

Statement of Accounts 2007-2008

Director of 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 Director of 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 27 June 2008



Councillor J G Williams
Chair, Cabinet
25th September 2008

The Director of Finance's responsibilities

The Director of 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 2008.

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

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

The Director of Finance has also:

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

Certificate of Director of Finance

I certify that the Statement of Accounts present fairly the financial position of Derbyshire County Council at 31 March 2008 and its income and expenditure for the year then ended.



Graham Hunt
Director of Finance
25th September 2008

EXPLANATORY FOREWORD

Introduction

These accounts set out the financial results of the Council's activities for the year ended 31 March 2008. 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 Directors and Director of Finance play a particular role in ensuring financial stewardship.

This booklet is prepared following the statutory requirements of the Accounts and Audit Regulations (as amended) 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 2007-08
- An indication of the Council's financial position as at 31 March 2008
- An overview of the Council's plans for future priorities in service delivery

A glossary of terms is provided on page 58 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 Director of Finance for preparing the accounts.
- *Annual Governance Statement* which sets out the financial control arrangements in place within the overall governance framework.
- *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.
- *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 is taken of actual payments made to pensioners and pension funds.
- *Statement of Total Recognised Gains and Losses*. 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 2008)
- *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* which provide additional detail behind the income and expenditure account and balance sheet. 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 provides 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 18. This statement shows the breakdown of expenditure held centrally and delegated to individual schools funded by the DSG.

Legislation requires the Council to also 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 2007-08

The Audit Commission assesses each local authority at regular intervals through a Comprehensive Performance Assessment (CPA). In 2007-08 the authority was re-assessed on its Use of Resources as part of the annual review of its CPA. The Use of Resources judgement assesses how well the Council manages and uses its financial resources. The Council scored 3 out of 4, the same score as previously. A 3 out of 4 score is classed as "performing well" and helped to contribute to the maintenance of the Council's overall 4 star CPA rating, the maximum score. The Council Plan documents a target 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 net revenue budget for the year of £389.3M an increase of £17.5M compared to the 2006-07 budget. The budget was set with limited use of reserves (£2.4M) and balances but the identification of £7m of efficiency savings allowed the funding of £5.4M 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 as a result of demographic growth for elderly clients and the cost of agency placements for looked after children.

The resultant council tax increase was 3.9%, 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 18). Expenditure is however controlled at departmental level and the following table below shows that expenditure compared to the revised estimate.

Explanatory Foreword (continued ...)

	Revised Estimate	Actual	Total Variance
	£	£	£
Corporate Resources Department	4,567,094	536,866	(4,030,228)
Chief Executives	5,648,092	5,277,162	(370,930)
Corporate	14,866,614	11,757,094	(3,109,520)
Cultural & Community Services	19,351,211	18,152,273	(1,198,938)
Children & Younger Adults	110,487,000	115,083,000	4,596,000
Environmental Services	80,730,495	79,927,764	(802,731)
Adult Social Services	159,184,250	163,047,896	3,863,646
Total Service Expenditure	394,834,756	393,782,055	(1,052,701)
less Capital Charges	(30,005,499)	(37,044,451)	(7,038,952)
add external financing costs	35,863,000	33,730,254	(2,132,746)
less interest receipts	(6,445,000)	(11,864,321)	(5,419,321)
Net expenditure	394,247,257	378,603,537	(15,643,720)
Transfers to/from(-) reserves	(11,104,957)	2,435,717	13,540,674
Risk Management Reserve	7,207,057	0	(7,207,057)
PSA Reward Grant	0	(103,375)	(103,375)
Local Authority Business Growth Initiative	0	(2,046,613)	(2,046,613)
	390,349,357	378,889,266	(11,460,091)
Financed by:			
RSG	19,768,572	19,768,572	0
NNDR	117,795,839	117,795,839	0
Council Tax	251,759,589	251,759,594	5
	389,324,000	389,324,005	11,460,096
Use of balances	1,025,357	(10,434,739)	11,460,096

There was no change to the actual receipts of RSG and NNDR from central government in the year compared to the original estimate and the Council Tax was as estimated. There was however a saving of over £2m on external financing costs as capital expenditure was not as fully committed as planned and interest on balances continued to rise; at £11.864m it was over £5m in excess of the estimate due to a combination of higher than anticipated interest rates and strong cash flow, although this was taken into account for budget planning in 2008-09.

The outturn was in line with expectations. Most services achieved underspends, part of which related to planned activities not having been carried out so the commitment remains. Pressures on social care budgets were significant and recognised in setting the 2008-09 budget. Looking forward demand led and inflationary pressures will need to be closely monitored and controlled.

The total variance column shows the position including recharges between Departments and before adjustments in relation to capital charges (assessed cost of capital).

Explanatory Foreword (continued ...)

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 431 schools and 13,000 staff to educate nearly 115,000 pupils
- Provide a free home help service to 14,700 vulnerable people
- Provides a meals on wheels service delivering 725,000 meals to vulnerable people
- The Council's B_line and Gold Card schemes provides 60,000 cut-price student travel and free travel for 175,000 older and disabled people, as well as discounts for shops and services throughout the County
- Pays for foster homes for more than 500 children and young people
- Pays for over £25 million of repairs and improvements to 3,500 miles of roads and pavements.
- Pays for free and half price school transport for 35,000 pupils.
- Helps to provide books, DVDs, CDs and free internet access in the Council's 59 libraries
- The disposal of 363,000 tonnes of waste collected by district councils.

Borrowing

The total amount of long term borrowing as at 31 March 2008 was £414.480m compared to £414.173m in 2006-07.

Reserves and Balances

At 31 March 2008 the Council had uncommitted general reserves of over £37.0m. After adjusting for the proposed use of reserves for committed expenditure, the unallocated balance is £30.1m.

School balances excluding capital reserves are £29.4m as at 31 March 2008 compared to £28.6m at 31 March 2007.

Capital Expenditure

The estimated capital expenditure was £132.27m against which expenditure was £113.0m. The main reason for the underspend were delays to the Markham Employment Growth Zone (MEGZ) project because of a hold up in statutory procedures outside the authority's control, waste projects due to difficulties in securing planning permission and various schemes within Children and Young Adults Department (CAYA) including Clay Cross Primary School which has slipped due to the delay in starting on site because of the legal challenge. These projects are all expected to progress quickly during 2007/08. The Council was holding over £23m of capital receipts at 31 March 2008 which are available to support future capital spending programmes.

Capital expenditure is funded from the following sources:

	£'000
Borrowing	21,764
Capital Receipts	11,650
Revenue and Reserves	8,059
Capital Grants and Contributions	71,513
Total	112,986

Pension Fund

The Pension Fund's overall return for 2007-08 was -2.3% (2006-07 6.9%) which compares to the average return on local authority funds of -2.8%. Over the last 10 years the return was 5.4% 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 4.1% and 2.8% respectively.

Explanatory Foreword (continued ...)

The Fund's latest Actuarial Valuation was carried out as at 31 March 2007 at which point it was calculated that the Fund's assets represented 80% of its past service liabilities compared with 70% at the March 2004 valuation. The main reasons for the improvement in funding was favourable investment performance relative to the actuary's assumptions and the change in gilt yields. In common with other local authorities Derbyshire's Fund benefited from strong equity markets in the three years to March 2007, on which the actuarial valuation was based.

Accounting Policies

The principle changes in accounting policies arising from the 2007 SORP and reflected in the 2007/08 accounts are as follows:

- From 1 April 2007 the Fixed Asset Restatement Account and Capital Financing Account are replaced with a Revaluation Reserve and a Capital Adjustment Account. The 2006-07 comparative figures have been restated by showing the Revaluation Reserve as nil and the balance on the Capital Adjustment account is the combined total of the Fixed Asset Restatement Account and Capital Financing Account.
- The implementation of standards dealing with the recognition, measurement, presentation and disclosure of financial instruments. Premiums and discounts on the rescheduling of debt are no longer shown separately on the Balance Sheet and a new Financial Instruments Adjustment Account has been created.

The accounts have been prepared in accordance with the Statement of Recommended Practice ("SORP") - Code of Practice on Local Authority in the United Kingdom 2007. This represents a change from previous years. The accounts for 2006-07 were prepared in accordance with the 2006 SORP and the comparative figures are stated in accordance with the 2006 SORP.

Comparisons with previous year in the Income & Expenditure Account are difficult for a number of reasons, not least because of the changes in accounting policies but also by the distortion of spend in 2006-07 caused by one-off payments made in respect of back pay liabilities arising from the implementation of Job Evaluation as part of the Single Status agreement.

Local Area Agreements

External funding streams totalling £29.1m have been pooled and managed through a Local Area Agreement (LAA) in 2007-08 (£22.7m in 2006-07). This has not changed the accounting treatment or presentation of the expenditure and grant income in the accounts.

