

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

Benefits

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

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

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

Transfers

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

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

Expenses

Expenses are accounted for on an accruals basis.

Investment income

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

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

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

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

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

Foreign currency translation

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

Exchange gains and losses are treated as follows:

those relating to the translation of investments are accounted for as part of change in market value included in the Fund Account

those relating to current assets and liabilities are accounted for within the Fund Account under an appropriate heading.

3. Basis of Valuation

Investments are valued on the net assets statement at their market value as at 31 March 2007.

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

Fixed interest stocks are valued excluding accrued income.

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

Pooled investment vehicles are included at the average of the closing bid and offer prices, or if single priced, at the closing price.

Property is included at open market value as at 31 March 2007, determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. The property portfolio was independently valued by Edmund Kirby, Chartered Surveyors and Architects.

4. Contributions receivable

	Restated 2005-06 £'000	2006-07 £'000
Employers normal contributions	75,364	85,139
Employers special contributions	1,747	1,583
Members normal contributions	<u>27,804</u>	<u>29,842</u>
	<u>104,915</u>	<u>116,564</u>

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

5. Transfers in

	Restated 2005-06 £'000	2006-07 £'000
Individual transfers in from other schemes	12,897	11,977
Restitution payments for mis-sold personal pensions	<u>121</u>	<u>(6)</u>
	<u>13,018</u>	<u>11,971</u>

6. Benefits payable

	Restated 2005-06 £'000	2006-07 £'000
Pensions	57,063	60,205
Lump sum retirement benefits	9,290	14,101
Lump sum death benefits	<u>1,098</u>	<u>982</u>
	<u>67,451</u>	<u>75,288</u>

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

7.	Payments to and on account of leavers	Restated			
		2005-06	2006-07		
		£'000	£'000		
	Refunds to members leaving service	181	33		
	Individual transfers to other schemes	<u>11,647</u>	<u>9,158</u>		
		<u>11,828</u>	<u>9,191</u>		
8.	Administrative expense	2005-06	2006-07		
		£'000	£'000		
	Administration and processing	860	828		
	Actuarial fees	50	29		
	Audit fee	<u>16</u>	<u>15</u>		
		<u>926</u>	<u>872</u>		
9.	Investment Income	2005-06	2006-07		
		£'000	£'000		
	Income from fixed interest securities	8,245	9,867		
	Dividends from Equities	29,049	33,670		
	Income from Index linked securities	1,624	1,671		
	Income from pooled investment vehicles	485	877		
	Net rent from properties	3,279	3,596		
	Interest on cash deposits	<u>5,511</u>	<u>5,725</u>		
		<u>48,193</u>	<u>55,406</u>		
10.	Investments	Value at	Purchases	Sales	Change in
		31.3.2006	at cost	Proceeds	market value
		£'000	£'000	£'000	£'000
	Fixed interest securities	192,257	119,515	(77,024)	(10,711)
	Equities	1,183,307	285,252	(248,796)	72,802
	Index-linked securities	75,040	76,521	(59,174)	(656)
	Pooled investment vehicles	271,270	9,335	(92)	4,838
	Properties	61,755	35	(12,612)	8,712
	Cash deposits & short term loans	117,293	916,241	(923,704)	2,426
	Other	<u>21</u>	<u>-</u>	<u>-</u>	<u>3</u>
		<u>1,900,943</u>	<u>1,406,899</u>	<u>(1,321,402)</u>	<u>77,414</u>

