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PUBLIC

To: Members of Audit Committee

Monday, 16 November 2020

Dear Councillor,

Please attend a meeting of the **Audit Committee** to be held at **2.00 pm** on **Tuesday, 24 November 2020.** This meeting willl be held virtually. As a member of the public you can view the virtual meeting via the County Council's website. The website will provide details of how to access the meeting, the agenda for which is set out below.

Yours faithfully,

Simon Hobbs
Director of Legal and Democratic Services

A G E N D A

1. To receive apologies for absence

2. To receive declarations of interest (if any)

3. To confirm the minutes of the meeting held on 22 September 2020 (Pages 1 - 8)

4. Assessment of Going Concern Status (Pages 9 - 18)

5. Statement of Accounts 2019-20 (Pages 19 - 256)

6. Audit Services Unit progress against Audit Plan 2020-21 (Pages 257 - 276)

To consider External Auditor reports on:

7 (a) Audit Completion Report - Derbyshire Pension Fund Year Ending 31 March 2020 (Pages 277 - 296)

7 (b) Audit Completion Report - Derbyshire County Council Year Ending 31 March 2020 (Pages 297 - 326)

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MINUTES of a meeting of the **AUDIT COMMITTEE** held on 22 September 2020.

PRESENT

Councillor K S Athwal (in the Chair)

Councillors N Barker, S Brittain, L M Chilton, A Griffiths and P Murray

Officers in attendance – D Ashcroft, P Handford, C Hardman, J Lakin, J Morgan and P Spencer (representing Derbyshire County Council) and J Pressley and M Surridge (representing Mazars)

Declarations of Interest

There were no declarations of interest

29/20 **MINUTES** **RESOLVED** that the minutes of the meeting held on 21 July 2020 be confirmed as a correct record.

30/20 **ANNUAL STRATEGIC RISK REGISTER REVIEW** The Director of Finance & ICT presented the updated Strategic Risk Register.

The Strategic Risk Register was due to go before CMT in October 2020 in order to allocate the identified risks to specific risk owners. Jane Morgan, the Risk & Insurance Manager presented the Strategic Risk Register which was contained in Appendix A to the report, whilst Appendix B summarised changes to the Strategic and Departmental Risk Registers. This would enable the Executive Directors to have full oversight of the risks that could directly impact the ability of the Council to achieve its plans, whilst having an overview of the mitigations to be implemented.

The risks noted required a further workshop to identify the mitigations and owner of each risk. Unfortunately, Covid-19 had interrupted the initial timetable, however it was hoped that this would be resumed in the coming months by the new Senior Risk Officer. Upon finalisation of these details, the Strategic Risk Register would be linked to APEX to allow for live risk reporting, which would provide further assurance that risks were being actively managed within the Council. This would also link into performance monitoring.

The Council had compiled a risk register specific to the Covid-19 pandemic in order to actively manage the risks that this had presented. The

Covid-19 specific risk register was contained in Appendix C to the report, however a summary was detailed in the report.

In order to respond to the Covid-19 quickly, it had been decided to reduce the risk rankings to three headings rather than the Council's usual four as was detailed in the Departmental Risk Register.

A possible combined risk was highlighted to Members and this was the impending second wave of the Covid-19 pandemic alongside the implications of any Brexit agreement. This would be raised with the Corporate Management Team to see if it required its own risk.

Members of the Committee raised various questions including an update on the recent school fires; the current situation regarding personal protective equipment (PPE) for staff; safety measures and safe working for county council staff along with safeguards for vulnerable people; and the Authorities robustness in financial terms to cope with the Covid-19 pandemic.

The Director of Finance & ICT and the Risk & Insurance Manager responded as follows:

There were significant insurance implications and huge financial costs associated with the fires at Harrington School and the Fairfield Centre. There had been lessons learned from these fires and one at Shand House. A large number of procedural updates and improvements to mitigate risk had been forwarded to the Property Division and a formal response was awaited.

The Director of Finance & ICT informed the Committee that there had been an enormous cost in providing PPE to county council establishments and the processes involved in obtaining the equipment from various suppliers had created its own difficulties. However, the Government grants would off-set the majority of the costs and it was reported that the Government were now supplying the equipment centrally which had made the procedure more straightforward.

Significant work had been undertaken across the county to enable staff to return to offices in a safe and secure manner, particularly in schools. At area offices and County Hall a one-way system had been introduced, deep cleaning took place regularly and masks and hand sanitisers were readily available. One area of concern was the transportation of children and vulnerable people to the places they wished to attend and the Government had provided guidance on how to mitigate any risk such as face coverings and social distancing.

Council and Cabinet had received update reports on the overall position and additional costs incurred due to the Covid-19 pandemic and regular returns had been submitted to MHCLG for reimbursement. However, it was estimated that the net shortfall would be between £10-20million and this would be met from earmarked reserves.

The Committee wished to thank the Risk & Insurance Manager and her Team for the update and production of the Risk Register.

RESOLVED that the Committee (1) note the Strategic Risk Register; and

(2) note the Covid-19 Risk Register.

31/20 **REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL** Members of the Committee were asked to consider the outcomes of the review of the effectiveness of the system of internal control.

In order to provide Members with the necessary assurances around the effectiveness of the system of internal control it was appropriate to consider and reflect on the work of the Audit Committee, the assurances received from internal and external audit and evidence from the statement of accounts. In particular it was appropriate to refer members to the following:

- That the Council had thoroughly reviewed its Constitution, including Financial Regulations & Standing Orders Relating to Contracts during the past year;

- The Annual Governance Statement which would be considered at the November meeting;

- The evidence of compliance with International Auditing Standards usually presented alongside the Annual Governance Statement, but attached to this report as an appendix;

- The work of internal auditors culminating in the Annual Audit Report from the Assistant Director of Finance (Audit) presented to this meeting;

- The update report presented to this meeting by the Council's external auditor Mazars;

- The detail contained within the Strategic Risk Register which had been regularly presented to Members;

- The standard and quality of the pre-audit Statement of Accounts for 2019-20, and in particular, the transparency illustrated by the disclosures made and the opportunity given to the Committee to discuss its contents.

- The Council's spending against budget, reserves and achievement of budget reductions were monitored on a regular basis and reported to both management, portfolio holders, Cabinet, Audit Committee and Council. In addition, the Audit Committee and Cabinet received reports detailing the Council's significant Treasury management operations;

- Reviews of service delivery were planned and underway across the Council.

As Members were aware, a review of the Audit Services Unit had been undertaken by C.Co, part of the Chartered Institute of Public Finance & Accountancy which was reported to Committee on 10 December 2019. C.Co had provided a positive view of the Unit's effectiveness and compliance with the PSIAS. Additionally, the External Auditor continued to use the work of Internal Audit to inform their assessment of the Council's significant risks.

Consequently the Director of Finance & ICT was satisfied that Audit Services had achieved adherence to the standards set out in the PSIAS, and that this provided a sound basis from which the Council could rely on the assurances provided by Audit Services in respect of the effectiveness of the internal control system.

If there was any change to this view by the time the accounts were formally approved post-audit there would be a further report on the effectiveness of the system of internal control at that meeting.

RESOLVED that the Committee had considered the information provided in the report as evidence of the effective operation of the internal control system.

32/20 **ANNUAL AUDIT REPORT 2019-20** Members were informed of the work that had been undertaken by the Audit Services Unit for the financial year 2019-20 and to update Members on the overall performance against the Audit Plan.

The Annual Audit Report contained:

- an analysis of planned and actual audit activity for 2019-20,
- an analysis of reports issued, assurance levels and recommendations made and agreed,
- productivity statistics,
- areas of good practice identified and areas for improvement,
- client satisfaction indicators for the Unit,
- the Assistant Director of Finance (Audit)'s formal controls assurance statement and opinion which contributed to the Council's Annual Governance Statement.

The Unit still did not have its full complement of staff and the ongoing impact of Covid-19 on the work of the Unit could not be fully evaluated. It was considered that these factors would have an impact on the delivery of Audit work for some time. Members expressed their concern regarding the shortfall of actual days in relation to the planned days, but it was hoped that this trend would begin to reverse now that the Unit was nearly at a full complement of staff.

Members asked how active the Governance Group had been since it had recently been re-invigorated. The Group had widened its membership to include the Director of Finance & ICT, Director of Legal & Democratic Services, Director of Organisation Development & Policy and departmental representatives.

Along with the production of the Annual Governance Statement, the Group had been developing a Local Code of Corporate Governance. A prominent part of the group's agenda in the future would be the consideration of 'lessons learned' particularly from within the council. This would allow the improvement of our systems from past experiences.

RESOLVED to (1) note the detailed Annual Audit Report for 2019-20; and

(2) note the overall quality of the performance of the Audit Services Unit during the period.

33/30 **AUDIT SERVICES UNIT PROGRESS AGAINST AUDIT PLAN 2020-21** Members were informed of progress against the approved Audit Plan for 2020-21 as at 31 August 2020.

At the meeting of this Committee held on 27 May 2020 Members approved the Audit Plan for 2020-21 which had been formulated from the risk assessment drawn from a wide range of sources including the Council Plan, the Council's strategic risk register, Departmental risk registers, service plans and meetings with Executive Directors and Directors. These meetings included the Executive Director of Commissioning, Communities & Policy (Head of Paid Service), Director of Finance & ICT (Section 151 Officer) and Director of Legal & Democratic Services (Monitoring Officer).

In accordance with the Audit Committee's Terms of Reference, this report updated Members on progress against the Plan for the five months to 31 August 2020 and represented work undertaken during that period which was detailed in Appendix 1 to the report. An analysis of the priority criteria for Audit recommendations and assurance levels was provided in Appendix 2. The Assistant Director of Finance (Audit) highlighted several issues for the Committee's information.

At the Audit Committee's meeting on 27 May 2020 it was reported that the coronavirus pandemic was having far reaching effects across the world, some of which would continue for a number of years. The current situation was unparalleled and there were a significant number of factors which had had an impact on the proposed Audit Services Plan for 2020-21 including:

- Timing of Audit work;
- Additional, unplanned work;
- Potential impact of frauds, scams and errors;
- Home working and social distancing;
- Access to records;
- Access to premises;
- Return to business as usual.

The impact of these restrictions on the Audit Services Plan had been identified, quantified and included in the progress report to Audit Committee and the Assistant Director of Finance (Audit) expanded on how each factor listed above had affected the work of the Unit. Audit resources would be targeted at the highest levels of risk but also directed to achieve a broad range of coverage across the Council's activities. Six months had now elapsed since the start of lockdown and it was still not possible to determine if, how and when the Council's services would return to normal.

The considerable and continuing pressures placed on the Unit's staffing resources had been reported to Audit Committee on a regular basis. It was positive to be able to report that, with the exception of a vacant Senior Auditor post, all other posts were currently occupied. In respect of the Senior Auditor post, an offer had been made and accepted by a candidate who later withdrew when their contract was issued. It was intended to advertise and recruit to this post shortly. In addition, the Unit's levels of sickness absence had remained higher than estimated and whilst staff attendance continued to be managed in accordance with the Council's Policies, this situation had also had an impact on available days to deliver the Audit Plan.

Members of the Committee thanked the Assistant Director of Finance (Audit) and his team for their continued excellent work particularly during this most difficult period.

RESOLVED that the Committee note the information on progress to date against the approved Audit Plan.

34/30 **<u>NATIONAL FRAUD INITIATIVE</u>** Members were informed that the 2018-2019 National Fraud Initiative (NFI) exercise had now come to a close. This latest national data matching exercise had enabled participating organisations within the UK to prevent and detect instances of fraud and error totalling £244.7 million between 1 April 2018 and 4 April 2020. This brought the cumulative outcome to a total value of £1.93 billion since the inception of NFI in 1996 as detailed in the latest NFI report, which was attached at Appendix 1 to the report.

The 2018-2019 NFI data matching exercise had resulted in 38 distinct reports being made available to the Council for investigation. At the end of the exercise Audit Services had reported the identification of 60 instances requiring financial recovery or adjustment totalling £240,391.59. A summary of the instances where investigation had resulted in a financial outcome were detailed in the report.

The Council had now received the Cabinet Office's formal request to participate in NFI 2020-21; relevant data must be extracted from systems as at 30 September 2020 and submitted between 9 October and 1 December 2020.

The Council was required to submit the following datasets to the Cabinet Office for the main NFI 2020-21 exercise and formal confirmation was received on 13 August 2020:

- Payroll;
- Pensions;
- Deferred Pensions;
- Creditors History;
- Creditor Standing;
- Blue Badge Parking Permit (this data submission would be made directly to the Cabinet Office from the Blue Badge Improvement Service on behalf of the Council);
- Concessionary Travel Pass (this data submission would be made directly to the Cabinet Office from Applied Card Technologies on behalf of the Council).

The results of the matching exercise arising from the Council's data being submitted to the Cabinet Office in October 2020 would be made available for investigation from 28 January 2021. As in previous years reports would be brought to future meetings of the Audit Committee to provide Members with updates on progress regarding NFI 2020-21.

RESOLVED that the Committee notes (1) the progress made by the Council in respect of the NFI 2018-19 exercise; and

(2) the receipt of the request that the Council participates in NFI 2020-21.

35/20 **<u>EXTERNAL AUDIT – UPDATE REPORT</u>** John Pressley and Mark Surridge from Mazars attended the meeting to provide Members with an update on their audit work.

Mr Pressley highlighted a few aspects for Members' attention:

- The deadline for the publication of the audited accounts had moved to 30 November 2020 due to the Covid-19 pandemic. Their work was substantially underway and would be completed in October, allowing an opinion to be given in early November;

- It was highlighted that there was a possibility of a statutory override relating to the Dedicated Schools Grant which would have implications on the reserves position;
- Due to the additional work relating to issues arising from the effect of Covid-19, there would be an additional audit fee pressure.

Mr Surridge highlighted national issues that would have implications on the audit of accounts:

- Guidance had been issued which had indicated that valuers were likely to conclude that there was an unusual 'emphasis of matters' relating to how Covid-19 had impacted on the valuation of land and buildings. An audit opinion would include reference to this with a disclosure reflection appearing in the financial statements. This was not specific to Derbyshire but was sector wide;
- A publication entitled the 'Results of the Redman Review' was highlighted. This paper would be going before Ministers later this year and the document would highlight the effectiveness of audit committees and enhance their role. If any new challenges came out of the review, training for Members' would follow;
- The Finance Team were thanked for their co-operation and support during this time;

On behalf of the Committee, the Chairman thanked Mr Pressley and Mr Surridge for their update.

RESOLVED that the progress report be noted.

Public

Agenda Item No

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

24 November 2020

Report of the Director of Finance & ICT

ASSESSMENT OF GOING CONCERN STATUS

1 Purpose of the Report

To inform Audit Committee of the Director of Finance & ICT's assessment, as Section 151 Officer, of the Council's status as a 'going concern' for the purpose of producing its Statement of Accounts for 2019-20.

The Chairman agreed to consider this report as an urgent item as a formal Assessment of Going Concern Status is required to allow the Statement of Accounts to be signed in accordance with the Statutory Deadline.

2 Information and Analysis

Background

The concept of 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

The Code also confirms that transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption that the financial statements are prepared on a going concern basis.

Where it is assessed that an entity is not a going concern, particular care would be needed in respect of the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.

Given the significant reduction in funding for local government in recent years and the potential threat that Covid-19 poses to the ongoing viability of one or more councils as a consequence, external auditors are placing a greater emphasis on local authorities undertaking and formalising an assessment of the going concern basis on which they prepare their financial statements. In response this report sets out the position at Derbyshire County Council.

As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2019-20 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts are prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

The main factors which underpin this assessment are the:

- Council's current financial position;
- Council's projected financial position;
- Council's governance arrangements; and
- regulatory and control environment applicable to the Council as a local authority.

Each of these factors is considered in more detail below.

Year-End Financial Position

The following review is based on the Council's pre-audit Statement of Accounts published in June 2020.

<u>Revenue</u>

The 2019-20 revenue outturn position was a net underspend of £3.857m (0.71% of net budget). As at 31 March 2020 the Council's General Reserve balance was £53.547m (£64.570m at 31 March 2019) and earmarked reserves totalled £229.135m (£233.445m at 31 March 2019).

At its meeting of 31 July 2020, Cabinet agreed to allocate the £3.857m underspend to earmarked reserves, to provide for specific commitments and to provide portfolios with flexibility in meeting budget pressures and reduction targets, leaving the balance on the General Reserve at £49.690m. This balance is 9.2% of the Council's net expenditure (£539.583m) in 2019-20. In the Audit Commission's 'Striking a Balance' report published in 2012, the majority of chief finance officers at the national level regarded an amount of between 3% and 5% of a council's net spending as a prudent level for risk based reserves.

The adequacy of reserves is reviewed on a regular basis and the ongoing requirement for specified earmarked reserves is reviewed on an annual basis.

Capital

Capital expenditure in 2019-20 was £103.249m (£101.652m in 2018-19). The Council has not entered into any long-term debt since September 2010. Where grants or capital receipts were not available, the Council's strategy has been to fund capital investment by using available cash balances, thereby reducing the cost of interest charges. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). As at 31 March 2020 the Council's Loans Capital Financing Requirement was £456.291m (£414.068m at 31 March 2019) of which £329.974m was funded from external sources (£313.124m at 31 March 2019) and £126.317m utilised available cash balances (£100.944m at 31 March 2019), therefore the Council's actual borrowing level remains well below its underlying need to borrow.

Table 1: Capital Financing, Borrowing and Investments Summary

	31 Mar 19 £m	**31 Mar 20 £m**
General Fund CFR	487.050	525.169
Less: Other debt liabilities*	(72.982)	(68.878)
Loans CFR	**414.068**	**456.291**
Less: External borrowing**	(313.124)	(329.974)
Internal borrowing	**100.944**	**126.317**
Less: Usable reserves***	(338.293)	(305.525)
Less: Working capital	(36.435)	(47.672)
New borrowing (or Treasury investments)	**(273.784)**	**(226.880)**

*Leases, PFI liabilities and transferred debt that form part of the Council's total debt

**Shows only loans to which the Council is committed and excludes optional refinancing
***Excludes the earmarked reserve created from loan modification gains

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The Council's net assets (assets less liabilities) are matched by the reserves held.

Table 2: Summary Balance Sheet

	31 Mar 19 £m	31 Mar 20 £m
Non-Current Assets	2,012.368	1,890.095
Net Current Assets (e.g. debtors, inventories and cash, short term creditors and liabilities)	104.422	34.671
Pensions Liabilities	(935.258)	(706.324)
Other Long Term Liabilities and Provisions	(329.368)	(319.192)
Net Assets	**852.164**	**899.250**
Usable Reserves	366.732	331.648
Unusable Reserves	485.432	567.602
Total Reserves	**852.164**	**899.250**

The following trends are reflected in the Balance Sheet from the position as at 31 March 2019 to the position as at 31 March 2020:

- net assets have increased from £852.164m to £899.250m (a year-on-year increase of £47.086m);
- non-currents assets have decreased from £2,012.368m to £1,890.095m (a year-on-year decrease of £122.273m);
- non-current liabilities have decreased from £1,264.626m to £1,025.516m (a year-on-year decrease of £239.110m);
- the debt ratio has decreased from 0.63 to 0.58.

The debt ratio is the proportion of liabilities to assets. It is a measure of an entity's ability to service its debts by selling its assets if it had to. A larger ratio indicates that more assets are being paid for by borrowed money, which can suggest less stability. At 0.58, the Council's debt ratio is well below 1 and is therefore not a cause for concern.

The Council's balance sheet at 31 March 2020 remains robust. Factors contributing to this assessment include:

- a review of debts owed to the Council;
- the adequacy of risk-assessed allowances for doubtful debts;
- the range of earmarked reserves set aside to help manage expenditure;
- an adequate general reserve which includes a risk-assessed working balance to meet unforeseen expenditure.

A financial overview that includes reference to the Council's balance sheet is included as part of the Narrative Report in the Statement of Accounts.

Cash Flow

The Council maintains short and long term cash flow projections, and manages its cash, investments and borrowing in line with the Council's approved Treasury Management Strategy. As at 31 March 2020, the Council had external borrowing commitments of £329.974m (£313.124m at 31 March 2019) and held £226.880m in treasury investments and cash (£273.784m at 31 March 2019).

Projected Financial Position

Covid-19 Costs and Grant Compensation

The forecast cost to the Council of Covid-19 is around £70m for 2020-21, which includes the impact of planned savings for the year being significantly delayed. This is the cost which is not expected to be funded from a specific grant allocation such as the Adult Social Care Infection Control Fund. The total amount received to date from the Government in Covid-19 emergency grant funding is £41.995m. This highlights a significant funding gap which will have to be met by one-off resources if further Government support is insufficient to meet the expenditure incurred. On 12 October 2020 the Prime Minister announced an additional £1bn of funding for local authorities across England to enable them to 'protect vital services as they fight the virus'.

The estimated loss of sales, fees and charges income is estimated to be £11m in 2020-21. Where losses are more than 5% of a council's planned income from sales, fees and charges, the Ministry of Housing, Communities and Local Government (MHCLG) has announces it will cover 75p for every pound of irrecoverable losses for the period 1 April 2020 to 31 March 2021. Therefore, it is anticipated that around £6.5m of grant will be claimable under this scheme.

Council Tax and Business Rates Income

Local tax income is collected by billing authorities and paid into local Council Tax and Business Rates 'collection funds'. Where there is a shortfall in tax receipts (compared to expected levels), this leads to a deficit on the collection fund. It is anticipated that the impacts of Covid-19 will result in large collection fund deficits in 2020-21; the latest assumptions are that the Council's share of these deficits for 2020-21 could be around £4.5m for Business Rates and £10.5m for Council Tax. Billing and major precepting authorities are usually required to meet their share of any deficit during the following financial year. However, the Government is allowing repayments to meet collection fund deficits accrued in 2020-21 to be phased over a three-year period (2021-22 to 2023-24) to ease immediate pressures on budgets.

In the wake of the pandemic's onset, it is now anticipated that locally retained business rates will grow at a much slower rate than previously forecast and that there will be no gain from the Derbyshire business rates pool over the next three years to 2023-24. There is also considerable uncertainty around business rates appeals. A number of businesses are using the 'material event' option in Valuation Office Agency (VOA) guidance to appeal against their rateable value. Successful appeals will further reduce the Council's income from locally retained business rates.

Similarly, Council Tax income is expected to be affected negatively by the pandemic. The taxbase is now forecast to contract in 2021-22 and then grow at a reduced rate until 2023-24. There is no certainty either that an option to raise additional Council Tax income for Adult Social Care will be available from 2021-22 and onwards. Therefore, assuming also that current plans to freeze the main rate of Council Tax proceed, income from Council Tax is likely to reduce in 2021-22 and be depressed in the years following.

Five Year Financial Plan

The Council's Five Year Financial Plan (Plan) is updated annually and reflects an assessment of the Council's spending plans in the current and next four financial years. It includes the ongoing implications of approved budgets, service levels, costs of the capital programme and costs of servicing its debts and returns from its investments.

The Council's Plan for the period 2020-21 to 2024-25 was last updated in November 2020. Whilst this was a comprehensive review, it was prepared in the context of considerable uncertainty surrounding the future costs, effects on income and levels of Government grant support relating to Covid-19.

The latest forecast assumes that around £37.489m of one-off funding from reserves will be required to support the 2020-21 revenue budget. However, this is reliant on £18.795m of budget savings being achieved. As the response to Covid-19 has impacted on the ability to implement savings plans, the delivery of these savings is subject to significant slippage and only around half this amount is expected to be achieved in the year, therefore the pressure on reserves is likely to be higher. Furthermore, an additional £63m of savings are expected to be required between 2021-22 and 2024-25 even if there are no ongoing net costs from Covid-19 in these years.

Governance Arrangements

The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Monitoring Officer and the Section 151 Officer in addition to the current political arrangements.

An overview of this governance framework is provided within the Annual Governance Statement (AGS) which will be included in the post-audit Statement of Accounts. This includes a detailed review of the effectiveness of the Council's governance arrangements. Whilst it is not possible to provide absolute assurance the review process as outlined in the AGS does conclude that the existing arrangements remain fit for purposes and help provide reasonable assurance of their effectiveness.

The impact of Covid-19 will have an effect on financial sustainability and has been considered as part of this going concern assessment. That aside, there are no further material issues identified through the AGS process that may significantly impact on management consideration of the Council's Financial Resilience and therefore on going concern.

The Council is working with the Local Resilience Forum on Covid-19 recovery. The Council's focus is still firmly on the response activities and the Council is working with a range of partners locally and regionally on a Covid-19 recovery programme.

External Regulatory and Control Environment

As a principal local authority, the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement to set a balanced budget each year, combined with the legal requirement for the Council to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control, there are other factors, such as the role undertaken by the external auditor, as well as the statutory requirement, in some cases, for compliance with best practice and guidance published by CIPFA and other relevant bodies. For example, the Council has measured itself against the principles set out in CIPFA's Financial Management Code and is confident that it is achieving these in all substantive areas.

Against this backdrop it is considered unlikely that a local authority would be 'allowed to fail', with the likelihood being that when faced with such a scenario, that central government would intervene, supported by organisations such as the Local Government Association, to bring about the required improvements or maintain service delivery.

However, given the severity of this pandemic on the country's finances, it would be complacent to rely on Government intervention. MHCLG has conceded that authorities could still be left with unmanageable pressures and may continue to be concerned about their future financial position, urging any authority that found itself in that position to contact the department with immediate effect.

Whilst the Council has deployable resources and assets at its disposal in the short to medium term, there remains a risk to its financial sustainability in the longer term from costs associated with Covid-19 and of not achieving substantial budget savings.

The Section 151 Officer has the power to issue a Section 114 notice if there is a significant risk that the Council will not be in a position to deliver a balanced budget by the end of the current financial year. This is an emergency situation where a response is required by legislation. The notice means that no new expenditure is permitted, with the exception of safeguarding vulnerable people and statutory services and continuing to meet existing contract obligations. Despite the current financial pressures there is no intention at this time to issue a Section 114 notice.

Conclusions

The Council set a balanced budget for 2020-21 and over the Five Year Financial Plan period in February 2020. However, since then Covid-19 has impacted significantly on the Council's activity and finances. Covid-19 poses a significant risk to the Council's financial resilience.

It is unclear how much further Government support will be provided to cover the costs resulting from the pandemic; these costs are expected to be well in excess of the support already provided. It is encouraging that a new round of Covid-19 funding was announced on 12 October 2020, as the second wave of the pandemic is starting to escalate in severity. Although the immediate impact of losses on the collection funds (council tax and business rates) has been eased by allowing these costs to be spread over three years instead of one, there has been no commitment to reimburse councils for these losses. It is also apparent that Government will only provide compensation for some of the Council's lost income from fees and charges. Consideration will be required as to how the Council can react to replace these income streams if they fail to recover to pre-Covid-19 levels.

Despite these risks, the Council has sufficient reserves it can deploy in 2020-21 to meet the anticipated funding shortfall, should it be required to do so. If it were to use its reserves for this purpose, however, this would significantly impact on the funding of the Council's planned improvements, delay some savings plans and require additional general reserves to be set aside in order to ensure that the balance of general reserves remains at a prudent risk-assessed level. Also, because of the Council's Treasury Management Strategy over the last decade to use internal borrowing, rather than take on new long-term external borrowing, the Council has head-room, within the scope of its powers under the Prudential Framework, to take on additional external borrowing to preserve the liquidity of its cash flow, should it need to do so.