Planned Future Developments

The Council's Five Year Financial Plan has been updated to forecast resources and costs up to 2012-13. The plan takes account of the details from the Government's Comprehensive Spending Review 2007 (CSR07) announced in Autumn 2007 and the three year Local Government Finance Settlements. These settlements provide the Council with some stability in terms of financial planning. However, the Council faces significant cost pressures in the years ahead 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. Single Status is planned to be implemented in the 2008-09 financial year and the annual cost of this is estimated to be £12M which will be met from approved budgetary provisions and savings made as a result of revised terms and conditions for the Council's employees. All this is within the context of keeping council tax rises down to as low a level as possible.

More detail on the 2008-09 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
Director of Finance

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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 and properly accounted for, and used economically, efficiently and effectively. Derbyshire County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Derbyshire County Council has approved and adopted a code of corporate governance, which is consistent with the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how Derbyshire County Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Derbyshire County Council for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

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

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

The Council operates a local code of corporate governance which complies with CIPFA/SOLACE requirements and demonstrates its commitment to corporate governance stating that "good Corporate Governance underpins credibility and confidence in our public services".

Annual Governance Statement (continued ...)

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

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

The Council has an Audit Committee which operates in accordance with prescribed terms of reference, its function being defined in the Constitution. In addition Improvement and Scrutiny Committees support the work of the Council and the Executive and their role is defined in the Constitution.

The Council's Standards Committee monitors the Council's ethical framework and the conduct of Members.

The Authority operates Financial Regulations and Standing Orders which are subject to annual review by the Audit Committee. Codes of Conduct defining the standards of behaviour for Members and officers have been established. The Council operates a Confidential Reporting Code (whistle blowing policy) and a complaints procedure. In addition the Council has an Anti Fraud/Anti Corruption Policy Statement which is subject to annual review.

The Council has a risk management framework in place and business continuity plan. The Strategic Risk Register is subject to regular review, project specific risk registers are in place for major projects and partnerships which are subject to ongoing review. Emerging risks are identified by the reviews and through ongoing audit work.

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

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

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

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

Review of Effectiveness

Derbyshire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by the external auditor and other review agencies and inspectorates.

Annual Governance Statement (continued ...)

The Standards Committee has a duty to monitor and review the operation of the Constitution and the ethical framework. The Monitoring Officer (County Secretary) has a key role in making recommendations to ensure that the Constitution achieves its purposes. Changes to the Constitution are only made following approval by full Council.

The Monitoring Officer has a duty to advise the Council on matters which could be considered as unlawful or give rise to maladministration. In addition the Council's Head of Internal Audit carries out an annual review of the Council's corporate governance arrangements.

Improvement and Scrutiny Committees support the work of the Executive and the Council as a whole, by reviewing and/or scrutinizing decisions, producing reports and making recommendations and exercising the right to call-in for reconsideration decisions made but not yet implemented by the Executive.

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

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

An independent review of the effectiveness of the system of internal audit was undertaken during 2007/08 by the Director of Finance utilising an objective assessment tool. The review concluded that the internal audit arrangements within the Council are effective.

Based on the evidence from audit work the Head of Internal Audit produces an Annual Report which is considered by the Audit Committee and highlights significant areas of good practice and where improvements can be made. The Annual Report includes the Statement by the Head of Internal Audit on the Authority's system of internal financial control.

The Authority has a Strategic Risk Register and has separate risk registers for major projects and partnerships which are subject to regular review.

Further assurance is provided by regular reports produced by independent review bodies including the Audit Commission, Commission for Social Care Inspection, Ofsted etc.

As part of the Audit Commission's Comprehensive Performance Assessment, the Council achieved a 4 star overall performance in 2007. In addition, the Council was judged to be 'improving well' under the framework for assessing the 'Direction of Travel'.

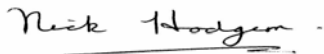
Governance Issues

The reviews of effectiveness undertaken by both Internal and External Audit have advised that the Council's overall financial management and corporate governance arrangements are sound. A review of the Council's governance arrangements has been undertaken in order to produce this statement, utilizing an objective assessment process recommended by the Chartered Institute of Public Finance, and this has highlighted opportunities to further strengthen present arrangements. The Audit Committee has been informed of the outcome of the review and a detailed action plan has been formulated to address these areas which includes further development of:-

Annual Governance Statement (continued ...)

- a communication strategy in relation to the Code of Corporate Governance
- Performance management and trend information
- Risk management communication protocols and formalizing risk management responsibilities in job descriptions, where appropriate
- the assurance framework to include specification of key controls and the mechanism for providing assurances within the Council.

It is proposed over the coming year to take steps to address the above matters to further enhance governance arrangements. These steps will address the need for improvements identified in the review of effectiveness, and their implementation and operation will be monitored as part of the next annual review.



Chief Executive

25th September 2008



Leader of the Council

25th September 2008

STATEMENT OF ACCOUNTS

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 insofar as it is relevant.

Changes in Accounting Policies

The principle changes in accounting policies arising from the 2007 SORP and reflected in the 2007-08 accounts are as follows:

- From 1 April 2007 the Fixed Asset Restatement Account and Capital Financing Account are replaced with a Revaluation Reserve and a Capital Adjustment Account. The 2006-07 comparative figures have been restated by showing the Revaluation Reserve as nil and the balance on the Capital Adjustment account is the combined total of the Fixed Asset Restatement Account and Capital Financing Account. All capital expenditure is now deemed to be enhancing the fixed asset base, unless it is determined to be a deferred charge or not specific to an individual asset. This is still written off through the Income and Expenditure Account, however the amount written off is considerably reduced.
- The implementation of standards dealing with the recognition, measurement, presentation and disclosure of financial instruments. Premiums and discounts on the rescheduling of debt are no longer shown separately on the Balance Sheet and a new Financial Instruments Adjustment Account has been created.

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.

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 5.42% (5.54% in 2006-2007). 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 2007-2008 has been carried forward and will be added to or deducted from their accumulated balances in 2008-2009. 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.

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. Accounting Standards recommend that valuation should be lower of cost or net replacement value but this is not material.

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



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

Opinion on the financial statements

We have audited the financial statements and pension fund accounts of Derbyshire County Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The financial statements comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, and the related notes excluding note 20 on Trust Funds. The pension fund accounts comprise the Fund Account, the Net Assets Statement, and the related notes. The financial statements and pension fund accounts have been prepared under the accounting policies set out within them.

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

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements and the pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We review whether the Annual Governance Statement reflects compliance with CIPFA's guidance. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Pension Fund Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

Auditor's Opinion (Continued...)

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

Opinion

In our opinion: the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008 other than liabilities to pay pensions and other benefits after the end of the scheme year.

KPMG LLP

KPMG LLP
Chartered Accountants
Birmingham

Date 30 September 2008

Authority's Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

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

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any performance improvement observations under section 7 of the Local Government Act 1999.

Conclusion

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

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 12 December 2007. We did not identify any matters to be reported to the authority and did not make any performance improvement observations on procedures in relation to the plan.

Certificate

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

KPMG LLP

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 net expenditure for the previous year. As detailed in the explanatory foreword the comparison has been distorted by change in accounting policies and payments made under the single status agreement in 2006-07 amounting to £13 million.

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.

Income & Expenditure Account 2007-08

2006-07		2007-08		
Net Expenditure		Gross Expenditure	Income	Net Expenditure
£000		£000	£000	£000
68,889	Children & Younger Adults	603,266	(557,279)	45,987
7,867	Central	23,108	(19,099)	4,009
821	Courts	1,128	(295)	833
42,192	Cultural, Environmental & Planning	51,365	(5,881)	45,484
47,030	Highways, Roads & Transport	69,147	(28,391)	40,756
203,775	Older Adults	316,251	(114,700)	201,551
6,598	Non distributed costs	18,428	(269)	18,159
7,618	Corporate & Democratic Core	7,842	(8)	7,834
384,790	Net Cost of Services	1,090,535	(725,922)	364,613
(1,266)	Surplus/Deficit on Trading Operations			(1,333)
19,584	Interest Paid			18,378
(12,302)	Interest received			(17,029)
11,192	Pensions Interest cost & expected return on assets			9,764
-	Gain or loss on disposal of asset			(1,546)
227	Levies & Precepts			256
402,225	Net Operating Expenditure			373,103
(240,990)	Council Tax			(251,759)
(20,901)	RSG			(19,769)
(109,255)	NNDR			(117,796)
(1,819)	PSA 1 Reward Grant			(103)
(1,521)	Local Authority Business Growth Incentive			(2,047)
27,739	(Surplus)/Deficit for the year			(18,371)

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.