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

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

	31 March 2006 £'000	31 March 2007 £'000
Fixed interest securities		
UK public sector quoted	154,766	191,554
Overseas public sector - quoted	<u>37,491</u>	<u>32,483</u>
	<u>192,257</u>	<u>224,037</u>
Equities		
UK quoted	783,280	857,780
Overseas quoted	<u>400,027</u>	<u>434,785</u>
	<u>1,183,307</u>	<u>1,292,565</u>
Index linked securities		
UK quoted	69,960	75,307
Overseas quoted	<u>5,080</u>	<u>16,424</u>
	<u>75,040</u>	<u>91,731</u>
Pooled Investment Vehicles		
Property - unquoted	36,729	46,796
Other quoted	191,329	192,114
Other unquoted	<u>43,212</u>	<u>46,441</u>
	<u>271,270</u>	<u>285,351</u>
Properties		
UK Freehold	45,815	40,280
UK Leasehold	<u>15,940</u>	<u>17,610</u>
	<u>61,755</u>	<u>57,890</u>
Cash deposits and short term loans		
Sterling cash deposits	25,727	25,841
Money Market Funds	9,000	9,000
Other Sterling short term loans	79,000	74,000
Foreign Currency	<u>3,566</u>	<u>3,415</u>
	<u>117,293</u>	<u>112,256</u>
Other		
Insurance policies	<u>21</u>	<u>24</u>

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

	31 March 2006 £'000	%	31 March 2007 £'000	%
In-house	1,591,415	83.7	1,717,363	83.2
Wellington Management International Ltd	116,785	6.1	130,073	6.3
UBS Global Asset Management (UK) Ltd	<u>192,743</u>	<u>10.2</u>	<u>216,418</u>	<u>10.5</u>
	<u>1,900,943</u>	<u>100.0</u>	<u>2,063,854</u>	<u>100.0</u>

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

11. Fund investments by geographical sector (at market value)	31 March 2006		31 March 2007	
	£'000	%	£'000	%
UK	1,287,576	67.7	1,413,739	
	68.5			
N America	131,833	6.9	155,553	
	7.5			
Europe	220,086	11.6	243,384	
	11.8			
Asia and other	<u>261,448</u>	13.8	<u>251,178</u>	
	<u>12.2</u>			
	<u>1,900,943</u>	<u>100.0</u>	<u>2,063,854</u>	
	<u>100.0</u>			
12. Investment Management Expenses	2005-06		2006-07	
	£'000		£'000	
Administration, management and custody	2,167		2,289	
Performance measurement services	7		7	
Other advisory fees	<u>82</u>		<u>233</u>	
	<u>2,256</u>		<u>2,529</u>	

13. Additional Voluntary Contributions

In accordance with the Statement of Recommended Practice: Code of Practice on Local Authority Accounting in the United Kingdom 2006, the accounts no longer include employees' Additional Voluntary Contributions (AVCs). Net assets movements during the year and comparatives are identified in the relevant notes. The amounts involved are not material in relation to the size of the overall pension fund.

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

The total value of funds provided by these contributions was:

	31 March 2006	31 March 2007
	£'000	£'000
Equitable Life Assurance Society		
- with profits fund	561	550
- unit-linked funds	772	806
- building society fund	<u>8</u>	<u>9</u>
Total Equitable Life Assurance Society	<u>1,341</u>	<u>1,365</u>

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

	31 March 2006 £'000	31 March 2007 £'000
Standard Life		
- managed fund	392	433
- cautious managed fund	30	52
- protection fund	38	45
- ethical fund	106	92
- with profits fund	<u>329</u>	<u>382</u>
Total Standard Life	<u>895</u>	<u>1,004</u>
Prudential Assurance Company Ltd		
- deposit fund	<u>3,400</u>	<u>3,530</u>
Clerical Medical		
- with profits fund	<u>380</u>	<u>508</u>
Total AVC Investments	<u>6,016</u>	<u>6,407</u>
Death in Service Cover		
Equitable Life	<u>829</u>	<u>752</u>