Section 151 Officer Opinion

Having regard to the Council's arrangements and such factors as highlighted in this report, the Director of Finance & ICT as Section 151 Officer concludes that Derbyshire County Council remains a going concern and that it is appropriate that the Council's Statement of Accounts for 2019-20 have been prepared on this basis.

3 Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

4 Background Papers

Papers held electronically by Technical Section, Finance & ICT Division, Room 137.

5 Officer's Recommendation

That Audit Committee notes this formal assessment of the Council’s status as a “going concern” and the conclusion that it is an appropriate basis for preparing the Council’s Statement of Accounts 2019-20.

PETER HANDFORD

Director of Finance & ICT

Agenda Item No

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

24 November 2020

Report of the Director of Finance & ICT

STATEMENT OF ACCOUNTS 2019-20

1 Purpose of the Report

To seek approval from the Audit Committee to the Post-Audit Statement of Accounts 2019-20.

2 Information and Analysis

In response to the Covid-19 pandemic, the Ministry of Housing, Communities and Local Government has issued revised Accounts and Audit Regulations in respect of 2019-20 local authority accounts. The requirement for the public inspection period to include the first ten working days of June has been removed. Instead, the unaudited accounts of local authorities must be certified by the Director of Finance & ICT and published no later than 31 August 2020, with the public inspection period of six weeks commencing on or before the first working day of September 2020. The publication date for audited accounts, approved by the Audit Committee, has moved from 31 July to 30 November 2020 for all local authority bodies.

The certified pre-audit Statement of Accounts were submitted to the Council's external auditors, Mazars, on 8 June 2020, just eight days after the deadline in a normal year and well within the adjusted deadline for this year. At Audit Committee on 21 July 2020, a detailed presentation, followed by a Question and Answer Session, took place to explain the Statement of Accounts in more detail and to respond to any particular queries Members had.

Under the Local Audit and Accountability Act 2014 (Sections 25 to 28), the Accounts and Audit Regulations 2015 (Regulations 10, 14 and 15) and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, the Council's accounts for the year ended 31 March 2020 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts) were made available for public inspection from 9 June 2020 to 20 July 2020, Monday to Friday. No queries were received.

The core financial statements in the Statement of Accounts are:

- Comprehensive Income and Expenditure Statement (CIES)
- Balance Sheet
- Cash Flow Statement
- Movement in Reserves Statement (MiRS)
- Pension Fund Accounts
- Annual Governance Statement

The approved Statement of Accounts will be reported to full Council in February 2021. The Pension Fund Accounts will be reported to the Pensions and Investment Committee in December 2020.

A copy of the audited Statement of Accounts is appended to this report at Appendix One. The audit opinions have yet to be inserted but will be included in the Audit Completion Reports of the external auditor presented at this meeting. The Annual Governance Statement will be presented in a further report at this meeting and will be inserted after the meeting, once approved.

Details of changes made to the pre-audit Statement of Accounts are included at Appendix Two.

The International Standard on Auditing ISA 580 requires the Council to provide a Management Representation Letter to the external auditors. The letter outlines the responsibilities of those charged with governance. Separate letters have been provided in respect of the Council's Accounts and the Pension Fund Accounts. These letters are still to be finalised, but drafts are included at Appendix Three and Appendix Four, respectively.

3 Financial Considerations

Details are set out in the report and appendices.

4 Legal Considerations

The audited Statement of Accounts must be approved by the Audit Committee by 30 November in accordance with the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

5 Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

6 Background Papers

Papers held electronically by Technical Section, Finance & ICT Division, Room 137.

7 Officer's Recommendation

That Audit Committee approves the Post-Audit Statement of Accounts 2019-20.

PETER HANDFORD

Director of Finance & ICT

Statement of Accounts 2019-20

Peter Handford BA(Hons) PGCert FCPFA
Director of Finance & ICT

Version History			
Version	**Date**	**Detail**	**Author**
0.1	14.10.20	Post-audit accounts changes	E Scriven S Holmes
0.2	28.10.20	Post-audit accounts changes post 14.10.20	E Scriven S Holmes
0.3	10.11.20	Post-audit accounts changes post 28.10.20	E Scriven
0.4	17.11.20	Included in Audit Committee Report for 24 November 2020 meeting	E Scriven

This document has been prepared using the following ISO27001:2013 standard controls as reference:	
ISO Control	**Description**
A.8.2	Information classification
A.7.2.2	Information security awareness, education and training
A.18.1.1	Identification of applicable legislation and contractual requirements
A.18.1.3	Protection of records
A.18.1.4	Privacy and protection of personally identifiable information

CONTENTS

Introduction

This Statement of Accounts presents the overall financial position of the Council for the year ended 31 March 2020. It has been produced in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code), based on International Financial Reporting Standards (IFRS). IFRS are made up of a combination of many individual accounting standards.

This document also includes information relating to the Derbyshire Pension Fund, which the Council administers on behalf of its own staff, other local authorities and other admitted bodies.

Basis of Preparation and Presentation

When preparing the accounts, an authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the “true and fair” view of the financial position, financial performance and cash flows of the authority and to the understanding of users.

Information is material if omitting it, or misstating it, could influence decisions that users make on the basis of financial information about a specific authority.

The Accounting Policies of the Council have been prepared in accordance with IFRS, as adopted by the Code. Where there is no specific guidance in the Code, the Council has developed its own Accounting Policies, which are aimed at creating information which is relevant to the decision-making needs of users and reliable, in that the financial statements:

- represent fairly the financial position, financial performance and cash flows of the entity;
- reflect the economic substance of transactions, other events and conditions and not merely the legal form;
- are neutral i.e. free from bias;
- are prudent; and
- are complete in all material respects.

The Council’s Accounting Policies outline how the Council should account for all income, expenditure, assets and liabilities held and incurred during the 2019-20 financial year.

The Accounting Policies of the Council are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the Council’s accounts. The Accounting Policies of the Council, as far as possible, have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable.

Explanation of the Accounting Statements which follow

- Comprehensive Income and Expenditure Statement (CIES) - This shows the cost of providing services in accordance with generally accepted accounting practices.
- Balance Sheet (BS) - This shows the value of all assets and liabilities. Reserves are matched against net assets and liabilities.
- Cash Flow Statement (CFS) – This statement shows the changes in cash and cash equivalents of the Council.
- Movement in Reserves (MiRS) – This shows the movement on the different reserves held, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable' reserves.
- Notes to the Accounts – Not a statement, however they provide supplementary information.

Performance

Local authorities can present the CIES based on how an authority is organised and funded. The Council has presented its CIES on the basis of how it reports its management accounts during the financial year, which is by Cabinet Member Portfolio.

The Council is structured into four departments but reports through seven Cabinet Member Portfolios. These portfolios are Adult Care, Corporate Services, Clean Growth and Regeneration, Health and Communities, Highways, Transport and Infrastructure, Strategic Leadership, Culture and Tourism and Young People.

Revenue Expenditure

The Council set its net budget requirement for 2019-20 on 6 February 2019 and originally planned to spend £519.532m, with funding coming in the form of Government non-ring-fenced grants of £161.444m, Council Tax of £329.430m, business rates collected locally of £19.195m and the use of Earmarked Reserves of £9.463m.

In 2019-20 the Council has spent £539.583m, against a final net budget of £543.440m. The increase in net budget is because of additional net transfers from Earmarked and General Reserves of £10m, additional grant income of £12m (including Business Rates Relief Grant £6.357m, Winter Pressures Grant £3.627m and Independent Living Fund Grant £2.534m) and £2m additional business rates income.

The table below summarises the Council's outturn position, highlighting the Cabinet Member Portfolio net overspend and Corporate net underspend. The overall Council underspend for the year is £3.857m. Spending on schools is funded by the Dedicated Schools Grant (DSG), from Government. The Council received £359.020m in 2019-20. Note 38 sets out the DSG grant in more detail. The Council also has responsibility for Public Health funding. A total of £39.477m was received in 2019-20 in the form of a ring-fenced grant from Government to pay for Public Health services. There was an overspend against the balance of the grant of £0.022m. The outturn table shows the positions net of the impact of these grants, other ring-fenced grants and income from other third parties and their associated spend.

	Final Net Budget £m	Actual £m	Outturn £m
Controllable:			
Adult Care	246.730	246.730	0.000
Corporate Services (formerly Council Services)	45.136	43.439	(1.697)
Clean Growth and Regeneration (formerly Economic Development and Regeneration)	5.603	5.638	0.035
Health and Communities	4.433	4.171	(0.262)
Highways, Transport and Infrastructure	79.888	78.069	(1.819)
Strategic Leadership, Culture and Tourism	13.175	13.153	(0.022)
Young People	110.700	117.555	6.855
Portfolio Outturn	**505.665**	**508.755**	**3.090**
Risk Management	6.155	0.000	(6.155)
Debt Charges	28.833	29.327	0.494
Interest and Dividends Receivable	(4.900)	(6.050)	(1.150)
Levies and Precepts	0.332	0.335	0.003
Corporate Adjustments	7.355	7.216	(0.139)
Total Outturn Position	**543.440**	**539.583**	**(3.857)**
Transfers to / from reserves:			
RCCO - Capital Funded from Revenue	0.000	0.000	0.000
Transfer to Earmarked Reserves	58.564	58.564	0.000
Transfer from Earmarked Reserves	(62.874)	(62.874)	0.000
Use of General Reserves	(19.282)	(19.282)	0.000
Contribution into General Reserve	4.403	8.260	3.857
	524.251	**524.251**	**0.000**
Financed By:			
Council Tax	(329.430)	(329.430)	0.000
Revenue Support Grant	(13.517)	(13.517)	0.000
Business Rates	(20.984)	(20.984)	0.000
Business Rates Top-up	(93.370)	(93.370)	0.000
Business Rates Relief Grant	(7.603)	(7.603)	0.000
New Homes Bonus	(2.098)	(2.098)	0.000
Other General Revenue Grants	(46.745)	(46.745)	0.000
PFI Grant	(10.504)	(10.504)	0.000
	(524.251)	**(524.251)**	**0.000**

Departments have continued to look for ways of working more efficiently and effectively to cut costs or generate additional income and set aside cash for future years when further budget reductions will be needed.

There continues to be pressure on social care, which has resulted in a significant overspend in the Young People portfolio. The overspend in Young People was, in the main, driven by increased demand for Social Care support, such as placements for children in care, alternative arrangements for children unable to live with parents and increased numbers of children whose safety and well-being needs to be monitored through child protection plans and associated social worker support.

Although the Adult Care portfolio reported a breakeven position for 2019-20, this was affected by two large end of year adjustments. The first was for a credit loss allowance against its debtors at 31 March 2020. The loss allowance was £2.222m higher than in 2018-19 because of Covid-19 influencing the expected likelihood of recovery of amounts owed. It may be possible to offset any loss which is ultimately realised against grant funding provided by Government towards the costs of Covid-19. There was also a transfer to earmarked reserves of £3.807m towards funding the Better Lives Project, which is a joint initiative with Newton Europe, in which Adult Care is reviewing and revising its work processes, especially around the assessment of need and selection of the most appropriate care packages for Derbyshire’s residents. The Adult Care portfolio underspend before these two adjustments was £6.029m. This underspend occurred because of a number of factors, including reductions in high cost placements, reduced spend on the Integrated Community Equipment Service and high levels of unfilled vacancies in the Social Work and Finance teams.

The main area of underspend in the Highways, Transport and Infrastructure portfolio was on waste management costs, which were less than expected due to waste tonnages being lower than originally forecast and because of additional short term savings from new service continuity arrangements. The portfolio underspend has also increased because Gold Card concessionary fares costs were less than anticipated due to reduced demand for public transport services. However, this underspend has been partially offset by an overspend on winter maintenance.

The underspend in the Corporate Services portfolio is mainly down to staffing vacancies not being filled in order to assist with the management of a number of staffing reviews and restructures. In particular these restructures are in the areas of Human Resources and Information, Communications and Technology, which should deliver savings in future years.

In 2019-20 the Council incurred direct costs amounting to £0.224m in respect of the Covid-19 crisis.   Portfolios have received funding in 2019-20 for these costs from the Council’s General Reserve, which will be reimbursed from the additional Covid-19 funding received from Government in 2020-21.

The underspend of £6.155m on the Risk Management budget includes a £5.000m virement of budget from the Adult Care portfolio and additional funding received in-year. The Risk Management Budget has been utilised to meet budget pressures in 2020-21.

The Debt Charges budget has overspent by £0.494m, reflecting interest payments, the Capital Financing Requirement (CFR), a Minimum Revenue Provision (MRP) of 2.5% in keeping with the policy reported to Cabinet on 22 November 2016 and a £4.500m one-off reduction in the Council's Capital Adjustment Account Reserve. This reduction has been made on the basis that the amounts set aside to repay debt over the last ten years are well in excess of what is required to ensure the Council can repay its debts.

Interest and Dividends received on balances have exceeded budget by £1.150m. During most of 2019-20 the Bank of England's base rate of interest was 0.75%. The base rate was reduced from 0.75% to 0.25% on 10 March 2020, with a further cut, to 0.10%, announced later in the month. The Council utilised a range of investments to maximise its income.

The £6.855m overspend on the Young People portfolio, after use of £1.382m from the Budget Management earmarked reserve agreed in the 2019-20 Revenue Budget Report, along with the £0.035m overspend on the Clean Growth and Regeneration portfolio, have been charged to the Council's General Reserve in 2019-20, along with the underspends credited from the other portfolios. The overall Council underspend results in a £3.857m increase in the Council's General Reserve. Underspends will be utilised to manage budgets over the medium term. Any decision on the use of underspends in this way are made by Cabinet.

The balance on the General Reserve at 31 March 2020 is £53.547m, however there are already commitments held against the balance, details of which were reported to Cabinet on 21 November 2019. These commitments will be updated as part of the Outturn Report for 2019-20. The delivery of the Council's Five Year Financial Plan (FYFP) is heavily dependent on an adequate level of General Reserve, a 2019-20 underspend was anticipated as part of the decisions taken by Council at its budget setting meeting in February 2020. The need to maintain an adequate, risk assessed level of reserves has been a key part of the Council's success, in both maintaining its financial standing and continuing to deliver high quality services.

The Comprehensive Income and Expenditure Statement shows a deficit on provision of services of £302.632m. This is different to the outturn position shown above as it includes both cash transactions and non-cash items, such as depreciation. The deficit, in the main, relates to the loss on disposal of non-current assets, which is referred to in more detail in Note 6.

Capital Expenditure

In 2019-20 the Council's capital expenditure increased by £1.597m.

	2018-19 £m	2019-20 £m
Capital Expenditure	**101.652**	**103.249**
Funded by:		
Grants and Contributions	54.915	46.516
Loans	35.805	48.900
Revenue Contributions	-	-
Capital Receipts	10.932	7.833
Total	**101.652**	**103.249**

In 2018-19 the Council changed its approach to allocating funding to capital projects. Before 2018-19 the Council funded some capital projects using revenue contributions. In 2018-19 and 2019-20 the decision was taken not to do this, leading to an increase in the Council's use of available capital receipts and borrowing to replace the revenue contributions no longer being used.

In 2019-20 expenditure on Buxton Crescent has again been mostly funded from borrowing, whereas before 2018-19 a greater proportion of funding was from an external grant, which has now been mostly utilised. Capital receipts have been used towards a loan for Buxton Crescent, which will be repaid, with interest, in future years.

Using the freedom and flexibilities given to Local Enterprise Partnership (LEP) Accountable Bodies, the Council utilised Local Growth Fund underspends during 2017-18 and 2018-19 to fund its capital programme. By the end of 2019-20, the Council had repaid £28.972m (2018-19: £13.302m). This has impacted on capital financing in 2019-20, reducing the grant funding of capital expenditure and increasing borrowing.

Assets and Liabilities

The value of Property, Plant and Equipment Assets (PPE) has decreased by £107.166m from the previous year. The reason for this is that there are fewer assets on the balance sheet at the year-end as a result of schools converting to academies during the year, referred to in Note 6.

Current and Non-Current Investments have decreased by £76.926m and Cash and Cash Equivalents have increased by £32.500 from the previous year.

Current and Non-Current Debtors have decreased by £4.896m.

Current and Non-Current Borrowing have increased by £17.924m. The Council has not entered into any long-term debt since September 2010. The Council has one Lender Option Borrower Option (LOBO) loan, with a nominal value of £5 million, remaining.

Other Non-Current Liabilities have decreased by £233.260m. This decrease has arisen because of a £228.934m decrease in the valuation of the Local Government Pension

Scheme and Teachers Pension Scheme net liabilities. This has contributed to a reduction in the Council's Unusable Reserves.

Cashflow

The Council's cashflow in 2019-20, which was the final year of a four-year funding deal from Government, does not highlight any significant changes. Interest paid and received were at similar levels to 2018-19. Dividends received have increased as the Council was invested in all of its pooled fund investments for the whole of 2019-20, compared to only part of the year in 2018-19.

For 2020-21 the Government rolled forward core components of the 2019-20 Local Government Finance Settlement, with elements of core funding increasing in line with CPI inflation, key Local Government grants being maintained at 2019-20 levels and £1bn of additional funding provided for social care.

Council Tax was increased by 3.99% in 2019-20. In 2020-21 Council Tax was increased by 2% to comply with Government's expectation that part of the additional pressures in adult care would be funded by levying additional Adult Social Care Precept. No Council Tax increase is included in the Council's FYFP in 2021-22. A 2% increase is forecast in 2022-23, 2023-24 and 2024-25.

The Better Care Fund (BCF) allocations and additional allocations of improved BCF will contribute to supporting Adult Care services.

In the event that more schools convert to academy status, there will be a loss of funding through the Dedicated Schools Grant matched by a reduction in expenditure on schools, however it could result in a potential loss of income from services the Council trades with schools.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Council is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. The Council will monitor this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2020-21, with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Council may borrow short-term to cover cash flow shortages where it is advantageous to do so.

Provisions and Contingencies

Movements in provisions and contingencies are disclosed in the Notes to the Accounts. There have been no material changes to policy or to amounts during the year.

Reserves

The Council's total Usable Reserves, which include General and Earmarked Revenue Reserves, have decreased by £35.084m, to £331.648m.

The General Reserve balance has decreased by £11.023m, to £53.547m at 31 March 2020. There are commitments against this balance that are set out in the Revenue Outturn Report 2019-20.

During 2019-20, the Earmarked Reserves balance has decreased by £4.310m, to £229.135m. Earmarked Reserves are held for specific purposes and are regularly reviewed by Cabinet as part of the budget monitoring cycle. A more detailed analysis is available in Note 29 to the Accounts.

The Unapplied Capital Grants Reserve has decreased by £14.733m, to £41.552m at 31 March 2020. This reserve holds the grants and contributions received towards capital projects but which have yet to be applied to meet capital expenditure. As referred to in respect of the profile of the Council's Capital Expenditure in 2019-20 above, using the freedom and flexibilities given to LEP Accountable Bodies, the Council utilised Local Growth Fund underspends during 2017-18 and 2018-19 to fund its capital programme. By the end of 2019-20, the Council had repaid £28.972m (2018-19: £13.302m). The majority of the decrease in this reserve in 2019-20 is also because of the repayment of this temporary funding provided in previous years.

The Capital Receipts Reserve has decreased by £5.018m, to £7.415m at 31 March 2020. This is money set aside to meet capital expenditure and has been used to finance The Crescent at Buxton, Glossopdale School and Linden House. The reserve has decreased in 2019-20 because of lower than forecast receipts, with actual receipts being around half of the 2018-19 level.

After adjusting for non-cash items, the Council's General and Earmarked Reserves remain at robust, risk assessed levels. These levels are key to the delivery of the Council's objectives over the medium term as a means of helping to manage significant potential liabilities and the general reduction in resources. All such risks are regularly reviewed and appear alongside mitigating actions, on the Council's Strategic and Departmental Risk Registers. The Council formally reviews its reserves at least annually, as set out in the Council's Reserves Policy. The last review was reported to Cabinet in November 2019.

Pensions Liability

Under International Accounting Standard 19 (IAS19), the Council is required to show the total future costs of pension liabilities for the Local Government Pension Scheme. This is a notional figure, as the Council's budget is constructed on the basis of actual contributions payable.

The IAS19 notional cost of the LGPS scheme for 2019-20 is £131.196m and for Teachers Pensions is £1.500m. The actual contributions made for the year were £56.269m and £4.427m respectively, resulting in a net adjustment to the revenue position of £72.000m. In addition, there were actuarial gains on both schemes, amounting to £294.190m and £6.744m respectively, resulting in a decrease of £228.934m in the total pensions liability of the Council, to £706.324m at 31 March 2020.

The impact of Covid-19 on financial markets towards the end of the financial year, which led to a negative return on LGPS scheme assets in 2019-20, has been more than offset by gains arising from changes to the demographic, financial and other assumptions used to measure LGPS scheme liabilities in the actuarial valuation as at 31 March 2019.

The overall net pensions liability is offset by a matching notional reserve, ensuring there is no impact on the level of Council Tax. The debit balance on the pensions reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources that the Council has set aside to meet them. The Funding Strategy adopted by the Pension Fund will ensure that funding will have been set aside by the time the benefits come to be paid.

Organisation and Governance

The Council is composed of 64 Elected Members who are democratically accountable to the residents of their electoral division. Members follow a Code of Conduct, to ensure high standards in the way they undertake their duties. The Cabinet consists of the Leader of the Council and six Members. The Cabinet is responsible for guiding the Council in the formulation of the corporate plan of objectives and key priorities, which is referred to in more detail, under Strategy and Resource Allocation, below. Within the policy framework, budgets and major plans are approved by the full Council and the Cabinet has executive responsibility for the implementation of the Council's key goals and objectives.

The Governance, Ethics and Standards Committee (formerly the Standards Committee) promotes and maintains high standards, assists Members in observing the Code of Conduct and advises the Council on matters related to the Code of Conduct. The Council also operates four Improvement and Scrutiny Committees, which support the work of the Cabinet and the Council as a whole.

All Members meet together as the Council. Meetings are generally open for the public to attend, except where confidential matters are being discussed.

More information on the Council's Governance Framework is included in the Council's Annual Governance Statement, which is included at the end of these accounts.

Local Enterprise Partnership

D2N2 is the Local Enterprise Partnership (LEP) for Derby, Derbyshire, Nottingham and Nottinghamshire. It plays a central role in deciding local economic priorities and undertaking activities to drive economic growth and create local jobs. It is a locally owned partnership between the public and private sectors and in April 2019 became incorporated in line with new Government guidelines. It is managed by a Board made up of the constituent councils, including Derbyshire County Council and private sector representatives.

The Council became the Accountable Body for the D2N2 LEP's Local Growth Deal grant with effect from 1 April 2015. The Council made a successful bid to become the Single Accountable Body to the D2N2 LEP from 1 April 2019, taking on additional funds such as the Growing Places Fund and Building Foundations for Growth. As Accountable Body, the Council is responsible for overseeing the proper administration of financial affairs within the LEP with regard to public funds.

Following the announcement of Local Growth Fund 3 in March 2017, the grant allocation for the Local Growth Fund will be £250.7m over the six years up to 2020-21. During 2019-20 the grant has been allocated to a further six projects in the Derbyshire/ Nottinghamshire region, after successful grant bids were received and approved by the Investment Board.

The D2N2 LEP's income and expenditure is accounted and administered independently from the Council's accounts and therefore, do not form part of the main statements which appear later in this Statement of Accounts. This is in accordance with the principles set out in the Local Authority Accounting Code of Practice where the Council is acting as an intermediary and is therefore following the agent principle as set out in section 2.6.2.1 of the Code.

As part of its accountable body role, the Council administers a grant of £0.197m, from the Careers and Enterprise Company in respect of the Enterprise Adviser Network, which has been used to meet the costs of the Enterprise co-ordinators. Both this grant and the Local Growth Fund grant are identified separately on the Council's financial ledger and have met the requirements of the grant conditions.

Derbyshire Developments Limited

In 2016-17 the Council began to operate a development company with the following aims and objectives:

- To generate a source of revenue income and capital investment return.
- To make effective use of the Council's land.

- To create employment opportunities within Derbyshire, including for apprentices and the Council's care leavers.
- To maintain ethical and environmental standards in specification, development and construction of properties.

During 2019-20 Derbyshire Developments Limited's total expenditure was £0.030m, with no income, therefore, as in 2016-17 to 2018-19, it is considered that Group Accounts are not required. However, the Company will submit audited accounts to Companies House in accordance with the Companies Act 2006.

The company has had no activity within it since 2017-18, as its previous activities have been delivered by the Council to achieve the same aims and objectives. The Council had retained the company to give it the opportunity to refocus the company's activities at some point in the future. However, on 16 March 2020, the Council approved the wind-up of the company as part of its plans to transform the delivery model of its property and estates management functions.

Vertas Derbyshire Limited and Concertus Derbyshire Limited

In 2019-20 the Council formed two Joint Venture companies, Vertas Derbyshire Limited and Concertus Derbyshire Limited, with Suffolk Group Holdings (Suffolk County Council), to focus on improving, rationalising or developing the Council's surplus property. These companies have yet to start trading and to date have not generated any income or incurred any expenditure. The transition of the Council's cleaning and caretaking service and design services was scheduled to take place on 1 April 2020. However, given the current situation regarding Covid-19, the transition of these services has been pushed back until 1 September 2020.