2006-07		2007-08
£'000		£'000
27,739	(Surplus)/Deficit for the year on the Income and Expenditure Account	(18,371)
	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund	
<u>(19,726)</u>	Balance for the year	<u>3,559</u>
8,013	(Increase)/Decrease in General Fund Balance for the Year	(14,812)
<u>(30,207)</u>	General Fund Balance brought forward	<u>(22,194)</u>
<u>(22,194)</u>	General Fund Balance carried forward	<u>(37,006)</u>
<u>(22,194)</u>	Amount of General Fund Balance generally available for new expenditure	<u>(37,006)</u>

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

2006-07 £'000		Note	2007-08 £'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			
(30,926)	Depreciation and impairment of fixed assets		(34,007)
0	Gain or loss on disposal of assets		1,546
3,131	PFI Residual Interest		3,496
(25,400)	Non-enhancing capital and deferred charges		(10,174)
29,529	Amortisation and release of Government Grants		26,333
(1,709)	Principal transferred debt		(1,685)
<u>(54,520)</u>	Net charges made for retirement benefits in accordance with FRS 17	24	<u>(57,608)</u>
(79,895)			(72,099)
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			
16,761	Minimum revenue provision for capital financing		18,124
0	Revenue Contributions to Capital Outlay		7,334
0	Reversal of effective interest rate		(183)
<u>41,909</u>	Employer's contributions payable to Derbyshire Pension Fund and Teachers Pensions Agency	24	<u>45,381</u>
58,670			70,656
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			
<u>1,499</u>	Net transfer to or (from) earmarked reserves		<u>5,002</u>
<u>(19,726)</u>	Net additional amount required to be credited or debited to the General Fund balance for the year		<u>3,559</u>

Statement of Total Recognised Gains and Losses

2006-07 £'000		Note	2007-08 £'000
27,739	(Surplus) or deficit on the income and expenditure account for the year		(18,371)
(25,143)	(Surplus) or deficit arising on revaluation of fixed assets		(22,851)
(59,033)	Actuarial (gains) and losses on pension fund assets and liabilities	24	74,407
-	Equalisation of Lender Option Borrower Option Debt		531
(7,840)	Income taken directly to reserves		-
<u>1,964</u>	Other movements		<u>(67)</u>
<u>(62,313)</u>	Total gains and losses for the year		<u>33,649</u>

BALANCE SHEET

31 March 2007 £000		Notes	£000	31 March 2008 £000
	Fixed assets	12-16		
1,277,864	Land & buildings		1,340,978	
52,071	Vehicles, plant, equipment		49,787	
184,011	Infrastructure		205,472	
2,986	Community		3,493	
58,928	Non-Operational		<u>59,394</u>	1,659,124
68,046	Long Term Debtors			<u>64,669</u>
<u>1,643,906</u>	Total long-term assets			1,723,793
	<i>Current Assets</i>			
4,368	Stocks/WIP	18	4,558	
47,536	Debtors	31	50,789	
258,801	Short term investments	26	289,476	
3,910	Landfill Allowances		3	344,826
	<i>Current Liabilities</i>			
(126,620)	Creditors	32	(130,846)	
(8,877)	Temporary loans	26	(16,122)	
0	Short term loans-PWLB		(6,002)	
<u>(22,279)</u>	Cash overdrawn		<u>(21,053)</u>	<u>(174,023)</u>
<u>1,800,745</u>	Total assets less current liabilities			1,894,596
(414,173)	Long term Borrowing	27		(414,480)
(5,963)	Loan Liability OLAS	27		(5,689)
(390,146)	Liability relating to defined benefit pension scheme	24		(476,775)
(112,813)	Govt. grants and contributions deferred			(157,317)
(6,046)	Provisions Insurance Fund	15		(6,945)
(10,715)	Other	7		<u>(6,150)</u>
<u>860,889</u>	TOTAL ASSETS LESS LIABILITIES			827,240
	<i>Represented by</i>			
0	Capital Revaluation Reserve	22		22,851
1,121,563	Capital Adjustment Account	22		1,135,645
25,387	Usable capital receipts reserve	22		23,302
(390,146)	Pensions Reserve	24		(476,775)
	Earmarked Reserves			
29,272	LMS	22		31,541
52,619	Other	23		53,670
22,194	County Fund Balance			<u>37,006</u>
<u>860,889</u>	TOTAL EQUITY	17		827,240

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.

CASH FLOW STATEMENT 2007-08

2006-07 £000	SUMMARY	Note	£000	£000	2007-2008 £000
REVENUE					
613,090	Outflows		602,960		
<u>442,479</u>			<u>447,467</u>	1,050,427	
(240,990)	Inflows		(251,759)		
(109,255)			(117,796)		
(20,902)			(19,769)		
(559,855)		5	(572,692)		
<u>(156,036)</u>			<u>(146,665)</u>	<u>(1,108,681)</u>	
(31,469)	Net cash flow revenue activities	1			(58,254)
SERVICING OF FINANCE					
16,639				21,162	
<u>(11,335)</u>				<u>(15,657)</u>	5,505
5,304					
CAPITAL					
95,143	Outflows			102,279	
	Inflows				
(15,590)				2,686	
(51,132)				(70,837)	
0				0	
<u>28,421</u>				<u>(68,151)</u>	<u>34,128</u>
2,256	NET CASH (INFLOW) OUTFLOW				(18,621)
MANAGEMENT OF LIQUID RESOURCES					
27,225		2		30,675	
3,103				<u>(13,247)</u>	17,428
FINANCING					
252	Outflows			274	
<u>(35,892)</u>	Inflows			<u>(307)</u>	<u>(33)</u>
<u>(3,056)</u>	(INCREASE)/DECREASE IN CASH	4			<u>(1,226)</u>

Notes to the Core Financial Statements

1. Trading Operations

Disclosed on the face of the Income and Expenditure 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:

	2007-08 £'000	2006-07 £'000
Turnover	1,795	1,719
Expenditure	<u>(462)</u>	<u>(453)</u>
Surplus	<u>1,333</u>	<u>1,266</u>

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

	Turnover £'000	Surplus/ (Deficit) £'000
Building construction and maintenance	21,193	161
Grounds maintenance	3,349	72
Building cleaning	8,418	58
Allroads-Highways maintenance	37,072	188

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 £5.44 per head of resident population ie about £4.1 million. Expenditure incurred under section 137 in 2007-2008:-

	2007-08 £'000	2006-07 £'000
Grants to voluntary organisations	286	268
Community Venture Scheme	<u>27</u>	<u>27</u>
	<u>313</u>	<u>295</u>

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 2007-2008:-

	2007-08 £'000	2006-07 £'000
Educational Services	135	218
Computer Services	132	139
Financial Services	416	449
Architectural Design and Property Management Services	0	0
Legal Services	170	168
Environmental Services vehicle maintenance	693	627
Other	45	23

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

4. 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 Income and Expenditure 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 Income and Expenditure 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 services totalling £1,025,000 in 2007-2008 to the Police Authority and £133,000 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 2008 was £5m.

The Authority operates a car loan scheme with loans outstanding to Chief Officers at 31 March 2008 totalling £49,600.

Otherwise no council member or chief officer or parties related to them has undertaken any disclosable related party transactions during the year. In respect of council members this statement is based on the information in their declarations of personal interest.

5. 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.

	2007-08 £'000	2006-07 £'000
Recruitment Advertising	1,247	1,204
Non Recruitment Advertising	581	380
Other Publicity	377	448
Cost of Public Relations and Central Advertising Units not included above	<u>1,252</u>	<u>1,124</u>
	<u>3,457</u>	<u>3,156</u>

6. 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 2007-08 was £1,540,000 (£1,830,000 in 2006-07).

(b) The Authority is committed to making payments of £780,000 in 2008-2009 comprising the following:

	£'000
Leases expiring within 1 year	318
Leases expiring between 2-5 years	<u>462</u>
	<u>780</u>

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

7. Provisions

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

	£'000
Education provision for inter-authority and hospital recoupment	2,564
Environmental Services provision for remedial works and work in progress	650
Other	<u>2,936</u>
	<u>6,150</u>

Other provisions relate to all services and includes provisions for a contribution towards a replacement school and for departmental restructuring.

8. 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 2007-08 was £4.564m.

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 £40.5m and an element of the annual Unitary Charge is deemed to relate to the acquisition of the residual interest over the life of the contract and transferred to long-term debtors. For 2007-08 this figure was £1.815m. As this adjustment is notional a matching transfer is made to the Capital Financing Reserve.

Unitary Charge payments of £4.404m are anticipated to be charged to the revenue account in 2008-09.

(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 is charged to revenue in equal instalments over the life of the contract, starting in 2006-07.

The schools are valued at £40.24m and a residual interest element of £1.682m has been debited to long-term debtors with a matching transfer to the Capital Financing Reserve. The Unitary Charge for the year 2007-08 was £4.665m and is expected to be £4.740m for the year 2008-09.

9. Officers' Emoluments

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

Remuneration Band	Total 2007-08	Total 2006-07
£50,000- £59,999	276	187
£60,000- £69,999	31	29
£70,000- £79,999	29	25
£80,000- £89,999	12	10
£90,000- £99,999	1	1
£100,000-£109,999	1	1
£110,000-£119,999	2	2
£120,000-£129,999	-	1
£130,000-£139,999	-	-
£140,000-£149,999	1	1

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

The 2007-08 figures have been compiled using the latest recommended practice, with the 2006-07 figures re-stated for comparative purposes.