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

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

	Equitable Life £'000	Prudential £'000	Standard Life £'000
Value at 31.3.2006	1,341	3,400	895
Income			
Contributions Received	27	253	59
Interest & Bonuses/Change in Market Value	68	159	104
Transfers in	-	88	7
Expenditure			
Life Assurance Premiums	3	-	-
Retirement Benefits	65	291	61
Transfers Out & Withdrawal	2	67	-
Contribution Repayments	<u>1</u>	<u>11</u>	<u>-</u>
Value at 31.3.2007	<u>1,365</u>	<u>3,531</u>	<u>1,004</u>
14. Current Assets and Liabilities	31 March 2006	31 March 2007	
	£'000	£'000	
Employers' contributions due	3,639	4,140	
Employees' contributions due	1,315	1,334	
Transfers due	304	808	
Unpaid benefits	(375)	(779)	
Sundry debtors	36,820	52,784	
Sundry creditors	(28,605)	(34,864)	
Tax recoverable	<u>365</u>	<u>604</u>	
	<u>13,463</u>	<u>24,027</u>	

Employers' and employees' contributions due at 31 March 2007 have been received since the year-end.

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

15. Related Party Transactions

Derbyshire County Council is the administering authority for the purposes of the Fund under the Local Government Pension Scheme Regulations 1995. Included in administrative expenses and investment management expenses in 2006-07 are charges from the Corporate Finance division and other council departments of £1,319,180 (2005-06 £1,248,372) for providing these services.

The Fund has also made a loan to Derbyshire County Council at various times throughout the year of between £5 million and £15 million. At 31 March 2007 the balance was £nil (2006 £nil). This loan is repayable on demand and earns a market rate of interest (as prescribed by the Local Government Pension Scheme Regulations 1998).

16. Investment Commitments

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

	31 March 2006 £'000	31 March 2007 £'000
Unquoted investments	<u>4,487</u>	<u>5,497</u>

17. Participating Employers

The participating employers in the Fund are Derbyshire County Council (which is also the Administering Authority), the Unitary and District Local Authorities (which are Scheduled Bodies) and a further 54 Scheduled and 30 Admitted Bodies. The Unitary and District Local Authorities are listed in the foreword of this Annual Report. Other participating employers are listed below.

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

	2005-06 restated 2006-07			
	Benefits Payable £'000	Contributions Receivable £'000	Benefits Payable £'000	Contributions Receivable £'000
Derbyshire County Council	32,911	43,681	35,733	55,285
Scheduled Bodies	32,549	58,326	37,383	57,665
Admitted Bodies	<u>1,991</u>	<u>2,908</u>	<u>2,172</u>	<u>3,614</u>
	<u>67,451</u>	<u>104,915</u>	<u>75,288</u>	<u>116,564</u>

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

	2006-07	2007-08
	Total Contribution Rate %	Total Contribution Rate %
Scheduled Bodies		
National Probation Service - Derbyshire	236	236
Peak District National Park Authority	252	252
Chesterfield Crematorium	391	391
Derbyshire Valuation Tribunal	500	500
The University of Derby	210	210
Chesterfield College	216	216
South East Derbyshire College	207	207
Derby College	191	191
Derbyshire Police Authority	268	268
Derbyshire Fire and Rescue Service	263	263
Derby Homes Limited	206	206
High Peak Community Housing Ltd	167	167
Town and Parish Councils - Group 1	375	375
Town and Parish Councils - Group 2	233	233

Town and Parish Councils

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

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

The following Admitted Bodies also participate:

	2006-07	2007-08
Admitted Bodies	Total Contribution Rate %	Total Contribution Rate %
Three Valleys Housing Limited	271	271
Amber Valley Housing Limited	175	175
Dales Housing Limited	257	257
Tramway Museum Society	128 plus £13,600	128 plus £14,100
Derbyshire Coalition for Inclusive Living	219 plus £30,900	219 plus £32,300
Rethink	216 plus £3,800	216 plus £4,000
Chesterfield Care Group	231 plus £10,400	231 plus £10,800
Belper Sports Centre	120 plus £25,400	120 plus £26,500
Connexions Derbyshire Limited	231	231
Derbyshire Student Residencies Limited	170	170
Commission for Social Care Inspection	245	245
Superclean Services	281 plus £200	281 plus £300
Derby and Derbyshire Economic Partnership	136	136
Derby Cityscape Limited	203	203
Cleanaway	244	244