Strategy and Resource Allocation

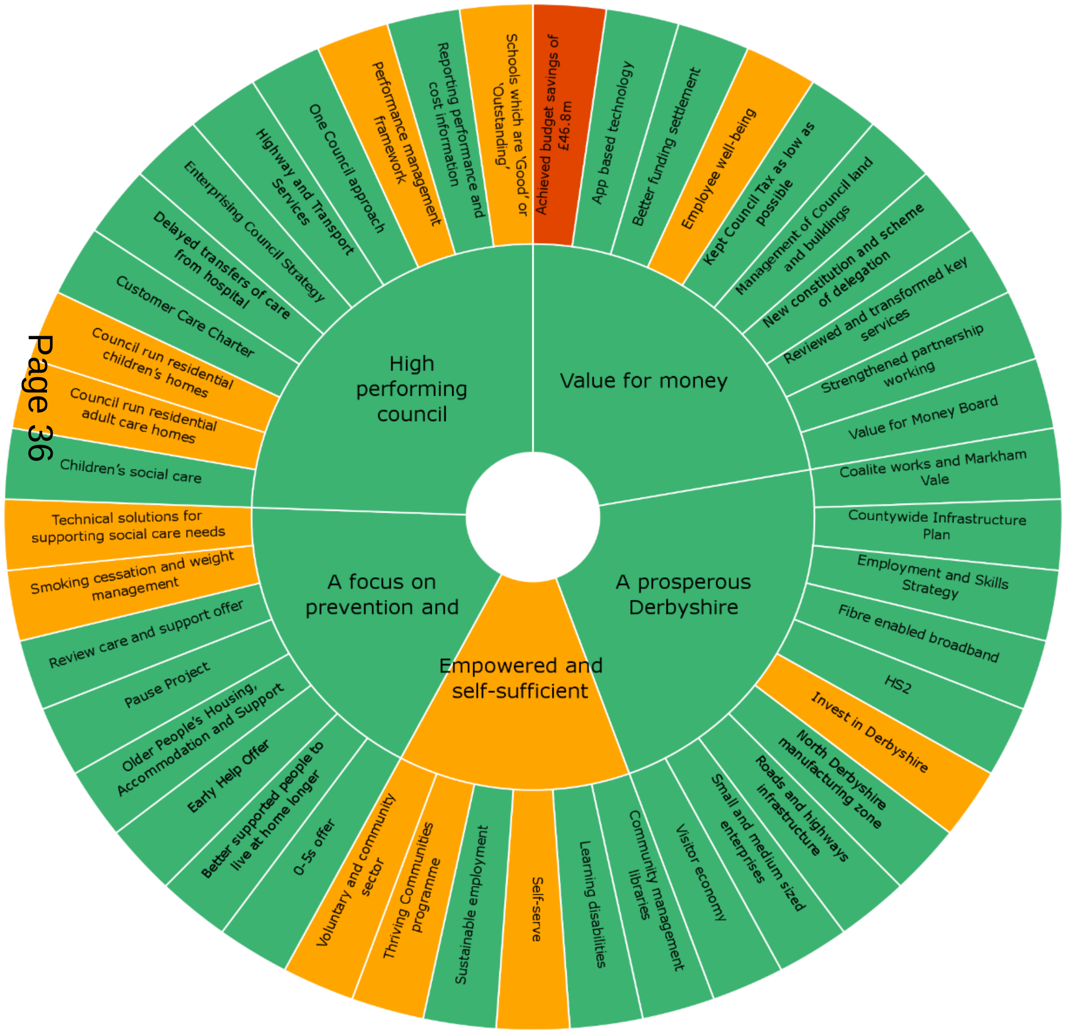
The Council Plan sets out the future direction of the Council and the outcomes that the Council is seeking to achieve.

Outcomes

- **Resilient and thriving communities** which share responsibility for improving their areas and supporting each other.
- **Happy, safe and healthy people** with solid networks of support, who feel in control of their personal circumstances and aspirations.
- **A strong, diverse and adaptable economy** which makes the most of Derbyshire's rich assets and provides meaningful employment opportunities for local people.
- **Great places to live, work and visit** with outstanding schools, diverse cultural opportunities, transport connections that keep moving and a healthy environment for all.
- **High quality public services** that work together and alongside communities to deliver services that meet people's needs.

Performance

The Council Plan identifies a small number of focused priorities to direct effort and resource, supported by "deliverables" under each priority, which set out what the Council aims to deliver over the year. A graphical representation of the Council's performance in 2019-20 against its priorities (inner wheel) and deliverables (outer wheel) is below.



The colours in each segment of the wheel show the extent of the Council's achievement in 2019-20.

Key

- Strong – performing strongly
- Good – performing well
- Review – will be kept under review to ensure performance is brought back on track
- Action – additional action will be/is being taken to bring performance back on track

As an overview, 32 deliverables (73%) have been categorised as good, 11 as requiring review and 1 as requiring action. Of the five Council Plan priority areas, the priority for a prosperous Derbyshire in particular is performing well, whilst the priority for empowered and self-sufficient communities has the most risk to achieving outcomes.

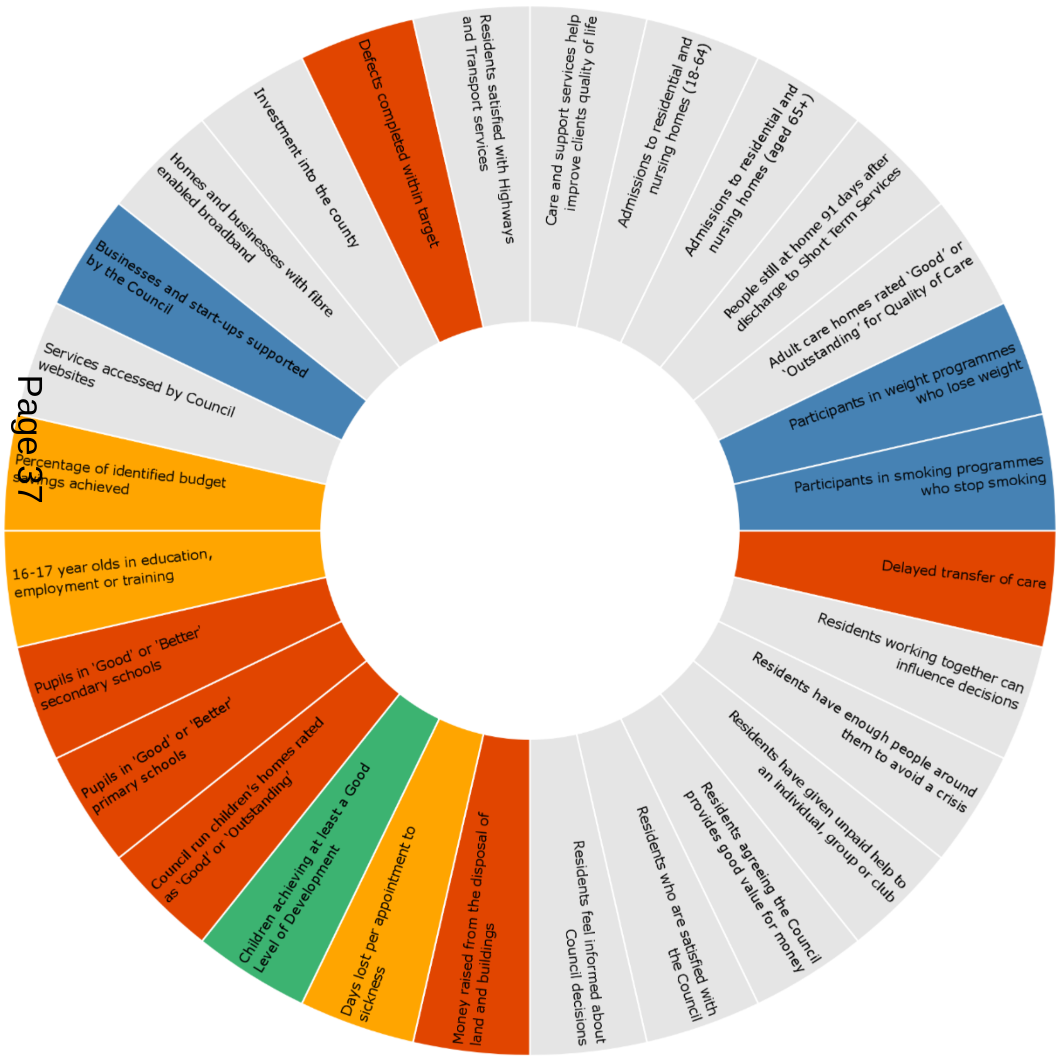
Completed deliverables

	Jun 2019 Deliverables	Sep 2019 Deliverables	Dec 2019 Deliverables	Mar 2020 Deliverables
Good	1	0	0	0

Ongoing deliverables

	Jun 2019 Deliverables	Sep 2019 Deliverables	Dec 2019 Deliverables	Mar 2020 Deliverables
Strong	0	0	0	0
Good	33	30	34	32
Review	6	13	9	11
Action	3	1	1	1

A set of key measures have also been developed, where appropriate, to enable the Council to further monitor the progress it is making by reporting performance against targets.



The colours in each segment of the wheel show the Council's success in achieving its performance targets in 2019-20.

Key Strong Good Review Action No Targe

Measure performance against target

	Jun 2019 Measures	Sep 2019 Measures	Dec 2019 Measures	Mar 2020 Measures
Strong	3	4	4	3
Good	4	2	1	1
Review	3	2	3	3
Action	3	5	6	6

To ensure effective monitoring and management of the performance of the Council, an end of year performance report for 2019-20 has been developed, which will be reported to Cabinet in Summer 2020. The report describes, in detail, the progress the Council has made against each of the deliverables set out in the Plan.

In summary, key areas of success are:

- In setting its Council Tax requirement in 2019-20, for 2020-21, the Council was amongst those county councils setting the lowest Council Tax increase of 2%, representing the levying of the adult social care precept to support adult social care funding. The average council tax increase across all county councils was 3.87%.
- In accordance with its Enterprising Council approach, a range of service reviews across the Council have been undertaken to deliver more efficient, effective and value for money services. These reviews include Human Resources, Communications, Procurement, ICT and Occupational Health which are moving forward with revised structures and improvement plans. In addition, the review of libraries has made significant progress in transferring libraries to community management with eight successful Expressions of Interest and five business cases approved.
- Joint Ventures with Suffolk Group Holdings (Suffolk County Council) have been established focusing on improving, rationalising or developing the Council's surplus property. The transition of the cleaning and caretaking service and the design services was scheduled to take place on 1 April 2020. However, given the current situation regarding Covid-19, the transition of these services has been pushed back until 1 September 2020.
- Over 1,100 businesses in Derbyshire have been supported with business advice through the Council's Trusted Trader scheme.
- An Employment and Skills Action Plan is progressing well, with an estimated 25,000 residents engaged in services offered through the Plan.
- Good progress has continued to be made in increasing fibre enabled broadband across the county and it is anticipated that over 112,000 premises will have access to faster broadband by the end of December 2020.
- For the last two years, over 80% of participants on Council run weight management programmes have lost weight, and participants in Council run stop smoking programmes who have stopped smoking have seen a year on year increase.
- The Council was ranked third out of 28 participating councils for satisfaction in relation to Highways and Transportation.
- Good progress is being made in driving improvements in children's social care, with recruitment to permanent posts progressing and action plans in place for all localities.
- The Council's performance in reducing delayed transfers of care from hospital, though not achieving target, continues to be better than the national and East Midlands average.

Key areas for consideration are:

- Adult Social Care and Health and Commissioning, Communities and Policy departments achieved in-year savings targets for 2019-20. Of the £2.650m saving target allocated for the Economy, Transport and Environment (ETE) department, in 2019-20, £0.737m was achieved, leaving a shortfall in-year of £1.913m, which was offset by a one off £2.000m contribution to enable Highways budgets to remain at the same level as previous years. An amount of unachieved savings of £3.321m has been brought forward from earlier years, although the department has always underspent the budget each year. Although ETE has plans in place to meet the annual targets each year, this means that a shortfall of over £5m will be carried forward. A plan is being developed to achieve these savings. Children's Services department savings were approximately £0.7m short of achieving the 2019-20 target. The status for budget savings deliverable has been changed to "requiring action" as the Covid-19 pandemic will lead to some slippage in the savings programme. Preliminary work on Covid-19 costs identified that as much as £5m of savings across the Council will slip in the 2020-21 financial year.
- Sickness absence in the Council remains high, at 10.4 days per appointment, however good progress is being made in implementing the employee wellbeing strategy and the impact this makes on employee absence will continue to be monitored.
- On average 77.2% of road defects were repaired within target timescales during 2019-20, below the target of 90%, with performance impacted by heavy rain and flooding from Storms Ciara and Dennis. It should be noted, however, that latest figures now show that 88% of road defects are being completed within target timescales.
- The percentage of pupils in primary and secondary schools judged good or outstanding is below target. A wide range of support has been provided to head teachers, governors, subject leaders and link advisers on the implications of the new Ofsted framework, which came into effect in September 2019. School inspections have now been suspended because of the Covid-19 crisis, with no date for them to restart and it is highly unlikely that there will be any opportunity to influence this indicator within the remainder of the 2020-21 academic year.

Where performance issues are highlighted the Council will consider whether there are any further actions that should be undertaken to improve performance to the desired level. The Council's progress in delivering the Council Plan will continue to be monitored during 2020-21 and reports will be produced and reported to Cabinet on a quarterly basis.

Outlook, Risks and Opportunities

Funding

The current multi-year funding offer from Government ended on 31 March 2020. Funding announced in the Spending Review 2019 (SR 19) covered only a single year, 2020-21, leaving the Government more flexibility to respond to future developments, against a backdrop of political and economic uncertainty. The local government sector is seeking a multi-year settlement beyond 2020-21 to provide funding certainty and stability, similar to the four-year offer made by Government in 2015. It was expected that there would be a comprehensive multi-year Spending Round in 2020. It is not clear how the Covid-19 crisis might impact on these expectations.

In addition, the Government had been committed to introduce a 75% Business Rates Retention Scheme in 2020-21, with an eventual move to 100% retention. As expected, the Government announced in SR 2019 that Business Rates Retention Reform and the Fair Funding Review were delayed until April 2021 and this has now been further delayed by the Covid-19 crisis.

The Council's Five Year Financial Plan (FYFP) is reviewed and updated at least annually. It was last updated during the annual budget setting process for 2020-21, earlier in 2020. A number of risks regarding the assumptions made in developing the FYFP were highlighted in the Revenue Budget Report, these being:

- The introduction of 75% and 100% Business Rates Retention is assumed to be fiscally neutral to the Council. There remains a period of consultation between local government and central government to establish a distribution methodology that is fit for purpose, however, local authorities are struggling to set medium term financial plans due to this element of uncertainty.
- The existing allocations of the improved Better Care Fund continue to be paid beyond 2020-21, in line with the Government's intentions.
- There continues to be a consistent rise in business rates growth in the county, however a change in the economic life-cycle or a significant loss of business in the region will impact on the level of business rates income.
- Inflationary increases are managed within existing budgets. The FYFP assumes that inflation will remain at the Government's target of approximately 2% over the medium term.
- A general 2% pay award is assumed for each year of the FYFP. The award for 2019-20 has been agreed. At the time of publication, local government employers were in negotiation with the unions regarding an offer for 2020-21. Any amount over and above 2% will have to be met from within existing budgets.
- National Living Wage (NLW) increases are assumed to result in independent sector care home fees increasing by no more than £13m in 2021-22 and 2022-23 and £10m thereafter. The 2020-21 increase is estimated to be £12m following the announcement that NLW will increase by 6.21% from April 2021.
- Investment income will remain at 2019-20 levels over the next year, following the UK's planned exit from the European Union on 31 January 2020.

Clearly, the Covid-19 crisis will impact on the FYFP assumptions, increasing risk, as well as the Council's 2020-21 budget and achievement of savings targets. The challenges the Council faces in responding to the Covid-19 crisis, its impacts on funding and expenditure, are considered below. The Council's 2020-21 Revenue Budget is being revised and will be reported to Cabinet on 9 July 2020.

Expenditure

By 2024-25, before the impact of Covid-19 is taken into account, which is considered below, the Council needed to have reduced expenditure by a further £65 million in real terms, of which £52m had been identified. This is in addition to a £284 million budget reduction the Council has already made to services since 2010. The Council continues to look at ways to save money and generate income, whilst trying to protect and deliver services suitable for the residents of Derbyshire.

Significant consultation and planning timeframes are required to achieve many of these savings. Delays in agreeing proposals could result in overspends by departments, which would then deplete the level of General Reserve held by the Council, decreasing its ability to meet short term, unforeseeable expenditure.

In many cases the cost savings proposals will be subject to consultation and equality analysis processes. No assumptions have been made as to the outcome of those consultations or the outcome of final decisions which have yet to be made. With regard to the savings proposals which have not yet been considered by Cabinet and, where appropriate, by individual Cabinet Members, the necessary consultation exercises will be undertaken and any equality implications will be assessed before final decisions are made. Throughout the process it will be essential to ensure that the Council continues to meets its statutory and contractual obligations.

There is a planned use of General and Earmarked Reserves from 2020-21 to 2024-25 in order to achieve a balanced budget.

Events after the balance sheet date

Trust Funds
On 23 April 2020, Cabinet approved the transfer of 47 educational charitable Trust Funds, for which the Council is the sole Trustee, to Foundation Derbyshire. The total value of these funds was £1.323m at 31 March 2020.

Springwell Community College, Staveley
Springwell Community College, in Staveley, became an Academy on 1 March 2020. A lease to the Two Counties Trust, for the school land and buildings, commenced on the same date but was signed on 13 May 2020. The assets have been disposed of in the Council's accounts as at 31 March 2020.

Fire at Harrington Junior School, Long Eaton
On 28 May 2020, a fire occurred at one of the Council's schools, Harrington Junior School, in Long Eaton. The fire is what is known as a non-adjusting event after the balance sheet date because the fire which impacted on the condition of the school assets did not occur until after the balance sheet date.

The fire affected the main block of the school, which had a balance sheet value of £2.323m at 31 March 2020. It is expected that the Council will make an insurance claim for £3.600m, representing £3.015m for rebuilding the block and replacing its contents and £0.350m for the business continuity provision of temporary classrooms. The Council's insurance excess of £1m will be met from its insurance fund.

Covid-19
The local government sector has responded swiftly to the Covid-19 outbreak, to ensure that it is supporting residents and businesses throughout the pandemic. The Council estimates that there will be substantial cost pressures over the coming months, as well as significant loss of income and slippage in the savings programme. These additional pressures include, but are not limited to:

- Additional cost of care packages.
- Increased demand for Personal Protective Equipment.
- Set up and administration of the Council's Community Response Unit.
- Managing the delivery of food parcels to shielded and vulnerable residents.
- Increase in fees to independent sector care providers.
- Children's Services care placements.
- Additional staffing to manage workloads and staff absences as a result of the pandemic.
- Business Hardship Fund.
- Loss of income from countryside sites and country, household waste recycling centres and registrars.
- Loss of investment income.

In early April 2020, the Council made an initial estimate of the cost pressures, including loss of income, for the period April to June 2020. The costs at that time were estimated to be in excess of £30m.

In response to the financial pressures faced by local government, the Government has provided additional funding to support local authorities, which is welcome, however, there are concerns that it may not be sufficient. It is too early in the 2020-21 financial year to understand the true extent of the financial impact, but the Council will provide reports to its Corporate Management Team and Members as part of the usual budget monitoring process.

In addition to the additional costs, there is also expected to be some slippage on the Council's savings programme as the Council has refocused its priorities during the response to the pandemic.

There are inevitably some risks and uncertainties during the following months which are difficult to quantify at this time. These include:

- Additional placements costs for children in care – the associated costs are likely to extend beyond the initial three month cost estimates.
- Extended services in schools – whether these will be eligible for support for the Government's Covid-19 grant for schools.
- Personal Protective Equipment – demand has been high so the Council has continued to purchase large volumes in the knowledge that it will be quickly consumed.
- Staffing costs – redeployment to support priorities during the pandemic.
- Projects – the Council has a number of ongoing projects and discretionary activity – a number of these actions will be suspended.

There was an initial period of uncertainty in financial markets during mid-to-late March 2020 and local authorities had concerns about cashflow and the ability to obtain resources to fund activities. However, the Government decision to release some elements of grant funding to local authorities earlier than scheduled has helped to ease some of these concerns and there have been signs that financial markets have absorbed the initial shock and are starting to stabilise at pre-Covid-19 levels. The Council's cashflow forecasting indicates that there are no immediate short-term concerns, however the Council has taken the decision to lessen the demand for cash in the short term by changing and introducing more flexibility into its approach to making Advanced Pension Contributions over the three year period from 2020-21.

The Council set its 2020-21 investment income budget at £6m in February 2020, when the Bank of England's base rate of interest was 0.75%. The base rate was reduced from 0.75% to 0.25% on 10 March 2020, with a further cut, to 0.10%, announced later in the month. This will inevitably result in the Council being unable to meet its budgeted target income, as rates are expected to remain low in the short-term. Assuming a return to normal interest rate levels, this could result in a one-off shortfall in 2020-21 of at least £3m of the anticipated interest income of £6m.

The Council has made an offer to defer rent to business tenants of Council property for a period of three months in respect of the period April to June 2020. The terms of the deferral will be to secure repayment of the rent over the period up to the end of March 2022. Whilst the proposal in itself does not result in a deficit in the Council's income, it will mean that income to the value of approximately £0.5m will be deferred beyond Quarter 1 of the 2020-21 financial year. However, it is likely that many of these businesses will be in no position to make up the "holiday" later in 2020-21 and it is recognised that the Council will probably have to write off a significant element of the income.

The Council will need to make significant investment to stimulate the local economy as it emerges from the impact of the pandemic in the coming months. The capital programme will be reviewed and this is likely to result in additional borrowing to support capital projects which could lead to an increase in base debt repayment and interest charges of up to £5m, subject to a wider affordability test of the Council's financial resilience and sustainability.

There were no other significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements.

Increased Demand for Services

There continues to be an increased demand for services, leading to significant cost pressures in providing essential services such as social care and waste.

The Council's Senior Members and Officers have lobbied Derbyshire MPs and the Secretary of State for Housing, Communities and Local Government regarding improving funding for the Council.

Social Care

Demographic growth continues to affect adult social care costs. Growth predictions show that the Council is subject to approximate annual increases of £3m in relation to adult services, with a further £2m for children transitioning to adulthood. These additional costs of £5m each year are predicted to continue for at least the next five years.

Over the last few years the National Living Wage has increased annually by between 4% and 5%. For 2020-21, the increase is 6.21%. This directly impacts on the fees the Council pays to the independent sector. If this level of increase is to continue it could cost the Council an additional £13m each year.

The Council, along with other local authorities in the country, has expressed concern over the cost pressures associated with the provision of children's social care. Many local authorities and the Local Government Association have urged Government to provide additional funding for the service.

There continues to be increased demand for children's social care in Derbyshire, which is reflected at the national level. More children have had to be placed with external provides rather than in-house foster carers. The number of children in care as a percentage of the child population is below the England national average, however, there is a risk that demand will continue on the same trajectory as that seen in recent years, placing further financial pressure on the service.

The number of children in care nationally has reached a ten year high, rising from 60,900 in 2009, to 78,150 in 2019. In addition to this, there has been a further 139% rise in serious cases at the national level. The level of demand pressures on children's services is unprecedented and is financially unsustainable.

The National Audit Office highlighted in a report published in 2018 that overspends on social care have been the drivers of overall service overspends in single-tier and county councils. Collectively, councils surpassed their children's social care budgets by £714m in 2016-17 in order to protect children at immediate risk of harm, equivalent to 10.4% of budgeted spend for that service. There were overspends in the Council's Young People portfolio in each of the four years from 2016-17. The service is facing increased demand, including rising numbers of children in care and children in need.

The need for additional support will continue to form part of the sector's lobbying strategy.

Waste

Landfill tax, landfill site gate fees and contractual payments for the operation of Household Waste Recycling Sites and Waste Transfer Stations are subject to price rises in line with the Retail Price. There are also statutory increases of 3% in the cost per tonne of recycling credits.

The Council and Derby City Council entered into an Inter Authority Agreement (IAA) on 20 August 2014 in relation to the operation and management of a Public Private Partnership (PPP) contract with Resource Recovery Solutions (Derbyshire) Limited (RRS) for the construction of the long term New Waste Treatment Facility (NWTF) in Sinfin and the provision of associated services. The facility was due to open in 2017, however, RRS was not able to resolve ongoing issues at the plant to allow it to pass the certified performance tests needed to bring it into operation. The contract with RRS was terminated on 2 August 2019, following the issuing of a legal notice by the banks funding the project.

A new two year contract has been put in place by the councils to make sure waste that residents cannot recycle or choose not to recycle continues to be dealt with and that recycling centres and waste transfer stations continue to operate. The contract for these services is with waste management company Renewi UK Services Ltd.

Work had been progressing on the facility to determine its condition and capability, however due to the measures introduced by the UK Government to counter the Covid-19 pandemic, work on site will be affected. This work is also being carried out by Renewi UK Services Ltd and will allow the councils to ascertain what measures need to be in place for the facility to become fully operational.

Funding for the facility had been loaned to RRS by the UK Green Infrastructure Platform and three leading international banks; Sumitomo Mitsui Banking Corporation and Shinsei Bank from Japan and Bayerische Landesbank from Germany. The councils are in negotiations to pay the banks an “estimated fair value” for the plant taking into account all of the costs of rectifying ongoing issues at the plant and the costs of providing the services to meet the agreed contract standards.

Climate Change

Climate Change is an issue that carries a high risk of financial uncertainty over the long term and will require coordinated effort by all public bodies, especially the Government. In the longer term it is hoped that early costs may be offset by future savings in the same way as the Council’s successful LED programme for replacement of street lights has done.

Opportunities

Enterprising Council
The Council is examining modern and innovative ways of providing services. At the moment, around 50% of Council expenditure is provided on the Council’s behalf by the voluntary sector, parish councils, public-private partnerships, private contractors or charitable and community interest companies. The Council will be moving towards being an “Enterprising Council”, looking at all types of delivery models in the future, including sharing or trading services with other councils. The role and shape of public services has changed dramatically, and the Council faces significant challenges in providing the services local people want and need.

Being an Enterprising Council means:

- value for money is at the heart of everything the Council does
- the Council is efficient and effective
- the Council focuses on getting the best results for Derbyshire’s residents, whether by the Council delivering a service, or by using an external organisation − there is no one size fits all
- the Council has a bold, innovative and commercial mind-set
- the Council does things 'with' local people rather than 'to' them and values fairness, openness and partnership
- the Council is proud of Derbyshire and ambitious for its public services.

Vision Derbyshire
The county, district and city councils in the county are working towards a fundamentally new model of local government for Derbyshire and Derby, based on enhancing collaborations to deliver better outcomes for local people and places.

To address Derbyshire’s cross-cutting challenges, the councils have agreed several themes that would benefit the most from collaborative working. These are:

- Economic development.

- Social mobility.
- Climate change.
- Transport infrastructure.

This work marks a statement of intent from the councils to develop a fundamentally new way of working together to deliver differently for the people of Derbyshire. It is essential that the councils build on the engagement that has been achieved to capitalise on the potential benefits.

Learning from Covid-19

Whilst the council's response has been challenging, it has demonstrated that the Council's business continuity arrangements are robust as the Council was quick to adapt to new ways of working for many of its employees, with many office-based staff working from home. Governance arrangements were amended whilst maintaining systems of internal control.

The Council will seek to capture lessons learned and ensure that any benefits are implemented where it is appropriate and cost effective to do so. For example, the benefits of homeworking should be examined, as agile working and modern working practices are one of the key deliverables of the Council Plan. It also has synergies with both the ICT and Climate Change strategies.

The Council is working with partners in the county to examine a coordinated response to recovery from the lockdown measures implemented in March 2020. These actions will help to support local residents and businesses as they transition to post-lockdown activities, providing valuable assistance to our communities in both the short and medium term.

Peter Handford BA(Hons) PGCert FCPFA
Director of Finance & ICT

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities
The Council is required to:

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

The Director of Finance & ICT's Responsibilities
The Director of Finance & ICT is responsible for the preparation of the Council's Statement of Accounts, in accordance with the appropriate CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing this Statement of Accounts, the Director of Finance & ICT has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code and the Regulations;
- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- ensured that events after the balance sheet date have been considered;
- assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future; and
- maintained such internal control as determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUTHORISATION OF ACCOUNTS FOR ISSUE

Certificate of Director of Finance & ICT
I certify that the accounts give a true and fair view of the financial position of the Council at 31 March 2020 and of its income and expenditure for the year then ended.