10. Members' Allowances

The total of members allowances paid in 2007-2008 to the nearest £'000 was £1,052,000 compared to £1,019,000 in 2006-07.

11. Audit Costs

In 2007-08 the Authority incurred the following fees relating to external audit and inspection:

	2007-08 £'000	2006-07 £'000
• Fees payable to KPMG LLP with regard to external audit services carried out by the appointed auditor	294	279
• Fees payable to the Audit Commission in respect of statutory inspection	84	14
• Fees payable to KPMG LLP for the certification of grant claims and returns (estimated for 2007-08)	20	23
• Fees payable in respect of other services provided by the appointed auditor	4	44

12. Fixed Assets

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

The four new schools which have been funded through the Private Finance Initiative (see note 8) remain the property of the provider and therefore are not included in the Balance Sheet or the figures below.

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

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

MOVEMENT OF FIXED ASSETS 2007/2008

£'000	OPERATIONAL ASSETS				NON OPERATIONAL ASSETS	TOTAL
	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets		
VALUE						
Historic Cost as at 31 March 2007	1,326,971	75,155	217,743	3,002	55,590	1,678,461
Less Accumulated depreciation	(48,563)	(23,084)	(33,732)	(15)	0	(105,394)
Opening Net book Value at 1 April 2007	1,278,408	52,071	184,011	2,987	55,590	1,573,067
Prior year adjustment	2,724	70			0	2,794
Additions	0	2,723	26,905	523	0	30,151
Enhancements	65,061	2,720	0	0	4,341	72,122
Disposals	(589)	(116)	0	(82)	(7,976)	(8,763)
Write off of accumulated depreciation	2,789	287	0	0	0	3,076
Depreciation charged in year	(19,633)	(8,056)	(5,444)	0	0	(33,133)
Change in valuation	13,463	88	0	65	7,439	21,055
Impairments:						
Charged in year	(1,245)	0	0	0	0	(1,245)
Transfers	0	0	0	0	0	0
Net book value at 31 March 2008	1,340,978	49,787	205,472	3,493	59,394	1,659,124
Accumulated depreciation and Impairments c/f	65,404	30,853	39,176	15	0	135,448
Certified valuation as at 31 March 2008	1,406,382	80,640	244,648	3,508	59,394	1,794,572

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

13. Fixed Asset Valuation

The freehold and leasehold assets which comprise the Authority's fixed asset portfolio have been valued internally in accordance with the guidance notes agreed between the Chartered Institute of Public Finance (CIPFA) and the Royal Institution of Chartered Surveyors (RICS). The freehold and leasehold assets which comprise the Authority's fixed asset portfolio are revalued by a Chartered Surveyor over a rolling five year programme (20% per annum) together with ad hoc and additional valuations, which are carried out where it is considered there has been a material change to the asset.

Static plant and machinery is included within the valuation of buildings. Buildings regarded by the Authority as operational have been valued at existing use value or, where they are of a specialist nature or 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 market value.

14. Capital Contracts

Listed below are schemes over £500,000 where there is still significant expenditure outstanding as at 31 March 2008.

Service	TOTAL ESTIMATED COST £'000	EXPENDITURE INCURRED £'000	EXPENDITURE OUTSTANDING £'000
Childrens Services			
Abercrombie Primary School	4,939	108	4,831
Aldercar Secondary School	4,243	839	3,404
Barlborough Primary School	512	2	510
Burbage Primary School	683	197	486
Harpur Hill Childrens Centre	885	690	195
Hasland Junior School	900	102	798
Heanor Coppice Childrens Centre	796	342	454
Herbert Strutt Primary School	4,244	3,377	867
Hope Valley College	1,320	684	636
Killamarsh St Giles Childrens Centre	816	313	503
Kirk Hallam Secondary School	4,697	619	4,078
Ripley Mill Hill School	8,128	7,573	555
Risley Primary School	836	24	812
Somercotes Infants School	553	81	472
Woodville Junior School	863	59	804
Older Adults			
Newhall Hostel	2,704	2,340	364
Environmental Services			
Ilkeston Awworth Bypass	11,570	7,806	3,764
MEGZ - Markham Growth Zone	62,100	36,872	25,228

15. Insurance Fund

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

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

	£'000
Opening balance 1 April 2007	16,449
plus Internal insurance premiums	5,036
Funding for Risk Management initiatives	(74)
less Claims settled and risk management expenditure	2,218
Overprovision in Insurance Reserve as agreed by actuary	<u>2,137</u>
Closing balance 31 March 2008	<u>17,056</u>

The fund balance as at 31 March 2008 can be analysed as set out below:-

	£'000
Provision to meet notified outstanding claims	6,885
Provision to meet risk management initiatives	60
Reserve to meet claims not yet notified	10,059
Reserve to meet risk management initiatives	<u>52</u>
Fund balance 31 March 2008	<u>17,056</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.

16. 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 2008 is holding cash of £979,000 on behalf of the Consortium. These funds are not part of the Authority's accounts.

17. Net Assets Employed

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

	31 March 2008	31 March 2007
	£'000	£'000
Revenue	(356,849)	(289,674)
Capital	1,181,798	1,147,850
Direct Service Organisations	<u>2,291</u>	<u>2,713</u>
Total Equity as per Balance Sheet	<u>827,240</u>	<u>860,889</u>

18. Stock and Work in Progress

Stocks and work in progress can be analysed as follows:

	31 March 2008	31 March 2007
	£'000	£'000
Environmental Services	341	293
Property Services - client	524	560
Other	253	248
DLO's - All Roads	710	712
- Property Services	81	76
Work in progress - Property Services	<u>2,649</u>	<u>2,479</u>
	<u>4,558</u>	<u>4,368</u>

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

19. Financial Instruments

Financial Instruments Balances

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

Financial Instruments Balances

	Long Term		Current	
	31 March 2007 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2008 £'000
Financial liabilities (principal amount)	414,173	418,143	8,877	22,122
Financial liabilities at amortised cost	412,901	414,480	8,877	22,123
Total borrowings	<u>412,901</u>	<u>414,480</u>	<u>8,877</u>	<u>22,123</u>
Loans and receivables (principal amount)	0	0	258,801	284,657
Loans and receivables	0	0	261,920	289,476
Total investments	<u>0</u>	<u>0</u>	<u>261,920</u>	<u>289,476</u>

Financial Instruments Gains/Losses

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

	Financial Liabilities		Financial Assets		Total £'000
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	Fair value through the I&E £'000	
Interest expense					
Interest payable & similar charges	(22,762)	0	0	0	(22,762)
Interest income					
Interest & investment income	0	17,522	0	0	17,522
Net gain/(loss) for the year	<u>(22,762)</u>	<u>17,522</u>	<u>0</u>	<u>0</u>	<u>(5,240)</u>

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

Fair value of assets and liabilities carried at amortised cost

Debt	Carrying amount	Fair value	Carrying amount	Fair value
	31.3.2007	31.3.2007	31.3.2008	31.3.2008
	£'000s	£'000s	£'000s	£'000s
PWLB	392,682	397,742	386,810	424,449
LOBOs	<u>27,550</u>	<u>28,679</u>	<u>27,670</u>	<u>30,849</u>
Total long term debt	420,232	426,421	414,480	455,298
Short term debt - PWLB	0	0	6,001	6,001
Short term debt - Temp loans	8,877	8,877	16,122	16,122
Creditors	<u>126,620</u>	<u>126,620</u>	<u>130,846</u>	<u>130,846</u>
	<u>555,729</u>	<u>561,918</u>	<u>567,449</u>	<u>608,267</u>

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

The fair values of financial liabilities have been determined by reference to the Public Works Loan Board ("PWLB") redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation of fair value for these instruments. It should be noted that the redemption rules applying to PWLB debt changed on 1 November 2007, and are less favourable than the previous procedures. As a result the fair value figures for 31 March 2008 are relatively higher (more costly to redeem) than the 31 March 2007 comparators.

For short term debt, all repayable within 12 months, the fair value is taken to be the same as amortised cost, being the principal outstanding plus accrued interest at 31 March.

For creditors the fair value is taken to be the amount outstanding.

Loans and receivables	Carrying amount	Fair value	Carrying amount	Fair value
	31.3.2007	31.3.2007	31.3.2008	31.3.2008
	£'000s	£'000s	£'000s	£'000s
Short term investments	258,801	258,801	289,476	289,476
Debtors	<u>48,182</u>	<u>48,182</u>	<u>50,789</u>	<u>50,789</u>
	<u>306,983</u>	<u>306,983</u>	<u>340,265</u>	<u>340,265</u>

For short term investments which all have a maturity of less than 12 months the fair value is taken to be the same as amortised cost, being the principal outstanding plus accrued interest at 31 March 2008.

For debtors (trade and other receivables) the fair value is taken to be the amount outstanding or the billed amount.

Non-collection of debtor amounts is expected to be minimal. Prudent provision is made for doubtful debts.