Capital Expenditure

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

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

The statement below shows the position on capital receipts, ie. the proceeds from the sale of land or buildings. Under current legislation capital receipts from the sale of the Authority's assets may be used in full to finance new capital expenditure. The provision for credit liabilities may be used to redeem debt, meet liabilities under credit arrangements, or as a means of financing expenditure authorised by credit approvals without borrowing. The statement shows new receipts in the year, together with the amounts applied either to finance capital expenditure in the year or to repay outstanding debt. Receipts unapplied at the year end are carried forward and shown in the consolidated balance sheet. Of the balances unapplied at the year end £25,388,000 is available to fund new capital expenditure. The remainder (£5,812,000) represents the provision for credit liabilities.

CAPITAL RECEIPTS STATEMENT

2005-2006 £'000		2006-2007 £'000
17,063	Balance unapplied at start of year	18,696
	<i>Add</i>	
<u>3,747</u>	Land and Buildings sale proceeds in year	<u>15,590</u>
20,810		34,286
	<i>Less</i>	
0	Used for redemption of debt	-
<u>2,114</u>	Used for financing new capital expenditure	<u>3,085</u>
<u>18,696</u>	Balance unapplied at year end	<u>31,200</u>

Capital Expenditure (continued ...)

**Capital
Expenditure
2005-2006
£'000**

281
833
1,718

54,583
2,094

21,407
103
830
3,287
1,105
700

6,699
5,067

£98,707

46,614
14,991
37,102

£98,707

Services

Central and Corporate Services

Change Management and other
Economic Development
County Buildings

Education

Schools
Youth and Community

Environmental Services

Highways
Transport
Countryside
Reclamation of derelict land
Refuse Disposal

Cultural and Community Services

Social Services

Residential Services
Day & Community Support Services

Financed from:

Loans
Capital Receipts and other internal funds
Capital grants and contributions

Dedicated Schools Grant

For 2006-07, the arrangements for government support for the funding of schools changed. Previously funds were provided as part of the Council's overall Revenue Support Grant. In 2006-07, the Council has received a specific grant - the Dedicated Schools Grant. £376m has therefore been credited against the Education service outturn in the Income and Expenditure Account that would previously have been treated as part of Revenue Support Grant in corporate income. The difference between 2006-07 figures and comparative figures for 2005-06 for these two lines is substantially explained by this change.

The Council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. The Council is able to supplement the Schools Budget from its own resource but did not do so for the 2006-07 financial year.

Details of the deployment of DSG receivable for 2006-07 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £'000	Individual Schools Budget £'000	
Original grant allocation to Schools Budget for the current year in the authority's budget	54,698.2	321,366.2	376,064.4
Adjustment to finalised grant allocation	49.6	-	-
DSG receivable for the year	54,747.8	321,366.2	376,114.0
Actual expenditure for the year	52,761.0	321,366.2	374,127.2
Underspend for the year carried forward to 2007-08	1,986.8	-	1,986.8

Glossary of Financial Terms

Best Value

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

Capital Expenditure

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

Capital Receipts

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

Consolidated Loans Pool

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

Council Tax

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

County Fund

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

Deferred Charges

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

Depreciation

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

Financial Reporting Standard 17 (FRS 17)

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

Fixed Assets

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

Glossary of Financial Terms (continued ...)

Fixed Asset Restatement Account

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

Formula Spending Share (FSS)

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

Government Grants

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

Minimum Revenue Provision (MRP)

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

Public Works Loan Board

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

Rateable Value

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

National Non-Domestic Rate or Business Rate

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

Provisions

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

Revenue Support Grant

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

Revenue Expenditure

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

Specific Grants

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

Statement on Internal Control (continued)

Glossary of Financial Terms (continued ...)

Statements of Standard Accounting Practice (SSAPs)

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

UK GAAP

United Kingdom Generally Accepted Accountancy Practice