Peter Handford BA(Hons) PGCert FCPFA
Director of Finance & ICT
24 November 2020

The Statement of Accounts were approved by the Audit Committee on 24 November 2020.

Councillor Kewal Singh Athwal
Chair of the Audit Committee

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		Note	2018-19 Gross Exp £m	2018-19 Gross Inc £m	2018-19 Net Exp £m	2019-20 Gross Exp £m	2019-20 Gross Inc £m	2019-20 Net Exp £m
A	Adult Care		385.238	(119.968)	265.270	406.098	(127.567)	278.531
B	Corporate Services (formerly Council Services)		42.333	(23.919)	18.414	29.295	(24.647)	4.648
C	Clean Growth and Regeneration (formerly Economic Development and Regeneration)		2.317	(0.915)	1.402	6.698	(0.519)	6.179
D	Health and Communities		48.660	(45.252)	3.408	50.655	(44.758)	5.897
E	Highways, Transport and Infrastructure		122.625	(20.490)	102.135	127.893	(20.981)	106.912
F	Strategic Leadership, Culture and Tourism		13.588	(1.404)	12.184	13.710	(1.273)	12.437
G	Young People		684.134	(464.813)	219.321	668.912	(444.324)	224.588
A-G	**Net Cost of Services**		**1,298.895**	**(676.761)**	**622.134**	**1,303.261**	**(664.069)**	**639.192**
H	Other Operating Expenditure	6			232.752			174.670
I	Financing and Investment Income and Expenditure	7			36.562			47.885
J	Taxation and Non-Specific Grants	8			(596.675)			(559.115)
A-J	**Deficit on Provision of Services**				**294.773**			**302.632**
	Items that will not be Reclassified to Deficit on Provision of Services							
K	Gain on Revaluation of Non-Current Assets	14			(70.739)			(82.752)
L	Loss on Revaluation of Non-Current Assets	14			169.999			33.966
M	Remeasurement of Net Pension Liability/ (Asset)	48			169.099			(300.934)
K-N	**Other Comprehensive Expenditure/ (Income)**				**268.359**			**(349.720)**
A-N	**Total Comprehensive Expenditure/ (Income)**				**563.132**			**(47.088)**

The accompanying notes form an integral part of the financial statements.

BALANCE SHEET

31 Mar 2019 £m		Note	31 Mar 2020 £m
1,860.060	Property Plant & Equipment	14	1,752.894
50.301	Heritage Assets	15	49.570
2.249	Intangible Assets	18	1.529
98.665	Non-Current Investments	21	85.933
1.093	Non-Current Debtors	20	0.169
2,012.368	**Total Non-Current Assets**		**1,890.095**
145.999	Current Investments	21	81.805
1.953	Assets Held for Sale	19	2.341
2.212	Inventories	22	1.977
80.105	Current Debtors	23	76.133
41.659	Cash and Cash Equivalents	24	74.159
271.928	**Total Current Assets**		**236.415**
(37.574)	Loans and Borrowing	21	(59.007)
(129.932)	Creditors	25	(142.737)
(167.506)	**Total Current Liabilities**		**(201.744)**
(246.075)	Non-Current Borrowing	21	(242.566)
(14.573)	Provisions	26	(12.232)
(1,003.978)	Other Non-Current Liabilities	27	(770.718)
(1,264.626)	**Total Non-Current Liabilities**		**(1,025.516)**
852.164	**NET ASSETS**		**899.250**
366.732	Usable Reserves	13	331.648
485.432	Unusable Reserves	13	567.602
852.164	**TOTAL RESERVES**		**899.250**

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENT

2018-19 £m		Note	2019-20 £m
(294.773)	**Net Surplus or (Deficit) on the provision of services**		**(302.634)**
144.406	Adjustments for non cash movements	43	150.993
174.037	Adjustments for investing activities	43	166.854
	Net cashflow from:		
23.670	**Operating Activities**	**42**	**15.213**
(37.904)	Investing Activities	40	4.541
10.639	Financing Activities	41	12.742
(3.595)	**Movement in Cash & Cash Equivalent**		**32.497**
45.254	Cash & Cash Equivalents at the start of the year	24	41.659
41.659	**Cash & Cash Equivalents at the end of the year**	**24**	**74.156**

The accompanying notes form an integral part of the financial statements.

MOVEMENT IN RESERVES STATEMENT

	Note	General Reserve	Earmarked Reserves	Unapplied Capital Grants	Capital Receipts Reserve	TOTAL USABLE RESERVES	Unusable Reserves	Total Council Reserves
		£m	£m	£m	£m	£m	£m	£m
2019-20								
Balance at 31 March 2019		**(64.570)**	**(233.445)**	**(56.285)**	**(12.433)**	**(366.731)**	**(485.432)**	**(852.162)**
Movement in reserves during 2019-20								
Total Comprehensive Income and Expenditure	CIES	**302.632**	**0.000**	**0.000**	**0.000**	**302.632**	**(349.720)**	**(47.088)**
Adjustments between accounting basis and funding basis under regulations	13	(287.299)	0.000	14.733	5.018	(267.548)	267.548	0.000
Net Transfer to Reserves		(4.310)	4.310	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2019-20		11.023	4.310	14.733	5.018	35.084	(82.172)	(47.088)
Balance at 31 March 2020 carried forward		**(53.547)**	**(229.135)**	**(41.552)**	**(7.415)**	**(331.647)**	**(567.604)**	**(899.250)**
2018-19								
Balance at 31 March 2018		**(65.033)**	**(187.567)**	**(36.906)**	**(17.987)**	**(307.491)**	**(1,078.577)**	**(1,386.068)**
IFRS 9 Measurement Adjustment		(29.224)	0.000	0.000	0.000	(29.224)	0.000	(29.224)
Balance at 1 April 2018		**(94.257)**	**(187.567)**	**(36.906)**	**(17.987)**	**(336.715)**	**(1,078.577)**	**(1,415.292)**
Movement in reserves during 2018-19								
Total Comprehensive Income and Expenditure	CIES	**294.771**	**0.000**	**0.000**	**0.000**	**294.771**	**268.359**	**563.130**
Adjustments between accounting basis and funding basis under regulations	13	(310.962)	0.000	(19.379)	5.554	(324.787)	324.787	0.000
Net Transfer to Reserves		45.878	(45.878)	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2018-19		29.687	(45.878)	(19.379)	5.554	(30.016)	593.146	563.130
Balance at 31 March 2019 carried forward		**(64.570)**	**(233.445)**	**(56.285)**	**(12.433)**	**(366.731)**	**(485.432)**	**(852.162)**

The accompanying notes form an integral part of the financial statements.

The values held within the proceeding Notes to the Accounts may vary slightly when compared to the main Statements or other notes. This is due to amounts being rounded. It is not expected that a difference would be in excess of £5,000 in any single case.

1. ACCOUNTING POLICIES

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

- relevant to the decision making needs of users; and
- reliable, in that the financial statements:
- represent fairly the financial position, financial performance and cash flows of the entity;
- reflect the economic substance of transactions, other events and conditions and not merely the legal form;
- are neutral i.e. free from bias;
- are prudent; and
- are complete in all material respects.

The Policies outline how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2019-20 financial year.

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

The Accounting Policies of the Council, as far as possible, have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable.

2. CRITICAL JUDGEMENTS WHEN APPLYING THE ACCOUNTING STANDARDS

New Waste Treatment Facility

The Council and Derby City Council entered into an Inter Authority Agreement (IAA) on 20 August 2014 in relation to the operation and management of a Public Private Partnership (PPP) contract with Resource Recovery Solutions (Derbyshire) Limited (RRS) for the construction of the long term New Waste Treatment Facility (NWTF) in Sinfin and the provision of associated services. The facility was due to open in 2017, however, RRS was not able to resolve ongoing issues at the plant to allow it to pass the certified performance tests needed to bring it into operation. The contract with RRS was terminated on 2 August 2019, following the issuing of a legal notice by the banks funding the project.

The Council and Derby City Council will be putting a second Inter Authority Agreement (IAA) into place to cover the period of the contract with Renewi UK Services Ltd. As with the previous IAA, this will establish that each council is represented on the board set up to oversee and implement the delivery of the project and has 50:50 voting rights, the councils collectively are considered to have power over the relevant activities and hence have control collectively. The relevant activities are the long term running of waste disposal for the councils. As decisions about the relevant activities will require the unanimous consent of both parties, the arrangement is considered to meet the definition of a joint arrangement. As the proposed arrangement is not structured as a separate entity it is classified as a joint operation and each council will recognise its share of the arrangement's assets, liabilities, income and expenditure.

The Council has considered the accounting treatment for the NWTF and has determined that no asset or liability can be recognised on the balance sheet at 31 March 2020 because the asset has not been brought into service as intended.

Going Concern

The Council has formally documented an assessment of its going concern status, in a Report to Audit Committee. The Director of Finance & ICT, as Section 151 Officer, has concluded that the Council remains a going concern and that it is appropriate that the Council's Statement of Accounts for 2019-20 have been prepared on a going concern basis.

3. ACCOUNTING STANDARDS ISSUED AND NOT YET APPLIED

At the balance sheet date the following interpretations, new standards and amendments to existing standards have been published but not yet adopted by the Code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long–term Interests in Associates and Joint Ventures. The Council had no Associates and Joint Ventures during 2019-20 and these amendments would not have impacted on the Council's 2019-20 accounts.
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle makes amendments to IFRS 3 and IFRS 11 in relation to joint operations, to IAS 12 in respect of the income tax consequences of dividends and to IAS 23 relating to the calculation of capitalisation rate on general borrowing. The improvements would not have impacted on the Council's 2019-20 accounts.

- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement – these amendments make it mandatory for the current service cost and the net interest for the period after a remeasurement to be determined using the assumptions used for the remeasurement and also clarifies the effect of a Plan amendment regarding what is known as the asset ceiling. In 2019-20 the Council had a net asset of £8.415m arising from settlements and a net liability of £1.057m relating to past service cost including curtailments. Settlements may arise because of a difference between the IAS 19 liability and the amount paid to settle the liability and can arise because of outgoing bulk transfers from the Pension Fund, including Council schools converting to academy status. The Actuary has reported that in 2019-20 the assumptions used for remeasurements of current service cost and net interest cost as a result of curtailments and settlements have not been been altered and there have been no Plan amendments, therefore these amendments to IAS 19 would not have impacted on the Council's 2019-20 accounts.

4. PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments.

5. ASSUMPTIONS MADE AND OTHER ESTIMATION UNCERTAINTY

Property Plant and Equipment Valuation

When determining current value for the measurement and disclosure requirements in relation to the Council's Property, Plant and Equipment assets, the Council makes assumptions and estimations. Where direct observable market data is unavailable, judgement is required in order to determine a fair value and the Council uses relevant experts to ensure that appropriate valuation techniques are used. Typically judgements include considerations such as uncertainty and risk.

The method of valuation of the Council's portfolio of schools is the Depreciated Replacement Cost method, using a Modern Equivalent Asset. In 2018-19 the Council changed its estimation methodology. Where the build requirement is greater than the actual asset, the more prudent estimation methodology adopted by the Council from 2018-19 onwards restricts the valuation to the actual size of the current asset. In previous years the Council valued schools according to the principle of intensity of use, without this restriction.

Land and Buildings assets measured at current value are revalued on a five year rolling basis by the Council's internal team of valuers. Each property is assessed on its own merits and the valuation is determined with due regard to any change or uncertainties which may affect the specific property. It is estimated that a theoretical 1% market drop applied across all properties valued in 2019-20 would equate to an impairment variation of £0.319m, whilst a 2% drop would equate to £0.653m, which would be expensed through the surplus/deficit on the provision of services.

Valuation of the Council's Land and Buildings assets was substantially complete prior to the declaration of Covid-19 as a global pandemic. All of the Council's valuations and certificates have been produced on the same basis as they would have been before its occurrence. However, market activity is being impacted in many sectors as a result of the pandemic. As at the valuation date, the Council considers that it can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current global and national response to Covid-19 means that the Council is faced with an unprecedented set of circumstances on which to base this valuation judgement.

The Council's valuation of its Land and Buildings assets is therefore reported on the basis of 'material valuation uncertainty' as indicated in Global Valuation Technical and Performance Standards and Practice Guidance Applications VPS 3 and VPGA 10 of the Royal Institute of Chartered Surveyors (RICS) Red Book Global Standards, containing mandatory rules, best practice guidance and related commentary for all members undertaking asset valuations. Consequently, less certainty and a higher degree of caution should be attached to the Council's Land and Buildings valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, the Council will keep its portfolio under frequent review. Clearly the real estate market will be disrupted significantly by Covid-19 over the next few months. However, because of the reduced level of certainty that can be attached to any valuation because of inconsistent data, or the absence of comparable data, it is impossible to adjust the Land and Building valuations included in the Council's accounts with any meaning, either on an individual or on a portfolio basis.

Britain leaving the European Union

There remains a high level of uncertainty around the implementation of the 2016 Brexit referendum result. The United Kingdom left the European Union on 31 January 2020 and is now in a transition period until 31 December 2020, while the UK and European Union negotiate additional arrangements. Brexit developments have caused volatility in asset prices and hence also in bond yields. It is not possible to predict future Brexit developments with any degree of certainty, including the trading arrangements put in place with both the European Union and other non-European Union trading partners but these are likely to cause further volatility in asset prices and bond yields and therefore impact future actuarial assumptions affecting the Council's Pension Fund Liabilities. In addition, pronouncements from the US Federal Reserve on the future direction of US interest rates and developments with respect to the Covid-19 pandemic and in global politics have the potential to cause similar levels of volatility in asset prices and bond yields and to materially impact future actuarial assumptions. The Council has engaged Hymans Robertson LLP as its Consulting Actuary to provide expert advice about the assumptions to be applied. The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis and are considered below.

Defined Benefit Pension Scheme Liabilities
Estimation of the net liability to pay pensions depends on several complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. The Council has engaged Hymans Robertson LLP as its Consulting Actuary to provide expert advice about the assumptions to be applied.

The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis. Variations in the key assumptions will have the following impact on the net liability:

- A 0.5% decrease in the real discount rate will increase the net pension liability by £243.973m (9% increase in liability).
- A 0.5% increase in the assumed level of pension increases will increase the net pension liability by £217.430m (8% increase in liability).
- A 0.5% increase in the assumed level of salary increases will increase the net pension liability by £24.397m (1% increase in liability).

Impact of McCloud Judgement
When the Local Government Pension Scheme (LGPS) benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an ‘underpin’ which means that they cannot be lower than they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018, the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. In July 2019, the Chief Secretary to the Treasury confirmed that the principles of the outcome would be accepted as applying to all public service schemes.

It is expected that the remedy in the LGPS will involve the extension of some form of statutory underpin to members who were not originally protected. The protection is expected to be extended to qualifying members who have left the scheme since April 2014, as well as to active members. The remedy is expected to result in a retrospective increase in benefits for some members, which in turn would give rise to a past service cost for the Fund’s employers. In addition, it is understood that the LGPS cost cap process will be restarted once the McCloud remedy has been agreed.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members’ future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression.

The Fund's Actuary made no estimated allowance for the McCloud judgement in its 2019 actuarial valuation, following instruction from the LGPS Scheme Advisory Board to value liabilities in the 31 March 2019 funding valuations in line with the current LGPS Regulations benefit structure. Therefore, the Fund's Actuary has made an adjustment to its 2019-20 accounting roll-forward calculation. This adjustment estimates the liabilities for McCloud at 31 March 2020 from the 2019 valuation data, to ensure that the impact continues to be included within the Council's balance sheet at 31 March 2020 (in line with the 2019 accounting approach). The impact of this adjustment is included with other remeasurement of the net pension liability in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019. The Fund's Actuary has adjusted GAD's estimate to better reflect the Derbyshire Pension Fund's (Fund) local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to the Fund is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be around 0.5% higher as at 31 March 2020, an increase for the Council of approximately £12.8m.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

Impact of GMP Equalisation

Guaranteed Minimum Pension (GMP) was accrued by members of the LGPS between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However, overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. Thereafter the Government's preferred approach is to convert GMP to scheme pension. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

For the 2019 actuarial valuation, given the Government's preference for conversion to scheme benefits, the Fund Actuary has assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers (known as a full GMP indexation allowance). The rolled forward position to 31 March 2020 therefore includes this allowance.

Financial Instruments Fair Value Estimates
The fair value of the Council's Lender Option Borrower Option (LOBO) loans and long term loans of £21.985m (£15.000m nominal) has been determined incorporating option pricing from Bloomberg. The fair value of all short term investments (under 1 year) has been assumed to be their nominal value.

The impact of a 1% interest rate rise on the fair value of the Council's borrowing and investments at 31 March 2020 is a reduction of £43.891m in the net financial liability.

A loss allowance for financial assets has been recognised based on the gross value of trade debtors which are more than 30 days past due and which have been or are expected to be referred for review by the Council's Legal Services department or under the Care Act (2014). A non-recovery rate based on the historical success rate of recovering such debt, once referred, along with a factor to reflect the prevailing economic conditions, is applied to the gross value of referred debt to determine the amount of the loss allowance. The factor for current market conditions was derived by comparing the expected default rate for 2020 with the historic default rate based on information collated by the major rating agencies. This is the first year that macroeconomic information has been used in the estimation of the loss allowance for trade debt. The change to this estimation technique has been made to factor in the significant general impact of the Covid-19 pandemic on the economy and its potential to impact on the Council's ability to recover debt. A 1% decrease in the factor for current economic conditions would reduce the allowance for credit losses by £0.012m. A 1% decrease in the expected non-recovery rate would reduce the allowance for credit losses by £0.077m.

Business Rates
Calculation of the Council's business rates collection fund adjustment, involving estimates in relation to business rates arrears, allowance for doubtful debts, business rates overpayments and prepayments and provisions for appeals, has been subject to a greater degree of estimation in 2019-20 than in other years, as some of Derbyshire's district and borough councils have yet to complete their estimation processes because of issues caused by the Covid-19 crisis, with the business rates 2019-20 return deadline being extended. Some councils have submitted draft figures and some councils have not submitted data, in which case a combination of their 2018-19 year end and preliminary 2020-21 initial returns, finalised in January 2020, have been used to estimate the business rates collection fund adjustment. The business rates collection fund adjustment in the Council's accounts for 2019-20 is £2.751m, a 20% change in the estimated net position could increase the Council's financial liability by approximately £0.550m.

Local authorities are liable for an element of any successful appeal against business rates charged to businesses in 2019-20 and earlier years. The billing authorities make provisions to recognise their best estimate of the amount that businesses have been overcharged, for which the Council's proportionate share, approximately £2.631m, incorporating some of the estimates made above, has been reflected through the business rates collection fund adjustment account.

Waste Recycling Credits
The Resource Recovery Solutions (Derbyshire) Ltd (RRS) quarter four waste contract creditor, in respect of recycling credits, is £1.916m. This is based on tonnages from previous periods, which have been reasonably consistent throughout the year. Under/over estimation of recycling credits tonnages could result in a variation of +/-3% (£0.057m).

6. OTHER OPERATING EXPENDITURE

2018-19 £m		2019-20 £m
(0.791)	Trading Operations	(1.051)
0.329	Levies and Precepts	0.335
233.214	Loss on Disposal of Non-Current Assets	175.383
0.000	Other Income and Expenditure	0.003
232.752		**174.670**

The surplus for the year from commercial trading operations was achieved with a gross expenditure of £0.589m (2018-19: £0.580m) offset against income of £1.640m (2018-19: £1.371m).

Loss on disposal of fixed assets has reduced significantly in 2019-20 and the main reason for this is a decrease in the number of schools that converted to academies during the year (2019-20, 21; 2018-19, 31).

Movements on Fixed Assets, including disposals, are shown in Note 14.

7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018-19 £m		2019-20 £m
19.339	Interest Payable	18.420
(2.799)	Interest Receivable	(2.355)
(2.741)	Dividends Receivable	(3.574)
1.756	Financial Asset Fair Value Losses	8.352
1.562	Financial Asset Impairment Losses	4.000
19.445	Net Pension Costs	23.042
36.562		**47.885**

Movements in the fair value of the Council's investments in pooled investment funds were included in Financing and Investment Income and Expenditure (FIIE) in 2018-19 for the first time. These funds have been recognised and measured at Fair

Value through Profit or Loss (FVPL) in accordance with IFRS 9 Financial Instruments. However, any gains or losses have been reversed out to the Financial Instruments Adjustment Account as required by the statutory temporary override that The Ministry of Housing, Communities and Local Government (MHCLG) has issued. The override is effective for financial years 2018-19 to 2022-23.

Gains and losses relating to the impairment of financial assets were included in 2018-19 for the first time. This is in line with the latest CIPFA guidance which considers that conceptually debtors are now a credit facility. Therefore impairment losses from bad debts, gains or losses on the impairment of debt, or impairment of other investments held at amortised cost are a loss of principal and recognition in FIIE is therefore the default treatment.

Interest payable has been itemised in the table below.

2018-19 £m		2019-20 £m
14.553	Interest Payable on Capital Borrowing	13.791
3.571	Interest Payable on PFI	3.384
0.583	Interest Payable on Finance Leases	0.572
0.632	Interest Payable on Other Items	0.673
19.339		**18.420**

Interest receivable has been itemised in the table below.

2018-19 £m		2019-20 £m
(2.498)	Interest Receivable on Investments	(2.182)
(0.016)	Interest Receivable on Transferred Debt	(0.009)
(0.005)	Interest Receivable on Finance Leases	(0.008)
(0.023)	Interest Receivable on Cash & Bank Balances	(0.010)
(0.257)	Interest Receivable on Other Items	(0.146)
(2.799)		**(2.355)**

8. TAXATION AND NON-SPECIFIC GRANT INCOME

2018-19 £m		2019-20 £m
(313.854)	Council Tax	(329.760)
0.000	Revenue Support Grant	(13.517)
(102.298)	Business Rates	(23.735)
(43.043)	Business Rates Top-up	(93.370)
(13.642)	Business Rates Relief Grant	(7.603)
(10.504)	Private Finance Initiative Grant	(10.504)
(2.058)	New Homes Bonus	(2.098)
(36.982)	Other General Revenue Grants	(46.745)
(74.294)	Capital Grants	(31.783)
(596.675)		**(559.115)**

In 2018-19 the Council participated in a business rates pilot, along with Derbyshire's District and Borough councils, the Derbyshire Fire and Rescue Service and Derby City Council. This affected the profile of non-specific grant income in that year, with no Revenue Support Grant, reduced Business Rates Top-Up Grant and increased Business Rates income and Business Rates Relief Grant.

9. EXPENDITURE AND FUNDING ANALYSIS

2018-19				2019-20		
Expenditure/ (Income) chargeable to General Reserve Balance £m	**Adjustments between funding and Accounting Basis £m**	**Net Expenditure in the CIES £m**		**Expenditure/ (Income) chargeable to General Reserve Balance £m**	**Adjustments between funding and Accounting Basis £m**	**Net Expenditure in the CIES £m**
246.747	(18.523)	265.270	Adult Care	262.021	(16.510)	278.531
(0.532)	(18.946)	18.414	Corporate Services	(2.895)	(7.543)	4.648
1.299	(0.103)	1.402	Clean Growth and Regeneration	5.704	(0.475)	6.179
2.101	(1.307)	3.408	Health and Communities	4.328	(1.569)	5.897
85.482	(16.653)	102.135	Highways, Transport and Infrastructure	88.928	(17.984)	106.912
9.180	(3.004)	12.184	Strategic Leadership, Culture and Tourism	6.218	(6.219)	12.437
135.960	(83.361)	219.321	Young People	149.732	(74.856)	224.588
480.237	**(141.897)**	**622.134**	**Net Cost of Services**	**514.036**	**(125.156)**	**639.192**
(0.427)	(233.179)	232.752	Other operating expenditure	(0.713)	(175.383)	174.670
24.474	(12.088)	36.562	Financing and investment income and expenditure	26.264	(21.621)	47.885
(474.595)	122.080	(596.675)	Taxation and non-specific grant income and expenditure	(528.561)	30.554	(559.115)
29.689	**(265.084)**	**294.773**	**Deficit/(Surplus) on Provision of Services**	**11.026**	**(291.606)**	**302.632**
65.038			Opening General Reserve Balance at 31 March 2019	64.573		
29.224			IFRS 9 Measurement Adjustment	0.000		
94.262			**Opening General Reserve Balance at 1 April**	**64.573**		
(29.689)			Add/(less) Surplus/(Deficit) on General Reserve	(11.026)		
64.573			**Closing General Reserve Balance at 31 March**	**53.547**		

Note to the Expenditure and Funding Analysis

2018-19					2019-20			
Adjustments for capital purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments		Adjustments for capital purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
£m	£m	£m	£m		£m	£m	£m	£m
(3.577)	(14.946)	0.000	(18.523)	Adult Care	(3.687)	(12.823)	0.000	(16.510)
(4.341)	(14.605)	0.000	(18.946)	Corporate Services (formerly Council Services)	(6.824)	(0.719)	0.000	(7.543)
(0.013)	(0.091)	0.000	(0.103)	Clean Growth and Regeneration (formerly Economic Development and Regeneration)	(0.019)	(0.456)	0.000	(0.475)
(0.007)	(1.300)	0.000	(1.307)	Health and Communities	(0.009)	(1.560)	0.000	(1.569)
(12.708)	(3.945)	0.000	(16.653)	Highways, Transport and Infrastructure	(14.032)	(3.952)	0.000	(17.984)
(1.165)	(1.838)	0.000	(3.004)	Strategic Leadership, Culture and Tourism	(1.414)	(4.805)	0.000	(6.219)
(51.303)	(32.058)	0.000	(83.361)	Young People	(28.669)	(46.187)	0.000	(74.856)
(73.114)	**(68.783)**	**0.000**	**(141.897)**	**Net Cost of Services**	**(54.654)**	**(70.502)**	**0.000**	**(125.156)**
(233.179)	0.000	0.000	(233.179)	Other Operating Expenditure	(175.383)	0.000	0.000	(175.383)
(10.530)	0.000	(1.558)	(12.088)	Financing and investment income and expenditure	(12.374)	0.000	(9.247)	(21.621)
74.294	0.000	47.786	122.080	Taxation and non-specific grant income and expenditure	31.783	0.000	(1.229)	30.554
(242.529)	**(68.783)**	**46.228**	**(265.084)**	**Deficit on Provision of Services**	**(210.628)**	**(70.502)**	**(10.476)**	**(291.606)**

a - Adjustments for Capital Fund and Expenditure Purposes

Adjustment to General Reserve Balance to meet the requirements of generally accepted accounting practices, this column adds in depreciation and impairment and revaluation gains and losses in the service lines and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from financing and investment income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-Specific Grant Income and Expenditure – Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants in the year without conditions or for which conditions were satisfied in the year.

b - Net change for the removal of pension contributions and the addition of pension IAS19 related expenditure and income

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service costs.
- For Financing and Investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

c - Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and the amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to General Reserve for the timing differences for premiums and discounts and gains/losses on pooled funds measured at FVPL.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the district/borough council Collection Funds. It also represents the movement in the Earmarked Reserve balances.

10. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2018-19 £m	2019-20 £m
Expenditure		
Employee expenses	607.124	602.551
Premises	31.955	29.210
Transport	28.694	29.259
Supplies and services	542.891	564.348
Capital depreciation, amortisation, impairment	88.230	77.899
Interest payments, loan modification, financial asset impairment and fair value changes	42.102	53.813
Precepts and levies	0.329	0.335
Trading operations	(0.791)	(1.051)
Loss on disposal of assets	233.214	175.383
Total Expenditure	**1,573.748**	**1,531.747**
Income		
Fees, charges and other service income	(188.458)	(193.052)
Interest and investment income	(5.540)	(5.929)
Income from Council Tax, business rates	(459.195)	(446.866)
Business rates relief grant	(13.642)	(7.603)
Government grants and contributions	(612.140)	(575.665)
Total Income	**(1,278.975)**	**(1,229.115)**
Deficit on the Provision of Services	**(294.773)**	**(302.632)**

11. AGENCY ARRANGEMENTS

The Council makes payments for Funded Nursing Care to providers on behalf of the Clinical Commissioning Groups (CCGs). The cost of administering the service is fully funded by the CCGs.

2018-19 £m		2019-20 £m
9.245	Payments to Nursing Care Providers	9.487
(8.903)	Recharge to CCGs	(9.947)
(0.087)	Admin Charge to CCGs	(0.091)
0.255		**(0.551)**

12. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

County Council Controlled Companies
MEGZ Limited is a private company limited by 9,251 ordinary shares, all of which are held by the Council. There are three directors of the company who are Members of the Council; all have been appointed by the Council. There were no transactions with the company during the financial year.

The Derbyshire Environmental Trust Limited is a company limited by guarantee with no share capital. Income transactions with this organisation in the year totalled £0.069m. There were no expenditure transactions during the year.

The Creswell Heritage Trust is a company limited by guarantee with no share capital. The company secretary, formerly a director, of the Trust is a Member who was appointed by the Council. Income transactions with this organisation in the year totalled £0.002m and expenditure transactions totalled £0.102m.

Scape Group Limited is a private limited company. The Council holds 75,000 of its £1 ordinary shares (17% share). The Council has one director on the company board who is an elected Member of the Council and was appointed by the Council. During 2019-20 the Council received dividends of £0.400m from Scape Group Limited.

Derbyshire Developments Limited was a private company limited by one ordinary share of £1. There were three directors all appointed by the Council. The Council provided a start-up loan to the company to cover running costs such as staffing, accommodation, IT and audit, up until the point where income would recover these fixed costs of being "in business". As part of its recent plans to transform the delivery model of its property and estates management functions, the Council approved the wind-up of the company on 16 March 2020, at which time the balance on the loan to Derbyshire Developments Limited was £0.528m. This loan has been written off and the company's remaining assets of £0.013m in cash were recovered by the Council. Interest of £0.028m accrued to the balance of the loan, during 2019-20, at a rate of base plus 5%.

Joint Venture Companies
In 2019-20 the Council formed two Joint Venture companies, Vertas Derbyshire Limited and Concertus Derbyshire Limited, with Suffolk Group Holdings (Suffolk County Council). These companies have yet to start trading and to date have not generated any income or incurred any expenditure.

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other organisations. Grants received from Government departments are set out in the subjective analysis in Note 10. Grant receipts are also disclosed in Note 8 and Note 39.

Typical transactions with Central Government bodies include, but are not restricted to, investments, Pay As You Earn and National Insurance contributions paid and pension contributions paid. Income transactions in the year, excluding grants, totalled £17.187m, of these, £17.048m were with academy schools. Expenditure transactions totalled £191.645m and included the following significant transactions:

Inland Revenue	£101.415m
Teachers' Pensions	£40.433m
Public Works Loan Board	£21.503m

Other Local Authorities - typical transactions include, but are not restricted to, investments, borrowing, repayment of transferred debt, re-imbursement of joint project costs and supplies of goods and services. Income transactions totalled £28.650m and included significant transactions with Derby City Council totalling £15.776m. Expenditure transactions totalled £38.203m excluding short term lending and repayment of borrowing with other local authorities.

Health Bodies - typical transactions include, but are not restricted to, re-imbursement of joint project costs and supplies of goods and services. Income transactions with health bodies in the year totalled £77.824m and included significant transactions with NHS Derby and Derbyshire CCG of £72.416m. Expenditure transactions totalled £27.825m and included transactions with Derbyshire Community Health Services NHS Foundation Trust of £23.702m.

Members and Senior Officers - Council Members and Senior Officers have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2019-20 is shown in Note 32. Income transactions in which Members and/or Senior Officers had an interest totalled £78.337m, of which £72.416m is in respect of NHS Derby and Derbyshire CCG, which has the Council's Director of Public Health on its Governing Body as a local authority representative. During 2019-20 works and services to the value of £2.339m, of which £0.945m is in respect of NHS Derby and Derbyshire CCG, were commissioned from companies in which Members and/or Senior Officers had an interest. There were no material outstanding balances at year end. Contracts were entered into in full compliance with the Council's Standing Orders.

During 2019-20 a Member was serving as Derbyshire's Deputy Police and Crime Commissioner, four Members served as Council appointed members of the Peak District National Park Authority, one Member served as the Council's representative to Belper Leisure Centre Limited, a charitable company limited by guarantee, and one Member served as a Director on the D2N2 LEP, which is a company limited by guarantee.

Derbyshire Pension Fund - the Council is the administering authority for the purposes of the Derbyshire Pension Fund (the Fund) under the Local Government Pension Scheme Regulations 2013.

Included in management expenses in 2019-20 are charges from the Council of £2.510m (2018-19, £2.269m) for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for management of the Fund's in-house investments.

At 31 March 2020 the Fund owed the Council £1.056m (31 March 2019, the Council owed the Fund £3.899m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 32 and 33.

LGPS Central Limited - LGPS Central Limited (LGPSC) has been established to manage investment assets on behalf of eight Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPSC Pool, of which the Council, as the administering authority for the Fund, is one of the shareholders.

The Fund had £1.315m invested in share capital and £0.685m in a loan to LGPSC at 31 March 2020 (31 March 2019, £1.315m and £0.685m, respectively) and was owed interest of £0.036m on the loan to LGPSC on the same date (2018-19, £0.043m).

In February 2020, the Fund transitioned its UK Corporate Bond portfolio into LGPSC's Investment Grade Credit sub-fund and paid associated management fees of £0.004m to LGPSC in 2019-20.

LGPSC also provided advisory management services in respect of the Fund's Japanese Equities and Asia Pacific Ex-Japanese Equities in the year. LGPSC's advisory management services mandate for Emerging Market Equities was terminated on 15 June 2019 and its mandate to manage the Fund's UK Equity portfolio on a discretionary basis was terminated on 14 November 2019. The charges in respect of these services totalled £0.551m in 2019-20 (2018-19, £0.764m), of which £0.065m was payable to LGPSC at 31 March 2020 (31 March 2019, £0.211m).

The Fund incurred £0.813m in respect of Governance, Operator Running and Product Development in connection with LGPSC in 2019-20 (2018-19, £0.756m), of which £0.213m was payable to LGPSC at 31 March 2020 (31 March 2019, £0.125m).

LGPSC leases office space from the Council. The lease commenced on 14 June 2018 and is for a duration of five years, with a break clause at 30 June 2021. The rental income received and receivable by the Council from LGPSC in 2019-20 amounted to £0.014m (2018-19, £0.014m). For the duration of the lease term, subsequent years' rentals will be subject to an annual increase of 2.8%.

D2N2 Local Enterprise Partnership (LEP) - the Council is the Accountable Body for the D2N2 LEP. In 2019-20 the Council received £2.368m from the D2N2 LEP, of which £2.278m was given as grants and £0.090m as non-grants. Works and services to the value of £0.063m were commissioned from the Council by the D2N2 LEP. There were no material outstanding balances at 31 March 2020.

13. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to align with the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

		Usable reserves					
Narrative	**Note**	**General Reserve £m**	**Earmarked Revenue Reserves £m**	**Unapplied Capital Grants £m**	**Capital Receipts Reserve £m**	**Total Unusable Reserves £m**	**Total £m**
BALANCE AT 31 MARCH 2019		**(64.570)**	**(233.445)**	**(56.285)**	**(12.433)**	**(485.429)**	**(852.162)**
Comprehensive Income & Expenditure		**302.632**	**0.000**	**0.000**	**0.000**	**(349.720)**	**(47.088)**
Adjustments between accounting basis and funding basis							
Depreciation of Non-Current Assets	14	(42.602)	0.000	0.000	0.000	42.602	0.000
Impairment of Non-Current Assets	14	(12.055)	0.000	0.000	0.000	12.055	0.000
Application of Capital Grants credited to the CIES	39	31.783	0.000	(31.783)	0.000	0.000	0.000
Disposal of Non-Current Assets	14	(175.383)	0.000	0.000	(2.809)	178.192	0.000
Revenue Expenditure Funded from Capital Under Statute		(23.254)	0.000	0.000	0.000	23.254	0.000
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1.498	0.000	0.000	0.000	(1.498)	0.000
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		3.081	0.000	0.000	0.000	(3.081)	0.000

Reversal of items relating to retirement benefits debited or credited to the CIES	48	(132.696)	0.000	0.000	0.000	132.696	0.000
Statutory provision for the financing of capital investment		10.948	0.000	0.000	0.000	(10.948)	0.000
Principal repayments of transferred debt		(0.068)	0.000	0.000	0.000	0.068	0.000
Capital expenditure charged in the year to the General Reserve		0.000	0.000	0.000	0.000	0.000	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	21	(8.352)	0.000	0.000	0.000	8.352	0.000
Amount by which finance costs (proportion of previous years' premiums) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.244	0.000	0.000	0.000	(0.244)	0.000
Amount by which finance costs (capital loan impairments) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	(1.139)	0.000	0.000	0.000	1.139	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	48	60.696	0.000	0.000	0.000	(60.696)	0.000
Capital receipts from Finance Lease Debtors	46	0.000	0.000	0.000	(0.007)	0.007	0.000
Financing of capital expenditure	17	0.000	0.000	46.516	7.834	(54.350)	0.000
Adjustments between accounting basis and funding basis		**(287.299)**	**0.000**	**14.733**	**5.018**	**267.548**	**0.000**
Reserves movements							
Transfer to Earmarked Reserves	29	58.564	(58.564)	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	29	(62.874)	62.874	0.000	0.000	0.000	0.000
Total movements		**(291.609)**	**4.310**	**14.733**	**5.018**	**267.548**	**0.000**
BALANCE AT 31 MARCH 2020		**(53.547)**	**(229.135)**	**(41.552)**	**(7.415)**	**(567.601)**	**(899.250)**

		Usable reserves					
Narrative	Note	General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m	Total Unusable Reserves £m	Total £m
BALANCE AS AT 31 MARCH 2018		**(65.033)**	**(187.567)**	**(36.906)**	**(17.987)**	**(1,078.575)**	**(1,386.068)**
IFRS 9 Measurement Adjustment		(29.224)	0.000	0.000	0.000	0.000	(29.224)
BALANCE AS AT 1 APRIL 2018		**(94.257)**	**(187.567)**	**(36.906)**	**(17.987)**	**(1,078.575)**	**(1,415.292)**
Comprehensive Income & Expenditure		**294.771**	**0.000**	**0.000**	**0.000**	**268.359**	**563.130**
Adjustments between accounting basis and funding basis							
Depreciation of Non-Current Assets	14	(42.569)	0.000	0.000	0.000	42.569	0.000
Impairment of Non-Current Assets	14	(30.544)	0.000	0.000	0.000	30.544	0.000
Application of Capital Grants credited to the CIES	39	74.294	0.000	(74.294)	0.000	0.000	0.000
Disposal of Non-Current Assets	14	(233.214)	0.000	0.000	(5.334)	238.548	0.000
Revenue Expenditure Funded from Capital Under Statute		(15.117)	0.000	0.000	0.000	15.117	0.000
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1.460)	0.000	0.000	0.000	1.460	0.000
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		1.907	0.000	0.000	0.000	(1.907)	0.000

Reversal of items relating to retirement benefits debited or credited to the CIES	48	(126.372)	0.000	0.000	0.000	126.372	0.000
Statutory provision for the financing of capital investment		4.665	0.000	0.000	0.000	(4.665)	0.000
Principal repayments of transferred debt		(0.078)	0.000	0.000	0.000	0.078	0.000
Capital expenditure charged in the year to the General Reserve		0.000	0.000	0.000	0.000	0.000	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	21	(1.756)	0.000	0.000	0.000	1.756	0.000
Amount by which finance costs (proportion of previous years premiums) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.198	0.000	0.000	0.000	(0.198)	0.000
Amount by which finance costs (reversal of effective interest rate) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.000	0.000	0.000	0.000	0.000	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	48	59.049	0.000	0.000	0.000	(59.049)	0.000
Capital receipts from Finance Lease Debtors	46	0.035	0.000	0.000	(0.044)	0.009	0.000
Financing of capital expenditure	17	0.000	0.000	54.915	10.932	(65.847)	0.000
Adjustments between accounting basis and funding basis		(310.962)	0.000	(19.379)	5.554	**324.787**	**0.000**
Reserves movements							
Transfer to Earmarked Reserves	29	129.995	(129.995)	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	29	(84.117)	84.117	0.000	0.000	0.000	0.000
Total movements		**(265.084)**	**(45.878)**	**(19.379)**	**5.554**	**324.787**	**0.000**
BALANCE AT 31 MARCH 2019		**(64.570)**	**(233.445)**	**(56.285)**	**(12.433)**	**(485.429)**	**(852.162)**

14. PROPERTY, PLANT AND EQUIPMENT

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

	Note/ Statement	Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Property Plant & Equipment £m
COST OR VALUATION								
At 1 April 2019		**1,482.536**	**69.523**	**442.002**	**4.473**	**10.456**	**42.736**	**2,051.726**
Additions		21.401	5.412	20.792	0.041	0.000	27.601	**75.247**
Disposals		(138.623)	(5.826)	0.000	0.000	(1.021)	0.000	**(145.470)**
Disposals derecognition		(32.671)	0.000	(11.793)	(0.029)	0.000	0.000	**(44.493)**
Revaluation Gains to RR*	CIES	60.164	0.000	0.000	0.000	1.219	0.000	**61.383**
Revaluation Losses to RR	CIES	(32.365)	0.000	0.000	0.000	(0.500)	0.000	**(32.865)**
Revaluation Losses to CIES		(11.468)	0.000	0.000	0.000	(0.011)	0.000	**(11.479)**
Transfer within PPE		0.827	0.060	0.000	0.017	(0.904)	0.000	**0.000**
Transfer to Held for Sale		(0.467)	0.000	0.000	0.000	0.181	0.000	**(0.286)**
At 31 March 2020		**1,349.334**	**69.169**	**451.001**	**4.502**	**9.420**	**70.337**	**1,953.763**
DEPRECIATION								
At 1 April 2019		**(33.857)**	**(58.806)**	**(98.621)**	**(0.029)**	**(0.353)**	**0.000**	**(191.666)**
Charge for year		(27.632)	(2.146)	(12.016)	(0.004)	(0.045)	0.000	**(41.843)**
Revaluations to RR	CIES	20.457	0.000	0.000	0.000	0.077	0.000	**20.534**
Impairment to CIES		(0.240)	0.000	0.000	0.000	0.000	0.000	**(0.240)**
Disposals		3.643	5.787	0.000	0.000	0.031	0.000	**9.461**
Disposals derecognition		1.019	0.000	1.879	0.000	0.000	0.000	**2.898**
Transfer within PPE		0.038	(0.060)	0.000	0.000	0.022	0.000	**0.000**
Transfer to Held for Sale		0.000	0.000	0.000	0.000	(0.013)	0.000	**(0.013)**
At 31 March 2020		**(36.572)**	**(55.225)**	**(108.758)**	**(0.033)**	**(0.281)**	**0.000**	**(200.869)**
OPENING VALUE		1,448.679	10.717	343.381	4.444	10.103	42.736	1,860.060
CLOSING VALUE		**1,312.762**	**13.944**	**342.243**	**4.469**	**9.139**	**70.337**	**1,752.894**
NATURE OF ASSET HOLDING								
Purchased / Built		1,280.055	13.944	342.243	4.469	9.139	70.337	**1,720.187**
Finance Lease		10.839	0.000	0.000	0.000	0.000	0.000	**10.839**
Private Finance Initiative		21.868	0.000	0.000	0.000	0.000	0.000	**21.868**
		1,312.762	**13.944**	**342.243**	**4.469**	**9.139**	**70.337**	**1,752.894**

*RR - Revaluation Reserve

The fair value measurement of the Council's Surplus Assets is analysed below, with net book value being categorised as fair value Level 1, Level 2 or Level 3. Refer to Note 21 for more information about these Levels.

	Net Book Value (NBV)			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Land	0.000	1.179	6.959	8.138
Buildings	0.000	0.412	0.589	1.001
	0.000	**1.591**	**7.548**	**9.139**

The 2018-19 position was:

	Note/ Statement	Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Property Plant & Equipment £m
COST OR VALUATION								
At 1 April 2018		**1,819.981**	**68.196**	**426.733**	**4.108**	**13.584**	**46.802**	**2,379.404**
Additions		44.566	7.296	32.604	0.365	0.099	(4.066)	**80.864**
Disposals		(205.242)	(5.804)	0.000	0.000	(1.952)	0.000	**(212.998)**
Disposals derecognition		(21.581)	0.000	(17.335)	0.000	0.000	0.000	**(38.916)**
Revaluation Gains to RR*	CIES	37.842	0.000	0.000	0.000	3.163	0.000	**41.005**
Revaluation Losses to RR	CIES	(167.281)	0.000	0.000	0.000	(2.027)	0.000	**(169.308)**
Revaluation Losses to CIES		(26.052)	0.000	0.000	0.000	(0.059)	0.000	**(26.111)**
Transfer within PPE		0.338	0.000	0.000	0.000	(0.338)	0.000	**0.000**
Transfer to Heritage		0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Transfer to Held for Sale		(0.035)	(0.165)	0.000	0.000	(2.014)	0.000	**(2.214)**
At 31 March 2019		**1,482.536**	**69.523**	**442.002**	**4.473**	**10.456**	**42.736**	**2,051.726**
DEPRECIATION								
At 1 April 2018		**(39.349)**	**(63.483)**	**(90.021)**	**(0.025)**	**(0.450)**	**0.000**	**(193.328)**
Charge for year		(29.271)	(1.175)	(11.457)	(0.004)	(0.027)	0.000	**(41.934)**
Revaluations to RR	CIES	29.064	0.000	0.000	0.000	0.037	0.000	**29.101**
Impairment to CIES		(4.392)	0.000	0.000	0.000	0.000	0.000	**(4.392)**
Disposals		9.432	5.687	0.000	0.000	0.002	0.000	**15.121**
Disposals derecognition		0.648	0.000	2.857	0.000	0.000	0.000	**3.505**
Transfer within PPE		0.011	0.000	0.000	0.000	(0.011)	0.000	**0.000**
Transfer to Heritage		0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Transfer to Held for Sale		0.000	0.165	0.000	0.000	0.096	0.000	**0.261**
At 31 March 2019		**(33.857)**	**(58.806)**	**(98.621)**	**(0.029)**	**(0.353)**	**0.000**	**(191.666)**
OPENING VALUE		1,780.632	4.713	336.712	4.083	13.134	46.802	2,186.076
CLOSING VALUE		**1,448.679**	**10.717**	**343.381**	**4.444**	**10.103**	**42.736**	**1,860.060**
NATURE OF ASSET HOLDING								
Purchased / Built		1,351.980	10.717	343.381	4.444	10.103	42.736	**1,763.361**
Finance Lease		12.839	0.000	0.000	0.000	0.000	0.000	**12.839**
Donated		0.323	0.000	0.000	0.000	0.000	0.000	**0.323**
Private Finance Initiative		83.537	0.000	0.000	0.000	0.000	0.000	**83.537**
		1,448.679	**10.717**	**343.381**	**4.444**	**10.103**	**42.736**	**1,860.060**

*RR - Revaluation Reserve

Under IFRS13, the Council is required to provide a summary of the fair value measurement for Surplus Assets. The 2018-19 position was:

	Net Book Value (NBV)			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Land	0.000	0.831	8.107	8.938
Buildings	0.000	0.104	1.061	1.165
	0.000	**0.935**	**9.168**	**10.103**

A summary of the Council's Property, Plant and Equipment, Heritage Assets, Intangible Assets and Assets Held For Sale is included below, giving information as to the proportion of the closing value at 31 March 2020 which relates to assets held at historic cost and the proportion which relates to assets which have been revalued, and if so, the year of that revaluation, where applicable, under the Council's five year rolling programme of revaluation.

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Property Plant & Equipment	Heritage Assets Note 15	Intangible Assets Note 18	Assets Held For Sale Note 19	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
VALUATION											
At 31 March 2020	216.797	0.000	0.000	0.000	9.139	0.000	225.936	1.855	0.000	2.342	230.133
At 31 March 2019	267.615	0.000	0.000	0.000	0.000	0.000	267.615	0.067	0.000	0.000	267.682
At 31 March 2018	418.560	0.000	0.000	0.000	0.000	0.000	418.560	29.327	0.000	0.000	447.887
At 31 March 2017	265.611	0.000	0.000	0.000	0.000	0.000	265.611	0.000	0.000	0.000	265.611
At 31 March 2016	144.101	0.000	0.000	0.000	0.000	0.000	144.101	0.000	0.000	0.000	144.101
	1,312.684	**0.000**	**0.000**	**0.000**	**9.139**	**0.000**	**1,321.823**	**31.249**	**0.000**	**2.342**	**1,355.414**
HISTORIC COST	**0.078**	**13.944**	**342.243**	**4.469**	**0.000**	**70.337**	**431.071**	**18.321**	**1.529**	**0.000**	**450.921**
CLOSING VALUE											
At 31 March 2020	**1,312.762**	**13.944**	**342.243**	**4.469**	**9.139**	**70.337**	**1,752.894**	**49.570**	**1.529**	**2.342**	**1,806.335**

15. NATURE AND SCALE OF HERITAGE ASSETS

The Council's Heritage Assets are categorised as follows:

Monuments, Statues and Historic Buildings - the council owns various historic buildings, the most significant of which is Elvaston Castle, which was designed by James Wyatt, in the gothic revival style, in the early 1800s. The castle is situated in approximately 321 acres of open parkland, woodland and historical gardens.

County Buildings – various heritage assets are held at County Buildings. These include a pair of crystal chandeliers, which once hung in the Assembly Rooms of the Buxton Crescent Building. Currently they are being renovated, before being re-hung in the recently refurbished Crescent Building. Also held at County buildings are pieces of silverware from the former Judges' lodgings and some railway nameplates.

Archives and Local Studies Collection – this collection is proportioned approximately 80% archives and 20% local studies. A large photographic collection is held at the Modern Records Office. Also held are records of the magistrates' court, county court, coroner's court, hospitals and NHS Trust. This is the only place of deposit for Derbyshire.

Museum Collection and Artefacts - the permanent galleries at Buxton Museum showcase the core collections, covering Peak District archaeology, geology, art and local history. There is a recreated study of the work of archaeologist Sir William Boyd Dawkins, together with a fine art collection of mostly 19th and 20th century works in watercolours, oils and prints, including works by Brangwyn, Chagall, Chahine and their contemporaries. Also held at the museum is a mineral collection including Blue John, local specimens and cave deposits.

The table below shows the movement in Heritage Assets during the year:

	Monuments, Statues and Historic Buildings	County Buildings	Archives and Local Studies Collection	Museum Collection and Artefacts	Heritage Assets
	£m	£m	£m	£m	£m
COST OR VALUATION					
At 1 April 2019	**40.028**	**0.304**	**6.050**	**3.919**	**50.301**
Additions	0.723	0.000	0.000	0.000	**0.723**
Disposals	0.000	0.000	0.000	0.000	**0.000**
Impairment losses/(reversals) through I&E	(0.336)	0.000	0.000	0.000	**(0.336)**
Revaluations	0.003	0.008	(0.800)	(0.300)	**(1.089)**
Derecognition	(0.029)	0.000	0.000	0.000	**(0.029)**
At 31 March 2020	**40.389**	**0.312**	**5.250**	**3.619**	**49.570**
DEPRECIATION					
At 1 April 2019	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
At 31 March 2020	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
OPENING VALUE	40.028	0.304	6.050	3.919	50.301
CLOSING VALUE	**40.389**	**0.312**	**5.250**	**3.619**	**49.570**
NATURE OF ASSET HOLDING					
Purchased / Built	40.389	0.312	5.250	2.181	48.132
Donated	0.000	0.000	0.000	1.438	1.438
	40.389	**0.312**	**5.250**	**3.619**	**49.570**

The 2018-19 position was:

	Monuments, Statues and Historic Buildings	County Buildings	Archives and Local Studies Collection	Museum Collection and Artefacts	Heritage Assets
	£m	£m	£m	£m	£m
COST OR VALUATION					
At 1 April 2018	**44.626**	**0.304**	**6.050**	**4.008**	**54.988**
Additions	0.745	0.000	0.000	0.000	**0.745**
Disposals	0.000	0.000	0.000	0.000	**0.000**
Impairment losses/(reversals) through I&E	(0.023)	0.000	0.000	(0.019)	**(0.042)**
Revaluations	0.016	0.000	0.000	(0.070)	**(0.054)**
Derecognition	(5.336)	0.000	0.000	0.000	**(5.336)**
At 31 March 2019	**40.028**	**0.304**	**6.050**	**3.919**	**50.301**
DEPRECIATION					
At 1 April 2018	**0.005**	**0.000**	**0.000**	**0.000**	**0.005**
Revaluations	(0.005)	0.000	0.000	0.000	**(0.005)**
At 31 March 2019	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
OPENING VALUE	44.631	0.304	6.050	4.008	54.993
CLOSING VALUE	**40.028**	**0.304**	**6.050**	**3.919**	**50.301**
NATURE OF ASSET HOLDING					
Purchased / Built	40.028	0.304	6.050	2.331	48.713
Donated	0.000	0.000	0.000	1.588	1.588
	40.028	**0.304**	**6.050**	**3.919**	**50.301**

16. HERITAGE ASSETS NOT REPORTABLE IN THE BALANCE SHEET

Where the Council is unable to place a reliable fair value on Heritage Assets because of their nature, it is required to disclose them in accordance with the Code of Practice on Local Authority Accounting. Details of these Heritage Assets are set out below:

- Colliery Bridge, Shipley Country Park
- Paul’s Arm Bridge, Shipley Country Park
- Leawood River Aqueduct
- Northern Retaining Walls and Loading Bay, Cromford Wharf
- Side Walls and Curbs to Canal Basin, Cromford Wharf
- Railway Embankment and Road Bridge, Steeple Grange, Wirksworth
- Grindlow Tower, Solomon’s Temple, Poole's Cavern Country Park, Buxton
- Workshops, Offices and Terminus at Cromford and High Peak Junction
- Brittain Colliery Headstocks, Ripley
- Brittain Colliery Engine House, Ripley

17. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2018-19 £m		2019-20 £m
	Capital Expenditure	
21.738	Schools	18.490
0.186	Childrens Homes/Centres and Adult Education Centres	1.355
32.566	Roads and Highways Related	29.861
0.000	New Waste Treatment Facility (NWTF)	4.520
4.735	Purchase of Vehicles	3.304
1.370	Countryside	1.610
0.000	Chapel Culvert Structural Work	0.947
0.618	Other Environmental	1.312
0.450	Community Services	0.115
4.220	Specialist and Extra Care Centres	6.532
0.923	Homes for Older People	1.060
0.120	Day Centres	0.018
0.037	Other Social Care and Services	0.004
0.000	Information Technology Hardware and Network	1.410
1.771	Software	0.299
17.713	Buxton Crescent	8.386
0.338	Other Corporate	0.746
0.000	Other	0.025
86.785	**Total Capital Additions**	**79.994**
(0.250)	Local Authority Mortgage Scheme Repaid Deposit	0.000
15.117	Revenue Expenditure Funded from Capital Under Statute	23.255
101.652	**Total Capital Expenditure**	**103.249**
	Capital Financing	
35.805	Loans	48.900
10.932	Capital Receipts	7.833
54.915	Grants and Contributions	46.516
101.652	**Total Capital Financing**	**103.249**

2018-19 £m		2019-20 £m
456.075	**Opening Capital Financing Requirement (CFR)**	**487.215**
	Capital Investment	
80.369	Property, Plant and Equipment	75.973
0.653	Intangible Assets	0.039
15.117	Revenue Expenditure Funded from Capital under Statute	23.255
(0.250)	Local Authority Mortgage Scheme Repaid Deposit	0.000
5.763	Loan Buxton Crescent	3.982
	Sources of Finance	
(10.932)	Capital Receipts	(7.833)
(54.915)	Government Grants and other Contributions	(46.515)
0.000	Direct Revenue Contributions	0.000
(4.665)	Statutory Minimum Revenue Provision	(10.947)
487.215	**Closing Capital Financing Requirement (CFR)**	**525.169**
31.140	**Movement in Year**	**37.954**
	Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	

18. INTANGIBLE ASSETS

Intangible assets relate to the purchase of software licences:

	2018-19 £m	2019-20 £m
COST OR VALUATION		
At 1st April	**8.000**	**8.781**
Additions	0.653	0.038
Reclassifications	0.128	0.000
Disposals	0.000	(0.217)
At 31st March	**8.781**	**8.602**
DEPRECIATION		
At 1st April	**(5.898)**	**(6.532)**
Charge for year	(0.634)	(0.758)
Disposals	0.000	0.217
At 31st March	**(6.532)**	**(7.073)**
OPENING VALUE	2.102	2.249
CLOSING VALUE	**2.249**	**1.529**

19. ASSETS HELD FOR SALE

2018-19					2019-20			
Carrying Value			RR		Carrying Value			RR
GBV £m	Dpn £m	NBV £m	£m		GBV £m	Dpn £m	NBV £m	£m
0.793	**(0.063)**	**0.730**	**0.337**	**At 1 April**	**2.173**	**(0.220)**	**1.953**	**0.590**
(0.834)	0.104	(0.730)	(0.337)	Sales	(0.791)	0.056	(0.735)	(0.393)
2.214	(0.261)	1.953	0.590	Transfers	0.286	0.013	0.299	0.016
0.000	0.000	0.000	0.000	Other Movements	0.674	0.151	0.825	0.825
2.173	**(0.220)**	**1.953**	**0.590**	**At 31 March**	**2.342**	**0.000**	**2.342**	**1.038**

Assets must meet stringent criteria to be classified as Held for Sale rather than Surplus.