Nature and Extent of Risks in relation to Financial Instruments

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003

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

and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

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

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

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

Credit Risk

Credit risk arises from making short term deposits with banks and financial institutions. The Council's counterparty list for such institutions is approved each year as part of the Council's Treasury Management Strategy and limits for each counterparty are fixed. Inclusion on the Council's counterparty list is dependent on the Institutions' credit ratings which are monitored throughout the year.

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

Liquidity Risk

The Council generally receives a large proportion of its income (grants, precepts) in advance of meeting its main items of expenditure. In addition the Council has ready access to borrowings from the Money Markets to cover any day to day cashflow needs. The Council is also required to set a balanced budget in accordance with the Local Government Finance Act 1992, and holds a prudent level of reserves. There is therefore no material risk that it will be unable to meet its commitments.

The Council manages its liquidity position through cashflow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

The Council approves prudential indicator limits for the maturity structure of its debt, and agrees a limit for investments of greater than one year's duration as part of its Annual Treasury Management Strategy.

The Council's aim is to avoid too large a proportion of its debt falling due for repayment in any one year.

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

The Council's debt maturity profile (Principal Amounts) is shown below:

	Total Outstanding at 31 March	
	2008	2007
	£'000	£'000
Public Works Loan Board and market debt		
Maturing within one year	6,000	-
Maturing in 1-2 years	6,120	6,000
Maturing in 2-5 years	23,400	27,000
Maturing in 5-10 years	35,266	33,666
Maturing in more than 10 years	<u>353,357</u>	<u>347,507</u>
	<u>424,143</u>	<u>414,173</u>
Range of Interest Rates Payable	3.7% - 9.625%	
Weighted Average Rate	5.42%	

Interest Rate Risk

The Council's borrowing and lending activities are affected by movements in interest rates. The impact will vary depending on the Council's exposure to Fixed and Variable rate debt, and the duration of its temporary investments. An increase in interest rates would have the following effects:

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

A fall in interest rates would have the opposite effect.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations for the following year, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Director of Finance monitors market interest rates within the year and adjusts exposures appropriately. For instance during periods of low interest rates, fixed rate debt may be taken for longer periods to secure lower long term borrowing costs.

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

20. Trust and Other Funds

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

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

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

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

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

2006-07 Total £000		2007-08 Trust Funds £'000	2007-08 Other Funds £'000	2007-08 Total £'000
AGGREGATE REVENUE ACCOUNT				
3,352	Opening Balance	1,177	2,384	3,561
<u>290</u>	Add Income	<u>270</u>	<u>433</u>	<u>703</u>
3,642	Total Funds available in the year	1,448	2,817	4,264
<u>81</u>	Less Expenditure	<u>170</u>	<u>162</u>	<u>332</u>
<u>3,561</u>	Closing Balance	<u>1,278</u>	<u>2,655</u>	<u>3,933</u>
The funds are represented by:				
47	Investments	45	-	45
1,820	Building Society Deposits	-	2,113	2,113
<u>1,694</u>	Cash & temporary loans	<u>1,234</u>	<u>541</u>	<u>1,775</u>
<u>3,561</u>	Total Assets	<u>1,278</u>	<u>2,655</u>	<u>3,933</u>
99	Number of Funds	82	17	99
0	Increase in unrealised profit on investments included in expenditure	(2)	-	(2)

21. Local Area Agreement

A number of external funding streams, totalling £29.1m, have been pooled and managed through a Local Area Agreement (LAA) in 2007/08 (£22.7m in 2006/07). This was administered by Derbyshire County Council, as the accountable body, on behalf of a range of public bodies operating within Derbyshire but outside of Derby City Council. The total amount received by Derbyshire County Council is £18.2m. The LAA arrangement has not changed the accounting treatment or presentation of the expenditure and grant income in the accounts.

2007-08 was the last year of the current LAA. A new LAA (with new targets and funding regime) has been put in place for 2008-09.

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

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

Reserve	Balance 1 April 2007 £000s	Net Movement In Year £000s	Balance 31 March 2008 £000s	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	0	22,851	22,851	Store of gains on revaluation of fixed assets not yet realised through sales	
Capital Adjustment Account	1,121,563	14,082	1,135,645	Store of capital resources set aside to meet past expenditure	
Usable Capital Receipts	25,387	(2,085)	23,302	Proceeds of fixed asset sales available to meet future capital investment	
Pensions Reserve	(390,146)	(86,629)	(476,775)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note to the Core Financial Statements
General Fund	22,194	14,812	37,006	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance
Other Reserves	52,619	1,051	53,670		Details overleaf
Schools Balances Including capital reserves	29,272	2,269	31,541	Accumulated under or overspends on schools' budgets	
Total	<u>860,889</u>	<u>33,649</u>	<u>827,240</u>		

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

23 STATEMENT OF MOVEMENT IN RESERVES

OTHER RESERVES

	Balance 31.3.07 £000	Movement £000	Balance 31.3.08 £000
Education			
Schools Pool Premium	75	(14)	61
Standard Fund Matched Funding	369	(369)	0
Sure Start revenue balance		1,711	1,711
DESCIT	349	0	349
Read on Write Away	354	(5)	349
Potential reductions external grants		410	410
Education PFI	4,259	(21)	4,238
Environmental Services			
Traffic Man. & Permits project	76	(39)	37
Laboratory renewals	99	0	99
Waste Disposal Royalties	1,467	621	2,088
Workshop Renewals	256	(72)	184
Ilkeston Awsworth	413	327	740
Capital Salaries Contingency	229	0	229
IT Reserve	32	0	32
Commuted sums	729	19	748
DLO Reserve	1,182	207	1,389
Monies on Deposit	927	49	976
Aftersite Care	439	0	439
Section 74	514	54	568
Miscellaneous reserves	37	128	165
LATS	1,251	(1,250)	1
Corporate			
Lottery Treasure Chest	29	0	29
Purchasing Equipment Repairs	524	0	524
VAT recovered	94	46	140
Computer Renewals	1,142	(296)	846
VER/VR	1,000	0	1,000
Corporate reserve	942	38	980
Chief Executive's Department	713	14	727
Change Management	7,315	413	7,728
PSA Performance Reward	5,515	(1,535)	3,980
LA Business Grant Incentive	2,039	1,765	3,804
Derbyshire Waste Dividend Reserve	187	0	187
Financial Instruments Adjustment		(700)	(700)
Comm.& Cult.Serv			
Miscellaneous	10	364	374
Social Services			
Foster Carer equipment	144	116	260
Capital	5,892	(216)	5,676
Insurance Fund reserve element	10,403	(292)	10,111
Property DLO			
Asset Replacement Reserve	900	0	900
DLO Appropriation Accounts	2,713	(422)	2,291
TOTAL AS PER BALANCE SHEET	52,619	1,051	53,670

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

24. Pension Costs

(a) Teachers (excluding Teachers' Additional Unfunded Pension Scheme)

In 2007-08 the County Council paid £31,765,000 to the Department for Education and Skills in respect of teachers' pension costs, which represents 14.1% of teachers' pensionable pay.

(b) Other Employees and Teachers' Additional Unfunded Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority is required to disclose the liabilities at the time that employees earn their future entitlement.

The authority participates in two pension schemes:

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

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

	Local Government Pension Scheme		Teachers Additional Unfunded Pension Scheme	
	2007-08 £'000	2006-07 £'000	2007-08 £'000	2006-07 £'000
Net Cost of Services:				
• current service cost	35,943	42,809	-	-
• past service costs	11,548	182	353	337
Net Operating Expenditure:				
• interest cost	63,931	57,412	3,070	2,904
• expected return on assets in the scheme	(57,237)	(49,124)	-	-
Amounts to be met from Government Grants and Local Taxation:				
• movement on pensions reserve	(12,845)	(13,254)	618	643
Actual amount charged against council tax for pensions in the year:				
• employer's contributions payable to scheme	41,340	38,025	4,041	3,884

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

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

(c) Local Government Pension Scheme

	2007-08 £'000	%	2006-07 £'000	%	2005-06 £'000	%
Differences between the expected and actual return on assets	(84,351)	9.6	(2,489)	0.3	112,156	14.3
Differences between actuarial assumptions about liabilities and actual experience	56,665	4.4	0	0	(27,060)	2.3
Changes in the demographic and financial assumptions used to estimate liabilities	<u>(43,004)</u>	3.3	<u>59,823</u>	5.1	<u>(91,512)</u>	7.9
	<u>(70,690)</u>	5.5	<u>57,334</u>	4.9	<u>(6,416)</u>	0.6
	2004-05 £'000	%	2003-04 £'000	%	2002-03 £'000	%
Differences between the expected and actual return on assets	23,883	3.9	65,652	12.1	(137,000)	31.5
Differences between actuarial assumptions about liabilities and actual experience	5,726	0.6	0	0	0	
Changes in the demographic and financial assumptions used to estimate liabilities	<u>(177,635)</u>	17.9	<u>0</u>	0	<u>0</u>	
	<u>(148,026)</u>	14.9	<u>65,652</u>	8.7	<u>(137,000)</u>	19.4

(d) Teachers Pension Scheme - Unfunded Liabilities

	2007-08 £'000	2006-07 £'000	%	2005-06 £'000	%	2004-05 £'000	%
Liability Gain	0	0	0	0	0	(310)	0.5
Change in Assumptions	<u>(3,717)</u>	<u>1,699</u>	2.9	<u>(2,801)</u>	4.6	<u>(7,293)</u>	12.5
	<u>(3,717)</u>	<u>1,699</u>	2.9	<u>(2,801)</u>	4.6	<u>(7,603)</u>	13.1

(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 2008 %	31 March 2007 %
Equities	7.5	69	72
Gilts	4.6	17	15
Other Bonds	6.1	2	2
Property	6.5	5	5
Cash	5.25	6	6
Other	7.5	<u>1</u>	<u>0</u>
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:**

	2008 £'000	2007 £'000
Estimated liabilities in scheme	1,291,046	1,179,524
Estimated assets in scheme	<u>876,241</u>	<u>848,249</u>
Net asset/(liability)	<u>(414,805)</u>	<u>(331,275)</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 2007. The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The liability of £415m 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:

	2008	2007
a) rate of price inflation:	3.6%	3.1%
b) increases in salaries:	5.1%	4.6%
c) increases in pensions and deferred pensions:	3.6%	3.1%
d) discount rate:	6.1%	5.4%
e) proportion of employees opting to take a commuted lump sum	50.0%	50.0%

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

	2008 £'000	2007 £'000
Estimated Liabilities accruing to the Authority at 31 March	61,970	58,871

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

	2008	2007
Rate of inflation	3.6%	3.1%
Rate of increase in pensions	3.6%	3.1%
Discount rate	6.1%	5.4%

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

25 RECONCILIATION OF REVENUE CASH FLOW	£'000	£'000	
Surplus for the year from the Income and Expenditure Account		18,371	
Non cash transactions		37,683	
Items on an accrual basis(revenue only)			
Decrease in debtors	12,735		
Increase in creditors	<u>(16,229)</u>		
Increase in stocks	189	(3,305)	
Items classified elsewhere in the Cash Flow Statement			
Net Interest		5,505	
Revenue Activities Net Cash Flow		<u>58,254</u>	
 26 MOVEMENT IN LIQUID RESOURCES	 31-03-08	 31-03-07	
	£'000	£'000	
Short -term investments	289,476	258,801	30,675
Temporary loans	(16,122)	(8,877)	(7,245)
Short term loans-PWLB	0	(6,002)	(6,002)
	<u>273,354</u>	<u>243,922</u>	<u>17,428</u>
 27 FINANCING ITEMS			
Long term borrowing	(414,480)	(414,173)	(307)
Other long term liabilities	(5,689)	(5,963)	274
	<u>(420,169)</u>	<u>(420,136)</u>	<u>(33)</u>
 28 CASH OVERDRAWN	 <u>(21,053)</u>	 <u>(22,279)</u>	 <u>1,226</u>

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

29. GOVERNMENT GRANTS

The Authority receives Revenue Support Grant in aid of services generally (£19.678m in 2007-2008). 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	390,371
Learning and Skills Council	37,265
Standards Fund	37,908
School Standards	23,006
Surestart and Childcare	18,998
Social Services:-	
Preserved Rights	3,104
Supporting People	17,261
Access and System Capacity	8,596
Carers	3,014
Environmental Services Trunk Road Grant	2,395
PFI Revenue Support	6,688
Rural Bus Challenge	1,806
Road Safety	1,953
Other	18,177
	<u>570,542</u>

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

	£'000
Increase in cash	(1,226)
Cash inflow from increase in debt	(33)
Cash outflow from increase in liquid resources	<u>23,430</u>
Movement in net debt for period	<u>22,172</u>

31. DEBTORS

Debtors relate to amounts owed to the Authority at 31 March and includes amounts owed by individuals and organisations such as other local authorities and central government departments.

32. CREDITORS

Creditors are amounts owed by the County Council at 31 March and relate primarily to trade creditors where goods and services have been supplied but payment has not yet been made by the Authority at 31 March.

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

The return for 2007-08 for the Fund was -2.3% (2006-07, 6.9%) which compares with the average return on local authority funds of -2.8%. Over the last five years the Fund's return was 12.4% pa which was in line with the average return whilst over ten years the Fund's return was 5.4% per annum which is 0.3% per annum ahead of the average. For comparison the ten year figures for average earnings and retail price increases are 4.1% and 2.8% 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	2006	2007	2008
Contributors	34,847	35,966	36,497
Pensioners	18,066	18,676	19,376
Deferred Pensions	12,037	13,463	16,445

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 solvency of the Fund and to set the level of contributions payable by each participating employer for the following three years. A valuation of the Fund was undertaken as at 31 March 2007 to set the level of employer contributions for the three years commencing 1 April 2008. The rate for 2007-08 was set at the 2004 valuation. The Net Assets of the Pension Fund at 31 March 2007, including Additional Voluntary Contributions, were £2,094,289,000.
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.
4. The financial assumptions used were as follows:-

	Past Service	Future Service
Fixed interest gilts yield:	4.4%	n/a
Index linked gilts real yield:	1.3%	n/a
Asset Out-performance Assumption (pre-retirement)*	2.5%	n/a
Asset Out-performance Assumption (post retirement)*	1.0%	n/a
Real Earnings Inflation	1.5%	1.5%

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

	Past Service	Future Service
Discount rate (pre retirement)	6.9%	6.5%
Discount rate (post retirement)	5.4%	6.5%
Price inflation	3.1%	2.8%
Salary Increases	4.6%	4.25%
Pension Increases	3.1%	2.75%

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

- The actuarial value placed on the assets represented 80% of the value of the past service liabilities compared with 70% at the 2004 valuation.
- The main reason for the improvement in funding was favourable investment performance relative to the actuary's assumptions. In common with other local authorities, Derbyshire's Fund benefited from strong equity markets in the 3 years to 31 March 2007 on which the actuarial valuation was based. This was offset by a lowering of gilt yields (and therefore the discount rate for liabilities) and an increased life expectancy for pensioners.
- 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 pensionable payroll:

Council	2007-08 %	Stepped or full rate	2008-09 %	Stepped or full rate
Derbyshire County	17.2	stepped	17.7	stepped
Amber Valley Borough	21.1	full	21.9 plus £357,109	full
District of Bolsover	19.5	full	20.2	full
Chesterfield Borough	19.2	stepped	20.7	full
Derby City	17.2	full	17.8	full
Derbyshire Dales	17.6	full	19.6	full
Erewash Borough	21.7	stepped	20.9	full
High Peak Borough	22.7	stepped	23.8	full
North East Derbyshire	20.5	full	20.2 plus £427,624	full
South Derbyshire	19.2	full	19.9	full

- All employing bodies are paying a rate which is sufficient to meet the cost of future service and reduce their past service deficiency over a period of time.
- For 2007-08 employees paid 6% of their pay excluding non-contractual overtime. Certain employees (ie previously classed as manual workers) were protected and were required to pay 5% of their pay. The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 came into force on 1 April 2008 and from 2008-09 onwards employees will pay between 5.5% and 7.5% of their pay excluding non-contractual overtime. Protected employees, as described above, will contribute 5.25% of their pay.
- The Derbyshire Pension Fund Statement of Investment Principles, Funding Strategy Statement and the Actuarial Valuation Report are available on the Derbyshire County Council's website at www.derbyshire.gov.uk/pensions.

Pension Fund - Fund Account

Restated 2006-07 £'000	Note		2007-08 £'000
116,973	4,17	Contributions and Benefits	
<u>12,085</u>	5	Contributions receivable	122,594
<u>129,058</u>		Transfer values in	<u>11,337</u>
			<u>133,931</u>
75,710	6,17	Benefits payable	86,225
<u>9,278</u>	7	Leavers - transfer values out	7,623
<u>872</u>	8	Administrative expenses	<u>1,067</u>
<u>85,860</u>			<u>94,915</u>
<u>43,198</u>		Net additions from dealings with members	<u>39,016</u>
		Returns on investments	
55,406	9	Investment income	68,187
<u>77,792</u>	10	Change in market value of investments	(121,563)
<u>(2,529)</u>	12	Investment management expenses	<u>(2,482)</u>
<u>130,669</u>		Net returns on investments	<u>(55,860)</u>
173,867		Net increase/(decrease) in the Fund during the year	(16,844)
<u>1,920,422</u>		Net assets of the scheme at 1 April 2007	<u>2,094,289</u>
<u>2,094,289</u>		At 31 March 2008	<u>2,077,445</u>

Pension Fund Net Assets Statement as at 31 March 2008

Restated 31 March 2007 £'000	Note		31 March 2008 £'000
	10, 11	Investments	
224,037		Fixed interest securities	262,254
1,292,565		Equities	1,199,558
<u>91,731</u>		Index-linked securities	110,610
285,351		Pooled investment vehicles	276,512
<u>57,890</u>		Properties	70,750
112,256		Cash deposits and short term loans	130,288
<u>24</u>		Other	<u>26</u>
2,063,854			2,049,998
<u>6,408</u>	13	Additional Voluntary Contributions (AVCs)	<u>6,545</u>
2,070,262		Total investments	2,056,543
<u>24,027</u>	14	Current assets and liabilities	<u>20,902</u>
<u>2,094,289</u>		Net assets of the scheme at 31 March 2008	<u>2,077,445</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 May 2007) insofar as it is relevant.