20. NON-CURRENT DEBTORS

31 Mar 2019 £m		Note	31 Mar 2020 £m
0.987	Transferred Debt	21	0.040
0.106	Other Long Term Debtors	21	0.129
1.093	**Total Non Current Debtors**		**0.169**

21. FINANCIAL INSTRUMENTS

Financial Assets comprise loans to other bodies, cash and short term deposits, investments in equity funds and receivables.

Current Financial Assets

	Carrying Value		Fair Value	
	31 Mar 2019 £m	31 Mar 2020 £m	31 Mar 2019 £m	31 Mar 2020 £m
Current Investments	145.999	81.805	145.999	81.805
Cash and Cash Equivalents	41.659	74.159	41.659	74.159
Trade Debtors	24.268	25.621	24.268	25.621
Current Financial Assets	**211.926**	**181.585**	**211.926**	**181.585**

Non-Current Financial Assets

	Note	Fair Value Level	Carrying Value 31 Mar 2019 £m	Carrying Value 31 Mar 2020 £m	Fair Value 31 Mar 2019 £m	Fair Value 31 Mar 2020 £m
Non-Current Transferred Debt	20	2	0.987	0.040	0.987	0.040
Pooled Investment Funds		1	68.244	59.892	68.244	59.892
Loan to Buxton Crescent		3	6.911	10.163	8.191	12.697
Other Non-Current Investments		2	23.510	15.877	23.809	15.151
Non-Current Trade Debtors	20	*	0.106	0.129	0.106	0.129
Non-Current Financial Assets			**99.758**	**86.101**	**101.337**	**87.909**

* Fair value disclosure not required

The Non-Current Investments balance includes the Council's holdings in pooled investment funds.

Financial Assets by Measurement Classification

	Carrying Value 31 Mar 2019 £m	Carrying Value 31 Mar 2020 £m	Fair Value 31 Mar 2019 £m	Fair Value 31 Mar 2020 £m
Amortised Costs	243.440	207.794	245.019	209.602
Fair Value through Profit or Loss	68.244	59.892	68.244	59.892
Total Financial Assets	**311.684**	**267.686**	**313.263**	**269.494**

At 31 March 2020 there was one non-current investment in the balance sheet with a carrying value in excess of £15.000m:

- CCLA Mutual Investment Trust Property Fund, with a fair value, based on closing bid price at 31 March 2020, of £23.243m (original investment £25.000m). This investment is open ended but can usually be realised on a monthly basis (however, this investment is currently suspended because of the Covid-19 pandemic).

Transferred Debt and Long Term Trade Debtors are not quoted on active markets meaning that fair value cannot be accurately calculated. As such they have been reported at carrying value.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

The following financial assets are pooled investment funds which the Council has measured at FVPL. The Council's pooled investment funds are traded on active markets, for which the Council can access the measurement data. The fair values of these funds are determined by the closing bid prices at 31 March 2020. The fair values of the Council's deposits and the loans it has made are determined with reference to the principal, term, rate and timing of the interest and the borrower's credit rating. It is the Council's intention to hold these assets for the medium to long term to earn investment income and for capital appreciation.

Financial Assets measured at FVPL	Carrying Value 31 Mar 2019 £m	Carrying Value 31 Mar 2020 £m	Fair Value 31 Mar 2019 £m	Fair Value 31 Mar 2020 £m
CCLA - LA Property Fund	24.106	23.243	24.106	23.243
CCLA Diversified Income Fund	4.969	4.523	4.969	4.523
Investec Diversified Income Fund	9.828	8.905	9.828	8.905
Kames - Diversified Income Fund	10.114	8.519	10.114	8.519
M&G - Optimal Income Fund	4.865	4.435	4.865	4.435
M&G - Global Dividend Fund	4.961	3.990	4.961	3.990
Schroder - Income Maximiser Fund	9.401	6.277	9.401	6.277
Total	**68.244**	**59.892**	**68.244**	**59.892**

The Council holds 75,000 £1 ordinary shares (17% share) in the Local Authority controlled Scape Group (Ltd). The value of this holding is small and there are conditions on the shares that prevent them from being traded on the open market. The Council does not consider the value to be material and therefore no value is carried on the Council's Balance Sheet.

There have been no financial assets measured at FVPL which have been derecognised in the year ended 31 March 2020.

Dividend Income

Dividend income from the Council's investments in equity instruments and pooled investment funds has been recognised as follows:

	2018-19 £m	2019-20 £m
From Investments Derecognised	**0.000**	**0.000**
CCLA - LA Property Fund	1.019	1.042
CCLA Diversified Income Fund	0.207	0.169
Investec Diversified Income Fund	0.406	0.440
Kames - Diversified Income Fund	0.254	0.500
M&G - Optimal Income Fund	0.162	0.136
M&G - Global Dividend Fund	0.120	0.169
Schroder - Income Maximiser Fund	0.373	0.717
Scape Group Limited shares	0.200	0.400
From Investments Held at Year End	**2.741**	**3.573**
Total Dividends Received	**2.741**	**3.573**

Financial Instrument Liabilities comprise loans and borrowings, PFI liabilities, finance lease liabilities and other liabilities at contract amounts.

Current Financial Liabilities

	Carrying Value		Fair Value	
	31 Mar 2019 £m	31 Mar 2020 £m	31 Mar 2019 £m	31 Mar 2020 £m
Transferred Debt	(0.010)	(0.006)	(0.010)	(0.006)
Public Works Loan Board	(9.150)	(4.575)	(9.150)	(4.575)
Temporary Loans	(26.500)	(52.500)	(26.500)	(52.500)
Accrued Interest	(1.914)	(1.926)	(1.914)	(1.926)
Current Loans and Borrowing	**(37.574)**	**(59.007)**	**(37.574)**	**(59.007)**
Trade Creditors	(91.288)	(78.804)	(91.288)	(78.804)
PFI liability	(3.759)	(3.956)	(7.063)	(6.988)
Finance lease liability	(0.344)	(0.369)	(0.344)	(0.369)
Current Financial Liabilities	**(132.965)**	**(142.136)**	**(136.269)**	**(145.168)**

Non-Current Financial Liabilities

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2019 £m	31 Mar 2020 £m	31 Mar 2019 £m	31 Mar 2020 £m
Transferred Debt		2	(0.161)	(0.155)	(0.161)	(0.155)
Public Works Loan Board		2	(230.340)	(226.847)	(349.058)	(347.472)
Other Long Term Loans		2	(15.574)	(15.563)	(21.535)	(21.985)
Non-Current Borrowing			**(246.075)**	**(242.565)**	**(370.754)**	**(369.612)**
PFI liability	27	3	(63.710)	(59.753)	(75.014)	(66.179)
Finance lease liability	27	*	(5.009)	(4.640)	(5.009)	(4.640)
Non-Current Financial Liabilities			**(314.794)**	**(306.958)**	**(450.777)**	**(440.431)**

* Fair value disclosure not required

Financial Liabilities by Measurement Classification

	Carrying Value		Fair Value	
	31 Mar 2019 £m	31 Mar 2020 £m	31 Mar 2019 £m	31 Mar 2020 £m
Amortised Costs	(447.759)	(449.094)	(587.046)	(585.599)
Fair Value through Profit or Loss	0.000	0.000	0.000	0.000
Total Financial Liabilities	**(447.759)**	**(449.094)**	**(587.046)**	**(585.599)**

The Council has 50 loans with the Public Works Loan Board (PWLB) at 31 March 2020. The start date of the earliest of these PWLB loans was September 1995. This loan is for a period of 24 years. The most recent start date was November 2007, for a period of 30 years. During the year, one loan with the PWLB was repaid. The average loan rate across the loans is 4.62%. The average discount rate is 1.93%.

At 31 March 2020 the Council held one LOBO loan and two other long term loans (Barclays waived their LOBO options in June 2016):

- £5.000m Dexia LOBO loan, commencing in August 2004, for 35 years, at a fixed rate of 4.5%. The fair value is £7.059m, using a discount rate of 2.023%.
- £5.000m Barclays loan commencing in October 2003, for 40 years, with an introductory rate of 3.2% for four years, then 4.875% thereafter. The carrying value of the loan at 31 March 2020 is £5.347m and the fair value is £7.653m, using a discount rate of 2.127%.
- £5.000m Barclays loan, commencing in February 2005, for 40 years, with an introductory interest rate of 3.7% for four years, then 4.5% thereafter. A discount of £0.103m applied at the commencement of the loan. The carrying value of the loan at 31 March 2020 is £5.216m and the fair value is £7.273m, using a discount rate of 2.154%.

PFI and Finance Lease Liabilities are not quoted on active markets. The discounted cash flow method has been used to calculate the fair value of PFI liabilities. Refer to Note 46 for further details. The average interest rate across the Council's 18 finance leases is 10.79%. Refer to Note 45 for further details.

Interest Income and Expenditure

The following income and expenditure have been recognised in the CIES in relation to interest on financial instruments:

	Income/(Expense)	
	2018-19 £m	2019-20 £m
Interest Income	2.799	2.356
Interest Expense	(19.339)	(18.420)
Net Interest Income/(Expense)	**(16.540)**	**(16.064)**

Financial Instrument Gains/Losses

The following gains and losses have been recognised in the CIES in relation to the carrying value of the Council's financial assets:

	Net Gains/(Losses)	
Financial Assets	2018-19 £m	2019-20 £m
Amortised Costs	(1.562)	(3.999)
Fair Value through Profit or Loss	(1.453)	(8.352)
FVOCI - Gains/Losses Recognised in Other Comprehensive Income	0.000	0.000
FVOCI - Accumulated Gains/Losses Reclassified to Surplus Deficit on Provision of Service	0.000	0.000
Total Gains/(Losses)	**(3.015)**	**(12.351)**

Losses arising from financial assets measured at amortised cost relate to impairment of these assets, including write-off of irrecoverable trade debt and movement in the allowances for loss due to default on these assets. The loan advances to Buxton Crescent Hotel and Thermal Spa Company Ltd meet the definition of capital expenditure under statutory provisions, therefore the movement in the loss allowance for default provided for these advances has been reversed out to the Capital Adjustment Account.

Losses from financial assets measured at Fair Value through Profit or Loss (FVPL) relate to movements in the fair value of the Council's investments in pooled investment funds. These losses have been reversed out to the Financial Instruments Adjustment Account as required by the statutory temporary override MHCLG has issued. The override is effective for financial years 2018-19 to 2022-23.

There are no gains or losses from financial assets measured at Fair Value through Other Comprehensive Income (FVOCI).

The following losses arose on derecognition from Financial Assets measured at amortised cost.

	2018-19		2019-20	
	Gains £m	(Losses) £m	Gains £m	(Losses) £m
Loan to Derbyshire Developments Ltd	0.000	0.000	0.000	(0.515)
Gains/(Losses) on Derecognition	**0.000**	**0.000**	**0.000**	**(0.515)**

The Council had provided a start-up loan to Derbyshire Developments Limited to cover running costs such as staffing, accommodation, IT and audit, up until the point where income would recover these fixed costs of being “in business”. As part of its recent plans to transform the delivery model of its property and estates management functions, the Council approved the wind-up of the Derbyshire Developments Limited on 16 March 2020, at which time the balance on the loan was £0.528m. This loan has been written off and the company's remaining assets of £0.013m in cash were recovered by the Council.

There have been no gains or losses recognised in the CIES in relation to the carrying value of the Council's financial liabilities.

Fee Income and Expenses

	Income/(Expense)	
	2018-19 £m	2019-20 £m
Fees From Instruments not at FVPL	(0.036)	(0.051)
Fees From Investing Activities on Behalf of Other Parties	0.028	0.028
Net Fee Income/(Expense)	**(0.008)**	**(0.023)**

The Council incurred £0.051m in brokerage fees to execute transactions relating to new loans the Council took out; all these loans had a term of one year or less. £0.028m of income was earned from banking and treasury management services provided to the Derbyshire Pension Fund and Local Enterprise Partnership (LEP) for Derby, Derbyshire, Nottingham and Nottinghamshire.

Financial Instruments – Fair Values

Financial assets which do not give rise to cash flows which are solely payments of principal and interest, or where it is not the Council's intention to hold those assets to collect the contractual cash flows, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2020, using the following methods and assumptions:

- Certificates of deposit and forward loan contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2020, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of LOBO loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

22. INVENTORIES

	2018-19		2019-20	
	Highways	Other	Highways	Other
	£m	£m	£m	£m
1 April	**1.048**	**1.018**	**1.009**	**1.203**
Purchase of new stock	1.433	2.339	1.058	2.459
Stock issued	(1.472)	(2.139)	(1.386)	(2.357)
Stock written off	0.000	(0.015)	0.000	(0.009)
31 March	**1.009**	**1.203**	**0.681**	**1.296**
Total		**2.212**		**1.977**

23. CURRENT DEBTORS

The current debtor balance can be analysed into the following categories:

31 Mar 2019 £m		31 Mar 2020 £m
8.491	From Other Local Authorities	10.468
6.038	From NHS Bodies	5.160
8.915	From Government Departments	9.842
0.000	From DCC Pension Fund	1.056
54.047	From Other Sundry Debtors	47.091
77.491	**Total amount owed to the Council**	**73.617**
0.107	To Other Local Authorities	0.042
0.005	To Government Departments	0.029
5.213	To Other Sundry Debtors	7.610
5.325	**Total paid in advance by the Council**	**7.681**
82.816	**Total Current Debtors**	**81.298**
(2.711)	Less Allowance for Bad Debts	(5.165)
80.105	**Carrying Value of Current Debtors**	**76.133**

24. CASH AND CASH EQUIVALENTS

31 Mar 2019 £m		31 Mar 2020 £m
25.726	County Fund Bank Account Balance	1.387
25.726	**Cash Book for County Fund Account**	**1.387**
1.424	Schools Cash Income Account Balance	0.545
1.424	**Cash Book for Schools Cash Account**	**0.545**
27.150	**Total Cash Book Balance**	**1.932**
2.442	Amounts held by Bank Account Schools	2.808
0.193	Amounts held in Petty Cash Tins	0.512
0.370	Amounts held in Imprest Bank Accounts	0.390
(0.002)	Amounts held in Other Bank Accounts	0.000
30.153	**Total Cash Balance**	**5.642**
1.519	Bank instant-access deposit accounts	1.003
0.000	Money Market Funds	17.502
10.028	Short-term deposits	50.014
(0.041)	Cash investment loss allowance	(0.002)
41.659	**Total Cash and Cash Equivalents**	**74.159**

25. CREDITORS

The creditor balance can be analysed into the following categories:

31 Mar 2019 £m		31 Mar 2020 £m
(7.224)	To Other Local Authorities	(7.026)
(2.258)	To NHS Bodies	(3.583)
(17.199)	To Government Departments	(18.357)
(3.899)	To Inter-Group Organisations	0.000
(88.655)	To Other Sundry Creditors	(74.028)
(119.235)	**Amounts Owing by the Council**	**(102.994)**
(0.697)	From Other Local Authorities	(0.807)
(3.089)	From NHS Bodies	(1.836)
(3.035)	From Government Departments	(32.081)
(3.876)	From Other Sundry Creditors	(5.019)
(10.697)	**Income in Advance to the Council**	**(39.743)**
(129.932)	**Carrying Value of Creditors**	**(142.737)**

26. PROVISIONS

	Insurance Fund	Exit Packages	Other	Total
	£m	£m	£m	£m
1 April 2018	7.203	4.277	1.081	12.561
New Provisions	2.361	0.000	3.356	5.717
Utilisation of Provision	(2.064)	(0.857)	(0.588)	(3.509)
Reversal of Provision	0.000	0.000	(0.196)	(0.196)
1 April 2019	**7.500**	**3.420**	**3.653**	**14.573**
New Provisions	2.076	1.899	3.181	7.156
Utilisation of Provision	(2.366)	(3.478)	(3.356)	(9.200)
Reversal of Provision	0.000	0.000	(0.297)	(0.297)
31 March 2020	**7.210**	**1.841**	**3.181**	**12.232**

Provision for Exit Packages
Estimated costs associated with future voluntary redundancies include an element for schools. The provision has been created on a global estimation of the cuts required to achieve the savings targets. There is uncertainty around which employees will leave the Council and at what time, which will determine the true cost.

Cash outflows are expected to be £0.639m each year from 2019-20 to 2021-22.

Insurance Fund Provision
The Insurance Fund meets the estimated 'excess' of the Council's insurance policies, with amounts held in either the insurance provision or the insurance reserve. The total Insurance Fund balance is £27.295m (31 March 2019: £27.570m). The provision of £7.210m represents obligations as at 31 March as a result of past claims. The reserve balance of £20.085m represents the Council's self-insurance risk premium.

Cash outflows are expected to average just over £2.000m each year for the next three to four years.

Other Provisions
At 31 March 2020 £2.536m was provided for a refund expected to be payable to the NHS for income recognised relating to Continuing Healthcare and £0.645m was provided for outstanding post-16 payments to colleges where the timing and amount of the payments is not yet known.

The timing of the cash outflows is not expected to be later than one year from 31 March 2020.

27. OTHER NON-CURRENT LIABILITIES

31 Mar 2019 £m		31 Mar 2020 £m
(870.546)	Pensions Liability - LGPS	(651.283)
(64.712)	Pensions Liability - Teachers	(55.041)
(16.115)	PFI Phase 1	(14.782)
(20.764)	PFI Phase 2	(19.542)
(26.831)	PFI - BSF	(25.430)
(2.945)	Finance Lease - Joint Service Centre	(2.887)
(2.065)	Finance Lease - Other Leases	(1.753)
(1,003.978)		**(770.718)**

Further information about the leases, PFI scheme and pension liabilities can be found in notes 45 to 48.

28. USABLE RESERVES

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

- **General Reserve** – revenue reserves available for future service delivery.
- **Revenue Earmarked Reserves** – revenue reserves available for future service delivery, however future spending pressures have been identified for which they will be used.
- **Usable Capital Receipts** – proceeds from the sale of Property, Plant and Equipment assets which are available to finance future capital developments.
- **Capital Grants Unapplied** – unused grant receipts for capital developments.

Details of the Council's usable reserves can be found in the Movement in Reserves Statement and Notes 13 and 29.

29. TRANSFERS TO / FROM EARMARKED RESERVES

	1 Apr 2018	Transfers In	Transfers Out	31 Mar 2019	Transfers In	Transfers Out	31 Mar 2020
	£m	£m	£m	£m	£m	£m	£m
Adult Care							
Older People's Housing Strategy	0.000	(22.676)	0.000	(22.676)	(7.324)	0.000	(30.000)
Pump priming	(0.771)	0.000	0.771	0.000	(5.966)	2.159	(3.807)
Other reserves	(3.411)	(0.098)	3.226	(0.283)	(0.016)	0.253	(0.046)
Sub Total	**(4.182)**	**(22.774)**	**3.997**	**(22.959)**	**(13.306)**	**2.412**	**(33.853)**

	1 Apr 2018	Transfers In	Transfers Out	31 Mar 2019	Transfers In	Transfers Out	31 Mar 2020
	£m	£m	£m	£m	£m	£m	£m
Corporate Services (formerly Council Services)							
Revenue Contributions to Capital	(6.533)	(17.081)	6.533	(17.081)	(11.703)	0.489	(28.295)
Loan Modification Gains/Losses	0.000	(29.224)	0.784	(28.440)	0.000	2.316	(26.124)
Insurance and Risk Management	(20.627)	(0.086)	0.643	(20.070)	(0.143)	0.128	(20.085)
Budget Management	(20.850)	(22.282)	12.340	(30.792)	(0.187)	14.548	(16.431)
Business Rates Relief Grant	0.000	0.000	0.000	0.000	(5.000)	0.000	(5.000)
Planned Building Maintenance	(6.517)	(1.200)	1.435	(6.282)	(1.008)	2.015	(5.275)
Business Rates Pool	(1.471)	(4.716)	1.471	(4.716)	0.000	0.044	(4.672)
Prior Year Underspends	(4.194)	(0.084)	3.757	(0.521)	(4.035)	0.570	(3.986)
Uninsured Financial Loss	(13.000)	0.000	9.500	(3.500)	0.000	0.000	(3.500)
Computer Purchasing	(4.923)	(0.100)	1.808	(3.215)	(0.570)	0.957	(2.828)
Property Insurance Maintenance Pool	(4.286)	(1.560)	3.010	(2.836)	(1.553)	1.676	(2.713)
PFI reserves	(1.591)	(0.497)	0.107	(1.981)	(0.420)	0.060	(2.341)
Property DLO	(2.955)	(1.693)	2.947	(1.701)	(2.324)	1.915	(2.110)
Change Management	(4.133)	(0.097)	1.851	(2.379)	0.000	0.572	(1.807)
Business Rates Strategic Investment Fund	0.000	(4.889)	0.000	(4.889)	(0.961)	4.837	(1.013)
Other reserves	(4.224)	(3.744)	1.267	(6.701)	(2.796)	3.862	(5.635)
Sub Total	**(95.304)**	**(87.253)**	**47.453**	**(135.104)**	**(30.700)**	**33.989**	**(131.815)**
Clean Growth and Regeneration (formerly Economic Development and Regeneration)							
D2 Growth Fund	(0.200)	0.000	0.000	(0.200)	0.000	0.000	(0.200)
Markham Environment Centre	(0.115)	0.000	0.001	(0.114)	0.000	0.000	(0.114)
Other reserves	(0.673)	(0.009)	0.163	(0.519)	(0.013)	0.150	(0.382)
Sub Total	**(0.988)**	**(0.009)**	**0.164**	**(0.833)**	**(0.013)**	**0.150**	**(0.696)**
Health and Communities							
Public Health Grant	(6.811)	(2.790)	2.000	(7.601)	0.000	0.177	(7.424)
Domestic Abuse	0.000	(2.000)	0.000	(2.000)	(0.142)	0.000	(2.142)
S256/External Funding	(0.343)	0.000	0.089	(0.254)	0.000	0.010	(0.244)
Trusted Trader	(0.016)	(0.057)	0.002	(0.071)	(0.030)	0.000	(0.101)
Other reserves	(0.347)	(0.040)	0.021	(0.366)	(0.076)	0.089	(0.353)
Sub total	**(7.517)**	**(4.887)**	**2.112**	**(10.292)**	**(0.248)**	**0.276**	**(10.264)**
Highways, Transport and Infrastructure							
Prior Year Underspends	(6.055)	(3.691)	0.460	(9.286)	(1.453)	0.929	(9.810)
Winter Maintenance	(2.000)	0.000	0.000	(2.000)	0.000	0.000	(2.000)
Commuted Highways Maintenance	(0.136)	0.000	0.015	(0.121)	(1.016)	0.000	(1.137)
Road Safety Public Service Agreement (PSA)	(1.217)	0.000	0.035	(1.182)	0.000	0.103	(1.079)
Derby and Derbyshire Road Safety Partnership Reserve	(0.805)	(0.027)	0.247	(0.585)	(0.132)	0.085	(0.632)
Waste Recycling Initiatives	(0.391)	0.000	0.000	(0.391)	(0.207)	0.000	(0.598)
IT Reserve	(0.554)	(0.110)	0.105	(0.559)	0.000	0.036	(0.523)
Other reserves	(8.300)	(0.998)	3.689	(5.609)	(0.233)	4.382	(1.460)
Sub Total	**(19.458)**	**(4.826)**	**4.551**	**(19.733)**	**(3.041)**	**5.535**	**(17.239)**

	1 Apr 2018	Transfers In	Transfers Out	31 Mar 2019	Transfers In	Transfers Out	31 Mar 2020
	£m	£m	£m	£m	£m	£m	£m
Strategic Leadership, Culture and Tourism							
Policy & Research	(1.292)	0.000	0.238	(1.054)	0.000	0.339	(0.715)
Community Managed Libraries	0.000	0.000	0.000	0.000	(0.742)	0.000	(0.742)
Derbyshire Challenge Fund	(0.678)	(0.192)	0.304	(0.566)	(0.084)	0.119	(0.531)
Library Restructure	0.000	(0.429)	0.000	(0.429)	0.000	0.000	(0.429)
Derwent Valley Mills World Heritage Site	(0.217)	0.000	0.024	(0.193)	(0.016)	0.033	(0.176)
Other reserves	(3.089)	(0.075)	1.655	(1.509)	(0.029)	0.968	(0.570)
Sub Total	**(5.276)**	**(0.696)**	**2.221**	**(3.751)**	**(0.871)**	**1.459**	**(3.163)**
Young People							
Schools Balances	(31.303)	(5.406)	10.666	(26.043)	(5.595)	7.741	(23.897)
Tackling Troubled Families	(4.161)	(2.831)	2.909	(4.083)	(1.960)	2.149	(3.894)
Standards Fund (Schools)	(1.540)	0.000	0.320	(1.220)	0.000	0.494	(0.726)
School Rates Refunds	(0.399)	(0.201)	0.000	(0.600)	(0.121)	0.000	(0.721)
Childrens Services IT Systems	(0.853)	0.000	0.107	(0.746)	0.000	0.040	(0.706)
Youth Activity Grants	(0.375)	0.000	0.045	(0.330)	0.000	0.047	(0.283)
Foster Carer Adaptations	(0.406)	(0.025)	0.169	(0.262)	(0.163)	0.130	(0.295)
Dedicated Schools Grant (DSG)	(10.036)	(0.079)	4.512	(5.603)	(1.943)	7.359	(0.187)
Other reserves	(5.778)	(1.007)	4.891	(1.894)	(0.603)	1.097	(1.400)
Sub Total	**(54.851)**	**(9.549)**	**23.619**	**(40.781)**	**(10.385)**	**19.057**	**(32.109)**
Overall Totals	**(187.576)**	**(129.994)**	**84.117**	**(233.453)**	**(58.564)**	**62.878**	**(229.139)**

30. UNUSABLE RESERVES

The balance of unusable reserves is made up of a number of adjustment accounts, none of which are available to finance future spending. The reserves that make up the balance are detailed below.