In accordance with the SORP, details of additional voluntary contributions (AVCs) paid by members during the year and at the balance sheet date are included in the Pension Fund Accounts. The previous year's figures did not include 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.

In accordance with the SORP, investments previously valued at mid prices are now valued at bid prices and liabilities are valued at offer prices where there is a bid/offer spread. This is a change in accounting policy, but the difference in valuation is considered to be immaterial to the financial statements and therefore comparatives have not been restated. As a result, the comparative figures for investments are reported on a mid price basis and the adjustment in valuation from mid to bid prices is included in current year "Change in Market Value".

2. Accounting Policies

Contributions

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

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

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 and the liability is recognised when the member notifies the Council of their decisions as to what form of benefit they will take.

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

Transfers

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

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

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

Investment income

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

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

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

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

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 2008. Quoted securities are included at closing bid prices.

Fixed interest stocks are valued excluding accrued income.

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

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

Property is included at open market value as at 31 March 2008, determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. The property portfolio was independently valued by Edmund Kirby, Chartered Surveyors and Architects.

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

4. Contributions receivable	Restated 2006-07 £'000	2007-08 £'000
Employers		
Normal	50,561	52,143
Deficit Funding	36,114	38,663
Augmentation	47	115
Members		
Normal	29,842	31,193
AVCs	409	480
	<u>116,973</u>	<u>122,594</u>
5. Transfers in	Restated 2006-07 £'000	2007-08 £'000
Individual transfers in from other schemes	11,977	10,981
Restitution payments for mis-sold personal pensions	(6)	179
AVCs	114	177
	<u>12,085</u>	<u>11,337</u>
6. Benefits payable	Restated 2006-07 £'000	2007-08 £'000
Pensions	60,205	64,468
Lump sum retirement benefits	14,101	19,162
Lump sum death benefits	982	2,014
AVCs	422	581
	<u>75,710</u>	<u>86,225</u>

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

7. Payments to and on account of leavers

	Restated 2006-07 £'000	2007-08 £'000
Refunds to members leaving service	33	12
Individual transfers to other schemes	9,158	7,453
AVCs	<u>87</u>	<u>158</u>
	<u>9,278</u>	<u>7,623</u>

8. Administrative expense

	2006-07 £'000	2007-08 £'000
Administration and processing	827	1,021
Actuarial fees	29	40
Audit fee	<u>16</u>	<u>6</u>
	<u>872</u>	<u>1,067</u>

9. Investment Income

	2006-07 £'000	2007-08 £'000
Income from fixed interest securities	9,867	12,622
Dividends from Equities	33,670	41,558
Income from Index linked securities	1,671	2,046
Income from pooled investment vehicles	877	779
Net rent from properties	3,596	3,473
Interest on cash deposits	<u>5,725</u>	<u>7,709</u>
	<u>55,406</u>	<u>68,187</u>

10. Investments	Value at 31.3.2007 £'000	Purchases at cost £'000	Sales Proceeds £'000	Change in Mkt value £'000	Value at 31.3.2008 £'000
Fixed interest securities	224,037	132,625	(104,592)	10,184	262,254
Equities	1,292,565	296,550	(267,484)	(122,073)	1,199,558
Index-linked securities	91,731	55,289	(47,831)	11,421	110,610
Pooled investment vehicles	285,351	15,980	(13,228)	(11,591)	276,512
Properties	57,890	20,706	0	(7,846)	70,750
Cash deposits & short term loans	112,256	1,306,181	(1,286,270)	(1,879)	130,288
Other	<u>24</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>26</u>
	<u>2,063,854</u>	<u>1,827,331</u>	<u>(1,719,405)</u>	<u>(121,782)</u>	<u>2,049,998</u>
Additional Voluntary Contributions	6,408	657	(739)	219	6,545
	<u>2,070,262</u>	<u>1,827,988</u>	<u>(1,720,144)</u>	<u>(121,563)</u>	<u>2,056,543</u>

Included within the above purchases and sales figures are transaction costs of £1,503,000. These comprise stamp duty (£1,143,000) and commissions paid to stockbrokers (£360,000). Costs are also incurred by the scheme through the bid-offer spread on investments within pooled investment vehicles. Such costs are not separately identifiable.

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.

	31 March 2007 £'000	31 March 2008 £'000
Fixed interest securities		
UK public sector quoted	191,554	224,860
Overseas public sector - quoted	<u>32,483</u>	<u>37,394</u>
	<u>224,037</u>	<u>262,254</u>
Equities		
UK quoted	857,780	751,084
Overseas quoted	<u>434,785</u>	<u>448,474</u>
	<u>1,292,565</u>	<u>1,199,558</u>
Index linked securities		
UK quoted	75,307	87,332
Overseas quoted	<u>16,424</u>	<u>23,278</u>
	<u>91,731</u>	<u>110,610</u>

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

	31 March 2007 £'000	31 March 2008 £'000
Pooled Investment Vehicles		
Property - unquoted	46,796	44,045
Other quoted	192,114	189,450
Other unquoted	<u>46,441</u>	<u>43,017</u>
	<u>285,351</u>	<u>276,512</u>
Properties		
UK Freehold	40,280	55,840
UK Leasehold	<u>17,610</u>	<u>14,910</u>
	<u>57,890</u>	<u>70,750</u>
Cash deposits and short term loans		
Sterling cash deposits	25,841	37,190
Money Market Funds	9,000	10,434
Other Sterling short term loans	74,000	79,000
Foreign Currency	<u>3,415</u>	<u>3,664</u>
	<u>112,256</u>	<u>130,288</u>
Other		
Insurance policies	<u>24</u>	<u>26</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 2007 £'000	%	31 March 2008 £'000	%
In-house	1,717,363	83.2	1,687,218	82.3
Wellington Management International Ltd	130,073	6.3	146,224	7.1
UBS Global Asset Management (UK) Ltd	<u>216,418</u>	<u>10.5</u>	<u>216,556</u>	<u>10.6</u>
	<u>2,063,854</u>	<u>100.0</u>	<u>2,049,998</u>	<u>100.0</u>
11. Fund investments by geographical sector (at market value)	31 March 2007 £'000	%	31 March 2008 £'000	%
UK	1,413,739	68.5	1,373,795	67.0
N America	155,553	7.5	176,609	8.6
Europe	243,384	11.8	246,339	12.0
Asia and other	<u>251,178</u>	<u>12.2</u>	<u>253,255</u>	<u>12.4</u>
	<u>2,063,854</u>	<u>100.0</u>	<u>2,049,998</u>	<u>100.0</u>
12. Investment Management Expenses	2006-07 £'000		2007-08 £'000	
Administration, management and custody	2,289		2,284	
Performance measurement services	7		9	
Legal and other advisory fees	<u>233</u>		<u>189</u>	
	<u>2,529</u>		<u>2,482</u>	
13. Additional Voluntary Contributions				

In accordance with the Statement of Recommended Practice: Financial Reports of Pension Schemes (Revised May 2007), the accounts 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.

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

The total value of funds provided by these contributions was:

	31 March 2007 £'000	31 March 2008 £'000
Equitable Life Assurance Society		
- with profits fund	550	462
- unit-linked funds	806	729
- building society fund	<u>9</u>	<u>9</u>
Total Equitable Life Assurance Society	<u>1,365</u>	<u>1,200</u>
Standard Life		
- sterling fund	-	9
- managed fund	433	420
- cautious managed fund	52	60
- protection fund	45	28
- ethical fund	92	87
- with profits fund	<u>382</u>	<u>412</u>
Total Standard Life	<u>1,004</u>	<u>1,016</u>
Prudential Assurance Company Ltd		
- deposit fund	<u>3,531</u>	<u>3,745</u>
Clerical Medical		
- with profits fund	508	505
- unit linked fund	<u>-</u>	<u>79</u>
	<u>508</u>	<u>584</u>
Total AVC Investments	<u>6,408</u>	<u>6,545</u>
Death in Service Cover		
Equitable Life	<u>752</u>	<u>740</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.

	Equitable Life £'000	Prudential £'000	Standard Life £'000	Clerical Medical £'000	Total £'000
Value at 31.3.2007	1,365	3,531	1,004	508	6,408
Income					
Contributions Received	23	320	59	78	480
Interest & Bonuses/Change in Market Value	(7)	193	26	7	219
Transfers in	-	122	23	32	177
Expenditure					
Life Assurance Premiums	3	-	-	-	3
Retirement Benefits	141	355	65	17	578
Transfers Out & Withdrawals	20	46	31	24	121
Contribution Repayments	<u>17</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>37</u>
Value at 31.3.2008	<u>1,200</u>	<u>3,745</u>	<u>1,016</u>	<u>584</u>	<u>6,545</u>

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

14. Current Assets and Liabilities	31 March 2007	31 March 2008
	£'000	£'000
Employers' contributions due	4,140	4,214
Employees' contributions due	1,334	1,517
Transfers due	808	76
Unpaid benefits	(779)	(669)
Sundry debtors	52,784	53,392
Sundry creditors	(34,864)	(38,502)
Tax recoverable	604	874
	<u>24,027</u>	<u>20,902</u>

Employers' and employees' contributions due at 31 March 2008 have been received since the year-end.

15. Related Party Transactions

Derbyshire County Council is the administering authority for the purposes of the Scheme under the Local Government Pension Scheme Regulations 1997. Included in administrative expenses and investment management expenses in 2007-08 are charges from the Corporate Finance division and other council departments of £1,545,601 (2006-07 £1,319,180) for providing services.

The Fund has also made a loan to Derbyshire County Council at various times throughout the year of between £4 million and £20 million. At 31 March 2008 the balance was £5 million (2007 £nil). This loan is repayable on demand and earns a market rate of interest (as prescribed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998).

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 2007	31 March 2008
	£'000	£'000
Unquoted investments	<u>5,497</u>	<u>4,915</u>

17. Participating Employers

The participating employers in the Fund are Derbyshire County Council (which is also the Administering Authority), the Unitary and 8 district local authorities (which are Scheduled Bodies) and a further 40 Scheduled and 26 Admission 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:-

	2006-07 restated		2007-08	
	Benefits Payable	Contributions Receivable	Benefits Payable	Contributions Receivable
	£'000	£'000	£'000	£'000
Derbyshire County Council	35,733	49,666	40,593	51,585
Scheduled Bodies	37,383	63,284	42,416	66,699
Admission Bodies	2,172	3,614	2,635	3,830
AVCs	422	409	581	480
	<u>75,710</u>	<u>116,973</u>	<u>86,225</u>	<u>122,594</u>

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

	2007-08	2008-09
	Total Contribution Rate	Total Contribution Rate
	% of Pensionable Payroll	% of Pensionable Payroll
Scheduled Bodies		
National Probation Service - Derbyshire	14.1	15.1
Peak District National Park Authority	15.1	15.7
Chesterfield Crematorium	23.5	27.1
Derbyshire Valuation Tribunal	30.0	43.8
The University of Derby	12.6	13.8
Chesterfield College	12.9	15.3
South East Derbyshire College	12.4	12.6
Derby College	11.4	14.0
Derbyshire Police Authority	16.1	14.5
Derbyshire Fire and Rescue Service	15.8	16.0
Derby Homes Limited	12.3	14.7
High Peak Community Housing Ltd	9.7	11.8
Ryknelde Homes Ltd	13.1	14.6
Landau Forte College	8.2	11.0
Town and Parish Councils - Group 1	21.5	22.6
Town and Parish Councils - Group 2	14.0	14.1

Town and Parish Councils

Group 1

Derwent & Hope Woodlands Parish Council
 New Mills Town Council
 Clay Cross Parish Council
 Pinxton Parish Council
 Wirksworth Town Council
 Old Bolsover Town Council
 Belper Town Council
 Killamarsh Parish Council
 Ashbourne Town Council
 Dronfield Town Council
 Whitwell Parish Council
 Chinley, Buxworth & Brownside Parish Council

Staveley Town Council
 Matlock Town Council
 Whaley Bridge Town Council
 Willington Parish Council
 Shirebrook Town Council
 Bakewell Town Council
 Doveridge Parish Council
 Duffield Parish Council
 Eckington Town Council
 Elmtown Parish Council
 Smalley Parish Council

Group 2

Alfreton Town Council
 Wingerworth Parish Council
 Heanor & Loscoe Town Council
 Darley Dale Town Council
 Morton Parish Council
 Burnaston Parish Council
 Newton Solney Parish Council
 North Wingfield Parish Council
 Tupton Parish Council
 Tibshelf Parish Council

The following Admission Bodies also participate:

	2007-08	2008-09
	Total Contribution Rate	Total Contribution Rate
	% of Pensionable Payroll	% of Pensionable Payroll
Three Valleys Housing Limited	15.7	16.5
Amber Valley Housing Limited	10.2	12.6
Dales Housing Limited	14.8	16.4
Tramway Museum Society	7.7	8.8
	plus £14,100	plus £8,800
Derbyshire Coalition for Inclusive Living	13.1	16.4
	plus £32,300	plus £17,800
Rethink	13.0	16.0
	plus £4,000	plus £3,900
Chesterfield Care Group	13.9	16.4
	plus £10,800	plus £5,100
Belper Sports Centre	7.2	12.0
	plus £26,500	plus £23,900
Connexions Derbyshire Limited	13.9	15.2
Derbyshire Student Residences Limited	10.2	12.9
Commission for Social Care Inspection	14.7	6.2

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

	2007-08	2008-09
	Total Contribution Rate	Total Contribution Rate
	% of Pensionable Payroll	% of Pensionable Payroll
Derby and Derbyshire Economic Partnership	8.2	12.9
Derby Cityscape Ltd	12.2	17.9
Cleanaway Ltd (Contract with Chesterfield BC)	12.5	5.7
Cleanaway Ltd (Contract with Amber Valley BC)	12.9	16.1
Rentokil Initial Management Services Ltd	11.5	34.4
CSB Contract Services Ltd	21.7	22.8
Norwest Holst Ltd	18.3	17.3
Initial Facilities Management Ltd	14.9	19.3
Initial Catering Services Ltd	15.3	17.5
DC Leisure Management Ltd	10.8	13.9
L & C Community Partnership Ltd	11.3	13.9
Vale Contract Services Ltd	12.5	14.1
Balfour Beatty Power Networks Ltd	13.3	15.1
Macintyre Care Ltd	16.6	16.6

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 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.

USEABLE CAPITAL RECEIPTS STATEMENT

2006-2007		2007-2008
£'000		£'000
12,883	Balance unapplied at start of year	25,387
	<i>Add</i>	
<u>15,590</u>	Land and Buildings sale proceeds in year	<u>9,565</u>
28,473		34,952
	<i>Less</i>	
-	Used for redemption of debt	-
<u>3,086</u>	Used for financing new capital expenditure	<u>11,650</u>
<u>25,387</u>	Balance unapplied at year end	<u>23,302</u>

Capital Expenditure (continued ...)

Capital Expenditure 2006-2007 £'000	Services	Capital Expenditure 2007-2008 £'000
	Central and Corporate Services	
3,424	Change Management and other	2,688
478	Economic Development	684
2,234	County Buildings	1,561
	Children & Younger Adults	
52,227	Schools	50,896
1,337	Youth and Community	1,381
	Environmental Services	
18,246	Highways	26,880
464	Countryside	322
10,060	Reclamation of derelict land	17,883
1,682	Refuse Disposal	1,453
408	Cultural and Community Services	510
	Adult Social Services	
2,854	Residential Services	5,167
3,315	Day & Community Support Services	3,561
£96,729		£112,986
	Financed from:	
35,234	Loans	21,764
8,147	Capital Receipts and other internal funds	19,709
53,348	Capital grants and contributions	71,513
£96,729		£112,986

DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. 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 2007-08 financial year.

Details of the deployment of DSG receivable for 2007-08 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Original grant allocation to Schools Budget for the current year in the authority's budget	57,587.8	336,481.3	394,069.1
Adjustment to finalised grant allocation	<u>(126.1)</u>	-	<u>(126.1)</u>
DSG receivable for the year	57,461.7	336,481.3	393,943.0
Actual expenditure for the year	<u>55,876.1</u>	<u>336,481.3</u>	<u>392,357.4</u>
Underspend for the year	<u>1,585.6</u>	-	<u>1,585.6</u>
Underspend from prior year	<u>1,986.8</u>	-	<u>1,986.8</u>
Underspend carried forward to 2008-09	<u>3,572.4</u>	<u>0</u>	<u>3,572.4</u>

GLOSSARY OF FINANCIAL TERMS

Best Value

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

Capital Expenditure

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

Capital 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.

Formula Spending Share (FSS)

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

Government Grants

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

Minimum Revenue Provision (MRP)

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

Glossary of Financial Terms (continued ...)

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.

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

OBTAINING ALTERNATIVE VERSIONS OF THIS DOCUMENT

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

Phone: 08456 058 058

E-mail: contact.centre@derbyshire.gov.uk

The document, as well as summary versions, is also available on the Council's website at www.derbyshire.gov.uk