31 Mar 2019 £m		31 Mar 2020 £m
826.988	Revaluation Reserve	767.817
605.363	Capital Adjustment Account	521.130
(5.351)	Financial Instruments Adjustment Account	(5.107)
(1.756)	Pooled Investments Adjustment Account	(10.108)
0.655	Deferred Capital Receipts Reserve	0.824
(935.258)	Pensions Reserve	(706.324)
2.741	Collection Fund Adjustment Account	5.822
(7.950)	Accumulated Absences Account	(6.452)
485.432	**Balance at 31 March**	**567.602**

NOTES TO THE CORE FINANCIAL STATEMENTS

The movements in unusable reserves in 2019-20 are detailed below.

		Unusable reserves								
Narrative	**Note**	**Deferred Capital Receipts £m**	**Revaluation Reserve £m**	**Capital Adjustment Account £m**	**Pooled Investments Adjustment Account £m**	**Financial Instruments Adjustment Account £m**	**Accumulated Absences Account £m**	**Collection Fund Adjustment Account £m**	**Pensions Reserve £m**	**Total Unusable Reserves £m**
BALANCE AT 31 MARCH 2019		**(0.655)**	**(826.988)**	**(605.363)**	**1.756**	**5.351**	**7.952**	**(2.740)**	**935.258**	**(485.429)**
Comprehensive Income & Expenditure		**0.000**	**(48.786)**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**(300.934)**	**(349.720)**
Adjustments between accounting basis and funding basis										
Depreciation of Non-Current Assets	14	0.000	15.735	26.867	0.000	0.000	0.000	0.000	0.000	42.602
Impairment of Non-Current Assets	14	0.000	0.000	12.055	0.000	0.000	0.000	0.000	0.000	12.055
Application of Capital Grants credited to the CIES	39	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Disposal of Non-Current Assets	14	(0.176)	92.222	86.146	0.000	0.000	0.000	0.000	0.000	178.192
Revenue Expenditure Funded from Capital Under Statute		0.000	0.000	23.254	0.000	0.000	0.000	0.000	0.000	23.254
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	(1.498)	0.000	0.000	(1.498)
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	0.000	(3.081)	0.000	(3.081)

Reversal of items relating to retirement benefits debited or credited to the CIES	48	0.000	0.000	0.000	0.000	0.000	0.000	0.000	132.696	132.696
Statutory provision for the financing of capital investment		0.000	0.000	(10.948)	0.000	0.000	0.000	0.000	0.000	(10.948)
Principal repayments of transferred debt		0.000	0.000	0.068	0.000	0.000	0.000	0.000	0.000	0.068
Capital expenditure charged in the year to the General Reserve		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	21	0.000	0.000	0.000	8.352	0.000	0.000	0.000	0.000	8.352
Amount by which finance costs (proportion of previous years' premiums) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.000	0.000	0.000	0.000	(0.244)	0.000	0.000	0.000	(0.244)
Amount by which finance costs (capital loan impairments) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.000	0.000	1.139	0.000	0.000	0.000	0.000	0.000	1.139
Employer's pension contributions and direct payments to pensioners payable in the year	48	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(60.696)	(60.696)
Capital receipts from Finance Lease Debtors	46	0.007	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.007
Financing of capital expenditure	17	0.000	0.000	(54.350)	0.000	0.000	0.000	0.000	0.000	(54.350)
Adjustments between accounting basis and funding basis		**(0.169)**	**107.957**	**84.231**	**8.352**	**(0.244)**	**(1.498)**	**(3.081)**	**72.000**	**267.548**
Reserves movements										
Transfer to Earmarked Reserves	29	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	29	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total movements		**(0.169)**	**107.957**	**84.231**	**8.352**	**(0.244)**	**(1.498)**	**(3.081)**	**72.000**	**267.548**
BALANCE AT 31 MARCH 2020		**(0.824)**	**(767.817)**	**(521.132)**	**10.108**	**5.107**	**6.454**	**(5.821)**	**706.324**	**(567.601)**

NOTES TO THE CORE FINANCIAL STATEMENTS

The movements in unusable reserves in 2018-19 are detailed below.

		Unusable reserves								
Narrative	**Note**	**Deferred Capital Receipts £m**	**Revaluation Reserve £m**	**Capital Adjustment Account £m**	**Pooled Investments Adjustment Account £m**	**Financial Instruments Adjustment Account £m**	**Accumulated Absences Account £m**	**Collection Fund Adjustment Account £m**	**Pensions Reserve £m**	**Total Unusable Reserves £m**
BALANCE AS AT 1 APRIL 2018		**0.000**	**(1,066.765)**	**(721.854)**	**0.000**	**5.549**	**6.492**	**(0.833)**	**698.836**	**(1,078.575)**
Comprehensive Income & Expenditure		**0.000**	**99.260**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**169.099**	**268.359**
Adjustments between accounting basis and funding basis										
Depreciation of Non-Current Assets	14	0.000	16.561	26.008	0.000	0.000	0.000	0.000	0.000	42.569
Impairment of Non-Current Assets	14	0.000	0.000	30.544	0.000	0.000	0.000	0.000	0.000	30.544
Application of Capital Grants credited to the CIES	39	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Disposal of Non-Current Assets	14	(0.664)	123.956	115.256	0.000	0.000	0.000	0.000	0.000	238.548
Revenue Expenditure Funded from Capital Under Statute		0.000	0.000	15.117	0.000	0.000	0.000	0.000	0.000	15.117
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	1.460	0.000	0.000	1.460
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	0.000	(1.907)	0.000	(1.907)

Reversal of items relating to retirement benefits debited or credited to the CIES	48	0.000	0.000	0.000	0.000	0.000	0.000	0.000	126.372	126.372
Statutory provision for the financing of capital investment		0.000	0.000	(4.665)	0.000	0.000	0.000	0.000	0.000	(4.665)
Principal repayments of transferred debt		0.000	0.000	0.078	0.000	0.000	0.000	0.000	0.000	0.078
Capital expenditure charged in the year to the General Reserve		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	21	0.000	0.000	0.000	1.756	0.000	0.000	0.000	0.000	1.756
Amount by which finance costs (proportion of previous years premiums) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.000	0.000	0.000	0.000	(0.198)	0.000	0.000	0.000	(0.198)
Amount by which finance costs (reversal of effective interest rate) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	48	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(59.049)	(59.049)
Capital receipts from Finance Lease Debtors	46	0.009	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.009
Financing of capital expenditure	17	0.000	0.000	(65.847)	0.000	0.000	0.000	0.000	0.000	(65.847)
Total movements		**(0.655)**	**140.517**	**116.491**	**1.756**	**(0.198)**	**1.460**	**(1.907)**	**67.323**	**324.787**
BALANCE AT 31 MARCH 2019		**(0.655)**	**(826.988)**	**(605.363)**	**1.756**	**5.351**	**7.952**	**(2.740)**	**935.258**	**(485.429)**

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

	Note	Carrying Value £m	Revaluation Reserve £m
31 March 2020			
Property, Plant and Equipment	14	1,752.894	722.003
Heritage Assets	15	49.570	44.776
Assets Held for Sale	19	2.341	1.038
		1,804.805	**767.817**
31 March 2019			
Property, Plant and Equipment	14	1,860.060	780.534
Heritage Assets	15	50.301	45.864
Assets Held for Sale	19	1.953	0.590
		1,912.314	**826.988**

Capital Adjustment Account
This reserve includes timing differences arising between the financing of purchasing new, or enhancing, Council assets and the utilising of those assets in the Council's accounts (known as depreciation). It is not available for future spending.

Financial Instruments Adjustment Account
The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the account to manage premiums paid and discounts received on early redemption of loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of General Reserve to the account in the Movement in Reserves Statement. Over time, the expense is posted back to General Reserve in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, the balance on the Account at 31 March will be charged to the General Reserves over the next 40 years.

Pooled Investments Adjustment Account
The Pooled Investments Adjustment Account contains the cumulative gains and losses relating to the valuation of financial assets held at Fair Value through Profit or Loss in accordance with the temporary statutory override MHCLG has issued, effective for financial years 2018-19 to 2022-23.

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

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

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

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

31. EXTERNAL AUDIT COSTS

2018-19 £m		2019-20 £m
	Audit Fees	
0.097	External Audit Fees	0.097
0.015	External Audit Fees - Additional Fees for Prior Year	0.002
0.000	Public Sector Audit Appointments Rebate	(0.012)
0.004	External Audit Fees - Teachers' Pension Scheme	0.004
0.116		**0.091**

32. MEMBERS' ALLOWANCES

Payments made to the Council's elected Members during the year were:

2018-19 £m		2019-20 £m
1.021	Allowances	1.042
0.055	Expenses	0.039
1.076		**1.081**

33. OFFICERS' REMUNERATION

The definition of senior officer is:

- An officer whose salary is £150,000 or more.
- A statutory chief officer as per section 2(6) of the Local Government and Housing Act 1989.
- A non-statutory chief officer as per section 2(7) of the Local Government and Housing Act 1989.
- An officer reporting to the Head of Paid Service.

The following changes in respect of the Council's Senior Officers occurred during 2018-19 and 2019-20 and are relevant to the table of remuneration paid to the Council's Senior Officers below:

- From May 2019, Strategic Directors became known as Executive Directors.
- Upon the redundancy of the Chief Executive in 2017, it became necessary to allocate the statutory role of Head of Paid Service (HOPS) to another individual. At the same time an allowance of £10,000 per annum was created to remunerate whoever was currently undertaking the role. The Strategic Director of Adult Care was designated the Council's HOPS from 1 October 2017, on a temporary basis until 11 April 2018.
- The Strategic Director of Commissioning, Communities and Policy was permanently appointed as HOPS from 12 April 2018 and from that date no additional payment is to be made for undertaking this role. Officers reporting to the permanent HOPS are included in the Senior Officers' Remuneration table. The posts reporting to the permanent HOPS are not new and did exist prior to the change when their details were listed in the table of Council's employees earning above £50,000.
- The former Strategic Director of Adult Care left the Council on 22 July 2018.
- The new Strategic director of Adult Care was appointed on 27 August 2018.
- The Acting Strategic Director of Adult Care was appointed on 21 January 2019 and was in post until 2 September 2019.
- The former Director of Legal Services left the Council on 5 November 2019.
- The Acting Director of Legal Services was appointed on 27 November 2019.

2018-19						2019-20			
Salary	Employer's Pension Contributions	Head of Paid Service	Compensation for Loss of Employment	**Total Remuneration 2018-19**		Salary	Employer's Pension Contributions	Compensation for Loss of Employment	**Total Remuneration 2019-20**
£	£	£	£	**£**		£	£	£	**£**
38,855	0	306	0	**39,161**	Executive Director of Adult Care	0	0	0	**0**
67,116	13,423	0	0	**80,539**	Executive Director of Adult Care	102,142	23,236	0	**125,378**
19,567	3,913	0	0	**23,480**	Acting Executive Director of Adult Care	47,798	9,560	0	**57,357**
118,438	23,688	0	0	**142,126**	Executive Director of Children's Services	123,681	24,736	0	**148,417**
123,711	24,742	0	0	**148,453**	Executive Director of Commissioning, Communities and Policy	126,185	25,237	0	**151,422**
123,711	0	0	0	**123,711**	Executive Director of Economy, Transport & Environment	126,185	0	0	**126,185**
96,984	19,397	0	0	**116,381**	Director of Finance and ICT	98,924	19,785	0	**118,709**
91,841	13,207	0	0	**105,048**	Director of Public Health	95,926	13,794	0	**109,720**
84,644	16,929	0	0	**101,573**	Director of Community Services	86,337	17,267	0	**103,604**
76,079	15,215	0	0	**91,294**	Director of Legal Services	60,343	10,948	30,727	**102,019**
0	0	0	0	**0**	Acting Director of Legal Services	30,016	6,003	0	**36,019**
88,634	17,727	0	0	**106,361**	Director of Organisation, Development and Policy	92,656	18,531	0	**111,187**
90,230	18,046	0	0	**108,276**	Director of Property	94,284	18,857	0	**113,141**

The Council’s employees (other than senior officers in the table above) earning above £50,000 during the year have been paid the following amounts:

Restated 2018-19 No of Employees				2019-20 No of Employees		
School Staff	Other	Total	Remuneration Between:	School Staff	Other	Total
119	100	**219**	£50,000 and £54,999	127	97	**224**
119	46	**165**	£55,000 and £59,999	99	59	**158**
73	19	**92**	£60,000 and £64,999	91	15	**106**
37	5	**42**	£65,000 and £69,999	32	19	**51**
9	2	**11**	£70,000 and £74,999	21	2	**23**
7	3	**10**	£75,000 and £79,999	5	2	**7**
4	8	**12**	£80,000 and £84,999	8	1	**9**
3	0	**3**	£85,000 and £89,999	1	6	**7**
2	1	**3**	£90,000 and £94,999	2	1	**3**
2	1	**3**	£95,000 and £99,999	2	1	**3**
1	0	**1**	£100,000 and £104,999	1	0	**1**
1	1	**2**	£105,000 and £109,999	0	0	**0**
1	0	**1**	£110,000 and £114,999	0	0	**0**
0	1	**1**	£125,000 and £129,999	0	0	**0**
0	1	**1**	£135,000 and £139,999	1	1	**2**
378	**188**	**566**		**390**	**204**	**594**

Remuneration includes gross income and compensation for loss of employment. 2018-19 employee numbers have been restated to include an additional seventeen employees, who were omitted because of an administrative oversight and to adjust remuneration bandings to exclude pension strain payments, following clarification.

34. TERMINATION BENEFITS

The Council has terminated the contracts of a number of employees in 2019-20, incurring liabilities of £3.610m (2018-19: £1.878m). The termination benefits are split by banding below:

	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018-19 actual	2019-20 actual	2018-19 actual	2019-20 actual	2018-19 actual	2019-20 actual	2018-19 actual	2019-20 actual
							£m	£m
£0-£20k	58	79	61	105	119	184	0.717	1.064
£20k-£40k	5	5	9	23	14	28	0.369	0.807
£40k-£60k	1	3	3	7	4	10	0.183	0.467
£60k-£80k	1	3	0	2	1	5	0.067	0.355
£80k - £100k	1	5	0	0	1	5	0.081	0.438
£100k-£150k	3	1	1	0	4	1	0.460	0.100
£150k-£200k	0	0	0	1	0	1	0.000	0.156
£200k-£250k	0	1	0	0	0	1	0.000	0.223
	69	**97**	**74**	**138**	**143**	**235**	**1.878**	**3.610**

The 2018-19 number disclosures have been restated to move sixteen legal settlements from compulsory redundancies to other agreed departures.

The total cost of exit packages has increased in 2019-20 because of the increased number of departures during the year but also because of the increased average cost of pension strain within those packages.

35. POOLED BUDGETS

The Council has two pooled budget arrangements, details of which are set out below.

Better Care Fund

On 1 April 2015 the Derbyshire Better Care Fund (BCF) became operational.

Until 2019-20 the Council was partner to the fund along with NHS Northern Derbyshire Clinical Commissioning Group, NHS Southern Derbyshire Clinical Commissioning Group, NHS Hardwick Clinical Commissioning Group, NHS Erewash Clinical Commissioning Group and NHS Tameside and Glossop Clinical Commissioning Group.

From 2019-20 NHS Northern Derbyshire Clinical Commissioning Group, NHS Southern Derbyshire Clinical Commissioning Group, NHS Hardwick Clinical Commissioning Group and NHS Erewash Clinical Commissioning Group combined to become NHS Derby and Derbyshire Clinical Commissioning Group. The Council is now partner to the fund with NHS Derby and Derbyshire Clinical Commissioning Group and NHS Tameside and Glossop Clinical Commissioning Group.

The operation of the pool is ultimately managed by the Derbyshire Health and Wellbeing Board represented by members from each of the partners. The Fund operates as a Section 75 pooled budget and total agreed contributions to the pool are £101.476m. Derbyshire County Council's contribution towards the pool is £43.209m (42.58%).

The BCF aims to improve the provision of health and social care. All partners contribute to a pooled fund and the overarching objective of the fund is to support the integration of health and social care and align commissioning as agreed between the partners.

Under the agreement, the BCF Plan for Derbyshire is split into two areas:

- Contributions to a pooled fund by all partners and commissioned by Derbyshire County Council who are host and lead commissioner
- Commissioning of existing funded schemes directly by each partner.

	2019-20	**Pool Share**
Income	**£m**	**%**
Derbyshire County Council	43.209	42.58
Derby and Derbyshire CCG	55.878	55.07
NHS Tameside and Glossop CCG	2.389	2.35
	101.476	**100.00**

	2019-20
Expenditure	**£m**
CCG schemes for community health services	23.076
Disabled Facilities Grant	6.961
Equipment	6.022
Reablement	4.591
Joint working	8.066
Administration	0.407
Care Bill	2.149
Carers	2.048
Mental health	1.023
Support for people to remain out of hospital	12.451
Improved Better Care Fund	31.055
Winter Pressures	3.627
Total Expenditure	**101.476**
Net position for Pool	**0.000**

Children with Complex Needs pooled budget arrangement

The Children with Complex Needs pooled budget arrangement is jointly operated with Derby and Derbyshire CCG. The CCG contributes 33% and the remainder is funded by the Council. Any surplus or deficit carries forward to offset the following year's contributions, as required by the partnership agreement. Any unspent amounts are transferred to an Earmarked Reserve set up for this purpose.

31 Mar 2019 £m		31 Mar 2020 £m
	Funding provided to the pooled budget:	
(4.115)	The Council	(4.806)
(2.027)	Derby and Derbyshire CCG	(2.367)
	Expenditure met by the pooled budget	
4.115	The Council	4.806
2.027	Derby and Derbyshire CCG	2.367
0.000	**(Surplus)/Deficit**	**0.000**
0.000	The Council's share of the (Surplus)/Deficit	0.000

36. TRUST FUNDS

Trust Funds are made up of donations or bequests made to the Council. These funds are not part of the Council’s Accounts. Other funds include monies held for residents in the Council’s residential care homes.

2018-19		2019-20		
Total £m		Trust Funds £m	Other Funds £m	Total £m
5.861	Opening Balance	1.292	3.011	4.303
0.349	Add Income	0.201	0.865	1.066
(1.907)	Less Expenditure	(0.022)	(0.008)	(0.030)
4.303	**Closing Balance**	**1.471**	**3.868**	**5.339**
	The funds are represented by:			
0.052	Investments	0.046	0.000	0.046
4.251	Cash & temporary loans	1.425	3.868	5.293
4.303	**Total Assets**	**1.471**	**3.868**	**5.339**
65	No of Funds (actual not £m)	56	10	66

Cabinet approved the transfer of 47 educational charitable Trust Funds, for which the Council is the sole Trustee, to Foundation Derbyshire, on 23 April 2020. The total value of these funds was £1.323m at 31 March 2020.

37. INCOME FROM CONTRACTS WITH SERVICE RECIPIENTS

A service recipient is a party that has contracted with the Council to obtain goods or services which are the output of the Council’s normal operating activities. Such a contract may be in writing, be made orally or be in accordance with customary business practice. The table below identifies income amounts in the CIES arising from contracts with service recipients.

	Income	
Type of Goods/Service	2018-19 £m	2019-20 £m
Adult Care		
Residential Care Homes	29.281	29.842
Nursing Homes	8.930	10.136
Co-funding Charge	8.837	9.016
Direct Care Trading	0.968	0.723
Shared Lives	0.000	0.521
Other	0.191	0.192
Sub Total	**48.207**	**50.430**
Corporate Services		
Property Repairs, Maintenance, Cleaning and Facilities Management	4.963	4.042
PFI Services to Academies	2.813	3.697
Pension Fund Administration	2.189	2.334
Registrar Services	1.424	1.550
Legal Services	0.968	1.060
Human Resource Services	0.000	0.489
Recruitment and Payroll Services	0.184	0.222
IT Support	0.289	0.043
Other	1.081	0.787
Sub Total	**13.911**	**14.224**
Clean Growth and Regeneration		
Other	0.009	0.009
Sub Total	**0.009**	**0.009**
Health and Communities		
Other	0.118	0.125
Sub Total	**0.118**	**0.125**
Highways, Transport and Infrastructure		
Inspection Fees (S38/S278 Highways Act)	2.832	2.542
Vehicle Maintenance	1.331	1.534
New Roads and Street Works Act Fees	1.199	1.304
Pay and Display Parking	0.643	0.614
Highways Maintenance and Design	0.608	0.604
Countryside Shop Merchandise	0.344	0.317
Sale of Obsolete Vehicles	0.000	0.314
Cross Boundary Bus Services	0.279	0.285
Land Searches	0.241	0.237
Highways & Lighting Works	0.232	0.237
Other	0.692	0.612
Sub Total	**8.401**	**8.600**

	Income	
	2018-19	2019-20
Type of Goods/Service	**£m**	**£m**
Strategic Leadership, Culture and Tourism		
Other	0.405	0.302
Sub Total	**0.405**	**0.302**
Young People		
Catering	8.222	8.287
School Food and Meals	6.416	5.385
Sport/Outdoor Education	1.417	1.621
Extended School Services	1.343	1.389
Training/Advice to Educational Entities	0.779	0.669
Adult Education	0.585	0.449
Early Intervention	0.947	0.378
Behaviour Support	0.416	0.299
Services for Teenagers	0.313	0.222
Other	2.175	1.884
Sub Total	**22.613**	**20.583**
Overall Total	**93.664**	**94.273**

Young People portfolio income in 2018-19 has been restated to include income received by schools.

Amounts included in the Balance Sheet for contracts with service recipients:

31 Mar 2019 £m		**31 Mar 2020 £m**
8.155	Receivables	7.600
0.892	Contract Assets	0.298
(1.427)	Contract Liabilities	(1.629)
7.620	**Total Included in Net Assets**	**6.269**

Receivables and Contract Assets are included within Amounts Owed to the Council in the Debtors analysis (Note 23).

Contract Liabilities are included within Income in Advance to the Council in the Creditors analysis (Note 25).

Changes in the contract assets and contract liabilities balances during the year are as follows:

2018-19			2019-20	
Contract Assets £m	Contract Liabilities £m		Contract Assets £m	Contract Liabilities £m
0.000	(1.427)	Cash received before obligations fulfilled	0.000	(1.629)
0.000	1.874	Obligations relating to contract liabilities at the start of the year fulfilled	0.000	1.427
0.892	0.000	Obligations fulfilled before payment is due	0.298	0.000
(1.126)	0.000	Transfers from Contract Assets to Receivables as payment became due	(0.892)	0.000
(0.234)	**0.447**	**Movement in Contract Assets and Liabilities**	**(0.594)**	**(0.202)**
1.126	(1.874)	Contract Assets and Liabilities at the start of the year	0.892	(1.427)
0.892	**(1.427)**	**Contract Assets and Liabilities at the end of the year**	**0.298**	**(1.629)**

The value of the contract liabilities presented at the end of the year represents the value of income that is expected to be recognised in the future, relating to obligations that are unsatisfied (or partially unsatisfied) at the end of the year. All amounts are expected to be realised no later than one year from the year ended 31 March 2020.

The Council only recognises income at an amount that corresponds directly with the value to the service recipients of the Council’s performance to the end of the year.

Performance obligations are deemed to be satisfied over time, as opposed to at a point in time, in respect of the following significant income streams:

- Residential Care, Nursing Home and Co-funding charges
- PFI Services to Academies
- Pension Fund Administration

This is a faithful depiction as these services are delivered to, and the benefits consumed by, the service recipients simultaneously. The Council has a right to receive fixed payments from service users for each day of service provided, therefore it recognises income to the amount that it has the right to invoice according to the duration of the service provision.

Performance obligations are also deemed to be satisfied over time, as opposed to at a point in time, in respect of the following significant income stream:

- Property Repairs, Maintenance, Cleaning and Facilities Management

This is a faithful depiction as the Council has an enforceable right to receive income for performance completed to date. The Council recognises income based on the costs incurred to satisfy the performance obligations.

Performance obligations are deemed to be satisfied at a point in time in respect of the following significant income streams:

- Inspections under Section 38 and 278 of the Highways Act
- Catering

In respect of these services, income is only recognised when the contracted work has been completed.

38. DEDICATED SCHOOLS GRANT (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The grant is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in The School and Early Years Finance (England) (No. 2) Regulations 2018.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each local authority school. An in-year adjustment has been made comprising an addition to the 2019-20 grant receipts for Early Years provision during 2018-19, following final calculation of the amount due from the Department for Education. Reserves were used to support 2019-20 planned spend because the final grant allocation for High Needs students was £0.343m below the amount anticipated when setting spending plans.

Actual central expenditure includes commitments that remain unspent as at the end of the financial year. These commitments have been transferred to an earmarked reserve and form part of the DSG balance. Details of the deployment of the DSG receivable for 2019-20 are as follows:

	2019-20			
	Central Expenditure £m	Individual Schools Budget £m	Total £m	DSG Reserves £m
DSG Reserves brought forward from 2018-19			5.603	5.603
Carry forward to 2020-21 agreed in advance			(3.668)	
Planned use of reserves			**1.935**	(1.935)
Final DSG for 2019-20 before Academy recoupment			555.704	
Less Academy recoupment for 2019-20			(196.742)	
Total DSG after Academy recoupment for 2019-20			**358.962**	
Agreed initial budgeted distribution	**70.076**	**290.821**	**360.897**	
In year adjustments - Early Years receipt relating to 2018-19	0.058	0.000	0.058	
Use of reserves to cover increase in deduction for High Needs places elsewhere	0.343	0.000	0.343	(0.343)
Final budgeted distribution for 2019-20	**70.477**	**290.821**	**361.298**	
Less Actual central expenditure	(73.471)		(73.471)	
Less Actual ISB deployed to Private, Voluntary and Independent Settings for Nursery Education		(38.725)	(38.725)	
Less Actual ISB deployed to schools		(252.239)	(252.239)	
2019-20 in-year position	(2.994)	(0.143)	(3.137)	(3.137)
Carry forward to 2019-20				**0.188**

DSG grant income in Note 39 below is the sum of 'Total DSG after Academy Recoupment for 2019-20' and the £0.058m 'In-year Adjustment' in the table above.

39. GRANT INCOME

Revenue Grants		Income 2018-19 £m	Income 2019-20 £m
Dedicated Schools Grant (DSG)	DfE	378.759	359.020
Public Health Grant	DoH	40.548	39.477
Pupil Premium Grant	DfE	20.415	19.318
Sixth Form Funding	DfE	8.982	6.825
DACES SFA	DfE	5.790	4.884
Universal Free School Meals for Infant	DfE	8.372	6.503
Disabled Facilities Grant	MHCLG	6.451	6.961
Teachers Pension Grant	DfE	0.000	6.546
Troubled Families	MHCLG	2.179	1.960
Asylum Seeker Grant	HO	1.367	1.613
School Improvement Grant	DfE	1.154	0.458
Teachers Pay Grant	DfE	1.529	3.180
PE and Sport Grant	DfE	5.263	4.812
Music Service Grant	Arts	1.403	1.415
Other Grants	Various	6.091	8.043
Total Departmental		**488.302**	**471.016**
Revenue Support Grant	MHCLG	0.000	13.517
Business Rates Relief Grant	MHCLG	13.642	7.603
Private Finance Initiative	ESFA	10.504	10.504
Adult Social Care Grant	DoH	2.267	6.197
New Homes Bonus	MHCLG	2.058	2.098
Improved Better Care Fund	MHCLG	24.906	31.055
Independent Living Fund		2.614	2.534
Winter Pressures		3.627	3.627
Levy Fund Surplus		1.704	0.379
Other Grants	Various	1.863	2.954
Total Corporate Income		**63.186**	**80.468**
Total Grants		**551.488**	**551.484**

Capital Grants		**Income 2018-19 £m**	**Income 2019-20 £m**
Highways Capital Maintenance	DfT	15.273	15.273
Additional Highways Maintenance	DfT	8.414	0.000
Pothole Action Fund	DfT	2.036	1.015
Integrated Transport	DfT	3.644	3.644
Highways Maintenance Incentive Fund	DfT	3.206	3.181
Highways Maintenance Challenge Fund	DfT	0.000	4.867
National Productivity Investment Fund	DfT	2.450	0.000
A61 Corridor	Various	2.051	1.519
Safer Roads Fund	DfT	1.180	0.000
Capital Maintenance Grant	EFA	8.632	0.000
Basic Need Grant	EFA	12.680	2.471
Devolved Formula Capital	DFE	4.861	1.442
Lottery Funding		3.507	0.000
Ilkeston Station NSF (New Station Fund)		0.000	5.884
Local Growth Fund*		(13.302)	(28.972)
School Condition Allowance	EFA	0.000	7.682
Other Capital Grants	Various	19.662	13.777
		74.294	**31.783**

*Using the freedom and flexibilities given to LEP Accountable Bodies, the Council utilised Local Growth Fund underspends during 2017-18 and 2018-19 to fund its capital programme. By the end of 2019-20, the Council repaid £28.972m (2018-19: £13.302m).

40. CASH FLOW – INVESTING ACTIVITIES

2018-19 £m		**2019-20 £m**
(96.731)	Purchase of Non-Current Assets	(99.250)
(797.611)	Purchase of New Investments	(1,036.512)
5.535	Proceeds from Sale of Non-Current Assets	3.497
72.737	Capital Grants Received	32.546
778.166	Investments Redeemed	1,104.261
(37.904)		**4.541**

41. CASH FLOW – FINANCING ACTIVITIES

2018-19 £m		**2019-20 £m**
(283.075)	Repay Amounts Borrowed	(533.657)
(2.536)	Principal Repayment on PFI and Leases	(4.104)
296.250	New Short Term Loans	550.503
10.639		**12.742**

42. CASH FLOW – OPERATING ACTIVITIES

2018-19 £m		2019-20 £m
(542.637)	Payments to and on behalf of employees	(530.988)
(596.425)	Other Operating Payments	(640.295)
303.125	Council Tax	329.430
154.162	Business Rates	19.484
0.000	Revenue Support Grant	13.517
550.675	Other Revenue Grants	559.283
168.202	Other Income	275.804
37.102	**Operating Costs of Providing Services**	**26.236**
(14.261)	External Interest Paid	(13.681)
(4.154)	Interest on PFI and Finance Leases	(3.956)
2.906	Interest Received	3.046
2.077	Dividends Received	3.569
23.670		**15.214**

43. RECONCILIATION OF NET SURPLUS/(DEFICIT) ON THE CIES TO THE OPERATING ACTIVITIES NET CASH FLOW

2018-19 £m		2019-20 £m
(294.773)	**Surplus/(Deficit) on the Provision of Services**	**(302.634)**
	Non Cash Transactions:	
42.569	Depreciation	42.602
30.544	Impairment	12.055
67.323	Movement in Pension Liability	72.000
(1.907)	Adjustment for Collection Fund	(3.081)
1.756	Investments Fair Value Movements	8.352
(6.992)	Movement in Revenue Debtors	(5.016)
1.077	Movement in Loss Allowances	3.203
7.139	Movement in Revenue Creditors	22.984
0.884	Movement in Inventories	0.235
2.012	Movement in Provisions	(2.341)
144.406	**Total Non Cash Transactions**	**150.992**
	Items Classified Elsewhere	
233.214	Net charge for Disposal of Non-Current Assets	175.383
15.117	Revenue Expenditure Funded from Capital Under Statute	23.254
(74.294)	Capital Grants	(31.783)
23.670		**15.212**

44. RECONCILIATION OF CASH FLOWS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

	31 Mar 2019 £m	Cash Flows £m	Non-Cash Changes £m	31 Mar 2020 £m
Current Borrowing	37.574	16.857	4.576	59.007
Non Current Borrowing	246.075	(0.011)	(3.498)	242.566
PFI and Finance Lease Liabilities	68.720	(4.103)	(0.223)	64.394
	352.369	**12.744**	**0.854**	**365.967**

Non-cash changes to the Council’s liabilities include an increase of £4.581m in the carrying value of current borrowing and an equal decrease in the carrying value of non-current borrowing to recognise amounts falling due within 12 months of the balance sheet date. Interest of £1.083m was accrued in the year which increased the carrying value of liabilities. The remaining non-cash transactions represent a reduction in carrying value of £0.223m because of a movement between these liabilities and short term creditors and debtors.

	31 Mar 2018 £m	IFRS 9 Measurement Adjustment £m	1 Apr 2018 £m	Cash Flows £m	Non-Cash Changes £m	31 Mar 2019 £m
Current Borrowing	15.303	0.000	15.303	13.106	9.165	37.574
Non Current Borrowing	283.471	(29.224)	254.247	0.069	(8.241)	246.075
PFI and Finance Lease Liabilities	71.595	0.000	71.595	(2.535)	(0.340)	68.720
	370.369	**(29.224)**	**341.145**	**10.640**	**0.584**	**352.369**

45. LEASE TYPE ARRANGEMENTS

FINANCE LEASES – COUNCIL AS LESSEE

The Council has a number of property assets that were acquired under finance leases. All assets are carried as Property, Plant and Equipment on the Balance Sheet. Note 14 shows the net value of assets held under Finance Leases.

The Minimum Lease Payments (MLP) are made up of the following:

2018-19 £m				2019-20 £m		
Interest	**Liability**	**MLP**		**Interest**	**Liability**	**MLP**
0.572	**0.344**	**0.916**	**Within 1 year**	**0.546**	**0.369**	**0.915**
2.009	1.586	3.595	1 to 5 years	1.884	1.596	3.480
3.619	3.422	7.041	More than 5 years	3.198	3.044	6.242
5.628	**5.008**	**10.636**	**Total Non-Current**	**5.082**	**4.640**	**9.722**
6.200	**5.352**	**11.552**		**5.628**	**5.009**	**10.637**

The MLP does not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Contingent rents on these assets are insignificant.

OPERATING LEASES – COUNCIL AS LESSEE
The Council has a number of property assets (within PPE) under operating leases for:

- Delivery of local education.
- Youth information and clubs.
- Community and environmental purposes.
- Miscellaneous use, including office accommodation.

The Council has no vehicles, plant or equipment under an operating lease as at 31 March 2020 (2018-19: none).

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

2018-19 £m		2019-20 £m
PPE		**PPE**
0.744	Within 1 year	0.736
2.818	1 to 5 years	2.879
4.693	More than 5 years	3.970
8.255		**7.585**

A small number of properties were sub-let in 2019-20. The rental expenditure that was charged to the Net Cost of Services in relation to these assets was:

2018-19 £m		2019-20 £m
0.017	Minimum Lease Payment	0.002
(0.014)	Less sublease income	(0.006)
0.003		**(0.004)**

FINANCE LEASES – COUNCIL AS LESSOR
The Council has two properties that have been leased out upon receipt of a premium. With respect to these leases, there is no further lease income to be received and therefore there is no debtor held in the accounts. Details of the properties currently leased out are:

- Grassmoor Golf Centre to Grassmoor Golf Ltd on a 1,000 year lease, which commenced in 2002, for a one-off payment of £230,000.
- Land at Welbeck Road to Old Bolsover Town Council on a 99 year lease, which commenced in 2020 for a one-off payment of £10,000.
- Unit C1 Holmewood Business Park to SBK Property Limited on a 99 year lease, which commenced in 2015.

The Council also leases out the first floor offices of Ripley Library to Derbyshire Healthcare NHS Foundation Trust for £14,000 each year. The rental income and the unguaranteed residual value of the asset, which relates to the estimated value of the property at the end of the lease (i.e. an estimated sale value), will be received over the following periods:

2018-19 £m					2019-20 £m			
Minimum Lease Payments	Unguaranteed Residual Value of Property	Gross Investment in the Lease	Unearned Finance Income		Minimum Lease Payments	Unguaranteed Residual Value of Property	Gross Investment in the Lease	Unearned Finance Income
0.014	0.000	**0.014**	0.008	Within 1 year	0.014	0.000	**0.014**	0.007
0.056	0.000	**0.056**	0.028	1 to 5 years	0.056	0.000	**0.056**	0.026
0.070	0.062	**0.132**	0.025	More than 5 years	0.056	0.062	**0.118**	0.019
0.140	**0.062**	**0.202**	**0.061**		**0.126**	**0.062**	**0.188**	**0.052**

The Council has no provisions for unrealised finance lease investments. The minimum lease payments do not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

OPERATING LEASE – COUNCIL AS LESSOR

The Council leases out a number of property assets (PPE) under operating leases including leases for:

- Economic development to provide suitable affordable accommodation for local businesses.
- Youth information and clubs.
- Community and environmental purposes.
- Siting electricity substations.

The minimum lease payments receivable under leases in future years are:

2018-19 £m				2019-20 £m		
Vehicles	Land & Building	Total		Vehicles	Land & Building	Total
0.000	0.842	0.842	Within 1 year	0.000	0.845	0.845
0.000	2.138	2.138	1 to 5 years	0.000	2.031	2.031
0.000	6.129	6.129	More than 5 years	0.000	4.714	4.714
0.000	**9.109**	**9.109**		**0.000**	**7.590**	**7.590**

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

46. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

There are three PFI schemes in which private sector providers build and maintain accommodation for use by the Council:

- Phase 1 – in 2001 the Council signed a contract for two secondary schools at Tupton and Chapel-en-le Frith. They were completed and occupied in April 2003 under a 26 year contract. Tupton Hall School became an Academy on 1 October 2019.
- Phase 2 – during 2004-05 the Council signed a contract for two further schools at Newbold and Long Eaton which became operational in February 2006 under a 26 year contract. Long Eaton School became an Academy on 1 April 2011. Newbold School became an Academy, known as Outwood Academy Newbold, on 1 January 2015.
- Phase 3 – Schools provided under the Building Schools for the Future (BSF) programme opened in November 2010 at Bolsover and Springwell (Staveley). These were designed and built as PFI schools and will be operated on a 25 year contract. Bolsover School became an Academy on 1 October 2012. Springwell Community School became an Academy on 1 March 2020.

Payments

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

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

During 2017-18, the Council undertook a refinancing exercise of the BSF PFI debt, which reduced the interest charge on the long term debt. This resulted in a one-off financial benefit of approximately £2.100m for the Council. The term of the loan and service level elements of the agreement all remain the same.

The liability outstanding to pay the contractor for capital expenditure incurred is shown below.

	2018-19			2019-20		
	Ph 1	Ph 2	BSF	Ph 1	Ph 2	BSF
	£m	£m	£m	£m	£m	£m
Unitary Charge Paid						
Delivery of services	2.565	2.719	3.889	2.539	2.935	3.934
Interest Payment	1.289	1.468	0.815	1.208	1.399	0.778
Reduction to Liability	1.165	1.080	1.327	1.246	1.149	1.364
Unitary Charge Paid	**5.019**	**5.267**	**6.031**	**4.993**	**5.482**	**6.076**
Loan Liability B Fwd	(18.526)	(22.993)	(29.520)	(17.360)	(21.913)	(28.193)
Reduction to Liability	1.165	1.080	1.327	1.246	1.149	1.364
Loan Liability C Fwd	**(17.360)**	**(21.913)**	**(28.193)**	**(16.114)**	**(20.764)**	**(26.830)**
Liability in Creditors	(1.246)	(1.149)	(1.364)	(1.333)	(1.222)	(1.401)
Non Current Liabilities	(16.114)	(20.764)	(26.830)	(14.781)	(19.542)	(25.428)
Loan Liability C Fwd	**(17.360)**	**(21.913)**	**(28.193)**	**(16.114)**	**(20.764)**	**(26.830)**

Payments remaining to be made under the PFI contract at 31 March are as follows:

	2018-19			2019-20		
	Ph 1	Ph 2	BSF	Ph 1	Ph 2	BSF
	£m	£m	£m	£m	£m	£m
Within one year:						
Service charge	2.437	2.233	3.317	2.437	2.233	3.317
Interest element	1.208	1.399	0.778	1.121	1.325	0.741
Repayment of liability	1.246	1.149	1.364	1.333	1.222	1.401
Two to five years:						
Service charge	9.747	8.930	13.266	9.747	8.930	13.266
Interest element	3.901	4.813	2.726	3.490	4.470	2.565
Repayment of liability	5.915	5.377	5.841	6.326	5.720	6.003
Six to ten years:						
Service charge	12.183	11.163	16.583	9.945	11.163	16.583
Interest element	2.247	3.845	2.453	1.538	3.278	2.225
Repayment of liability	10.024	8.892	8.256	8.455	9.459	8.484
Eleven to fifteen years:						
Service charge	0.198	6.433	16.583	0.000	4.201	16.583
Interest element	0.001	0.810	1.249	0.000	0.395	0.988
Repayment of liability	0.176	6.495	9.460	0.000	4.362	9.721
Sixteen to twenty years:						
Service charge	0.000	0.000	5.274	0.000	0.000	1.958
Interest element	0.000	0.000	0.110	0.000	0.000	0.020
Repayment of liability	0.000	0.000	3.274	0.000	0.000	1.223

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

Under the terms of the agreements, the Council is able to terminate the agreements at any time. If this were due to a contractor default the Council is entitled to re-tender the contract, otherwise the contractors would be entitled to compensation. The Council has step in rights, if action needs to be taken in connection with the services provided by any of the contractors because of a serious risk to the health or safety of persons or to discharge a statutory duty; and/or because an emergency has arisen.

Property, Plant and Equipment
The schools are recognised on the Council's Balance Sheet, except those which are Academies. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 14.

47. DEFINED CONTRIBUTION PENSION SCHEMES

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

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

In 2019-20 the Council paid £40.435m to Teachers' Pensions (2018-19: £38.797m) in respect of teachers' retirement benefits. During 2019-20 the Employer's Contribution rate for the Teachers' Pension Scheme was 16.48% until 1 September 2019, when it increased to 23.68% (2018-19: 16.48%).

NHS Pension Scheme
Former NHS employees working in the Surestart and Public Health fields that moved to the Council in 2008 and 2013, respectively, and some Public Health staff employed since then, are members of the NHS Pension Scheme, administered by the Department of Health. The Scheme provides these employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme which is unfunded and the Department for Health uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme, which is consistent with the NHS method of accounting.

In 2019-20 the Council paid £0.615m to the NHS Pension Scheme (2018-19: £0.884m) in respect of the retirement benefits of these Council employees. The Employer's Contribution rate during 2019-20 for the NHS Pension Scheme increased to 20.68%, with 14.38% continuing to be collected through the Council's payroll, an additional 2.5% collected from the Council through invoicing and the remaining 3.8% being funded by the Department of Health and Social Care (2018-19: 14.38%). No further disclosures are required because of the immateriality of the information.

48. DEFINED BENEFIT SCHEME

The Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

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

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Reserve via the Movement in Reserves Statement.

The following transactions have been made during the year:

	Notes/ Statement	LGPS		Teachers	
		2018-19	2019-20	2018-19	2019-20
		£m	£m	£m	£m
Current service cost		101.043	117.012	0.000	0.000
Net interest cost	7	17.748	21.542	1.697	1.500
Past service costs & curtailments		14.510	1.057	0.000	0.000
Settlements		(8.626)	(8.415)	0.000	0.000
Benefits charged to the CIES		**124.675**	**131.196**	**1.697**	**1.500**
Remeasurement loss/(gain)		166.669	(294.190)	2.430	(6.744)
Total Loss/(Gain)		**291.344**	**(162.994)**	**4.127**	**(5.244)**
Movements in Reserves Statement:					
Reversal of charges made	30	(124.675)	(131.196)	(1.697)	(1.500)
Contributions - unfunded benefits	30	2.490	2.446	0.000	0.000
Employers' contributions payable	30	52.053	53.823	4.506	4.427

Assets and Liabilities in Relation to Post-Employment Benefits
Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities:		Unfunded liabilities:	
	2018-19	2019-20	2018-19	2019-20
	£m	£m	£m	£m
Opening balance at 1 April	**2,680.619**	**3,014.575**	**65.091**	**64.712**
Current service cost	101.043	117.012	0.000	0.000
Interest cost	72.599	72.817	1.697	1.500
Contributions by participants	17.587	17.853	0.000	0.000
Remeasurement losses/(gains)	227.649	(520.996)	2.430	(6.744)
Benefits paid	(65.870)	(78.168)	0.000	0.000
Unfunded benefits paid	(2.490)	(2.446)	(4.506)	(4.427)
Effect of settlements	(31.072)	(21.645)	0.000	0.000
Past service costs	14.510	1.057	0.000	0.000
Closing balance at 31 March	**3,014.575**	**2,600.059**	**64.712**	**55.041**

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

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

	Local Government 2018-19 £m	Local Government 2019-20 £m
Opening balance at 1 April	**(2,046.874)**	**(2,144.029)**
Interest income	(54.851)	(51.275)
Other remeasurement (gain)/loss	(60.980)	226.806
Employer contributions	(52.053)	(53.823)
Contributions by participants	(17.587)	(17.853)
Benefits paid	65.870	78.168
Effect of settlements	22.446	13.230
Closing balance at 31 March	**(2,144.029)**	**(1,948.776)**

Scheme History

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total net liability of the LGPS of £651.283m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

	Present value of liabilities:		Present Value of assets:	(Surplus)/deficit in the Scheme:		
	LGPS £m	Discretionary Benefits £m	LGPS £m	LGPS £m	Discretionary Benefits £m	**Total £m**
2015-16	2,142.057	65.787	(1,579.686)	562.371	65.787	**628.158**
2016-17	2,626.028	68.512	(1,984.638)	641.390	68.512	**709.902**
2017-18	2,680.619	65.091	(2,046.874)	633.745	65.091	**698.836**
2018-19	3,014.575	64.712	(2,144.029)	870.546	64.712	**935.258**
2019-20	2,600.059	55.041	(1,948.776)	651.283	55.041	**706.324**

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £55.930m.

Basis for Estimating Assets and Liabilities
Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the Actuary have been:

	2018-19	2019-20
Mortality Assumptions:		
Longevity at 65 (current pensioners):		
-Men	21.9	21.6
-Women	24.4	23.7
Longevity at 65 (future pensioners):		
-Men	23.9	22.6
-Women	26.5	25.1
Inflation Rates:		
Increase in salaries (LGPS only)	3.0%	2.6%
Increase in pensions	2.5%	1.9%
Discounting scheme liabilities	2.4%	2.3%

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below, showing the impact of a change at 31 March 2020:

	Local Government	
	Approximate increase to employer liability %	Approximate monetary amount £m
0.5% decrease in real discount rate	9	243.973
0.5% increase in salary increase rate	1	24.397
0.5% increase in pension increase rate	8	217.430

The Actuary has noted that in order to quantify the impact of a change in the financial assumptions used, the value of the scheme liabilities at 31 March 2020 has been calculated and compared on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided by the Actuary for the accounts.

To quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

These figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

The return on the Fund in market value terms for the period to 31 March 2020 is based on actual Fund returns as provided by the Administering Authority. The total return for the period from 1 April 2019 to 31 March 2020 is a loss of 4.7% (2018-19: 5.7% gain).

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

	2018-19 %	2019-20 %
Equity investments	59.5	56.0
Debt instruments:		
Government bonds	9.3	10.0
Other bonds	12.5	16.0
Property	8.0	9.0
Cash and cash equivalents	8.0	6.0
Other assets	2.7	3.0
Total	**100.0**	**100.0**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at the balance sheet date:

	LGPS		Teachers
	Actuarial gain / (loss) on assets over total assets	Actuarial (gain) / loss on liabilities over total liabilities	Actuarial (gain) / loss on liabilities over total liabilities
2015-16	(3.10%)	(10.13%)	(8.62%)
2016-17	17.26%	14.49%	7.29%
2017-18	0.85%	(1.93%)	(0.94%)
2018-19	2.84%	7.55%	3.76%
2019-20	(11.64%)	(20.04%)	(12.25%)

Forecast for next year

	Local Government		Teachers Pensions	
	£m	£m	£m	£m
Projected service cost				
Estimated pay:	260.605		0.000	
Service cost (% of pay)	34.4%		n/a	
Implied service cost next year:		88.732		0.000
Net interest cost		15.338		1.215
Administration expenses		1.042		0.000
Total pension cost recognised		**105.112**		**1.215**
Projected employer contributions				
Normal contributions	(55.930)		(4.427)	
Total employer contributions next year		**(55.930)**		**(4.427)**
Current deficit		651.283		55.041
Projected deficit next year		**700.465**		**51.829**

49. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The annual Treasury Management Strategy outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

Detailed information can be found in the annual Capital Programme Approvals, Treasury Management and Capital Strategy which is available on the Council's Derbyshire Democracy website under the Council meeting on 5 February 2020:

Credit risk

Credit risk is the potential for the Council to suffer loss due to another party defaulting on its financial obligations.

The Council's maximum exposure to credit risk is deemed to be the gross carrying amount of the financial assets held.

The Council defines default as a customer or borrower's failure to pay amounts owed to it. A counterparty is likely to be considered in default if:

- it is in administration, insolvency or winding up proceedings;
- it has entered into a scheme of arrangement with its creditors;
- it is in default on similar financial assets.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The financial institutions' credit ratings are monitored throughout the year and significant changes are reported to Cabinet. The Annual Investment Strategy also imposes a maximum sum to be invested and a maximum duration of each loan for counterparties.

It is the Council's policy to write-off any debt where all reasonable measures have been taken to recover the debt or after the Chief Financial Officer and the Director of Legal Services have established that the debt is irrecoverable due to bankruptcy or insolvency.

The Council's maximum exposure to credit risk in relation to its cash deposits, investments in banks and building societies and money market funds is £243.161m, all of which is deposited in the UK, except for £30.372m in global pooled funds. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at 31 March 2020 that this was likely to crystallise.

The Council's potential maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions is £30.955m. These financial assets include trade debtors (£27.301m), transferred debt (£0.040m), contract assets (£0.298m) and lease receivables (£0.136m). The Council recognised an allowance for credit losses which reduced the carrying amount of these financial assets by £5.165m. Customers for goods and services are vetted, taking into account their financial position, past experience and other factors. The Council does not generally allow credit for its trade debtors.

To determine whether there has been a significant increase in the credit risk of an investment, cash or cash equivalent the Council considers a range of factors including whether its credit rating has fallen below investment grade (BBB-), declining financial performance, a fall in the value of collateral or the quality of guarantees given and any adverse business or economic conditions impacting on the investment.

The profile of these assets by credit rating (AAA is the strongest credit rating) is as follows:

	AAA or equivalent £m	AA or equivalent £m	A or equivalent £m	Rated Not Strong £m	Not Rated £m	Trade Debtors and Transferred Debt £m	Total £m
Cash and cash equivalents	0.000	50.015	24.146	0.000	0.000	0.000	74.161
Investments	0.000	56.707	40.096	0.000	70.933	0.000	167.736
Trade Debtors and Transferred Debt	0.000	0.000	0.000	0.000	0.000	22.610	22.610
Total Net Carrying Amount	**0.000**	**106.722**	**64.242**	**0.000**	**70.933**	**22.610**	**264.507**

	AAA or equivalent £m	AA or equivalent £m	A or equivalent £m	Rated Not Strong £m	Not Rated £m	Trade Debtors and Transferred Debt £m	Total £m
Loss Allowance is measured at 12-month expected credit losses because:							
There has been no significant increase in credit risk since initial recognition	0.000	0.000	58.637	0.000	0.000	0.000	**58.637**
Loss Allowance is measured at lifetime expected credit losses because:							
Credit risk has increased significantly since initial recognition	0.000	0.000	0.000	0.000	12.268	0.000	**12.268**
Financial assets have become credit impaired	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Allowed under the simplified approach, i.e. Trade Debtors	0.000	0.000	0.000	0.000	0.000	22.892	**22.892**
No Loss Allowance as relevant statutory provisions prevent default:							
Counterparty is Central Government or another local authority	0.000	106.722	0.000	0.000	0.000	4.883	**111.605**
No Loss Allowance, Other:							
Financial assets measured at Fair Value	0.000	0.000	0.000	0.000	59.892	0.000	**59.892**
Cash balances	0.000	0.000	5.642	0.000	0.000	0.000	**5.642**
Total Gross Carrying Amount	**0.000**	**106.722**	**64.279**	**0.000**	**72.160**	**27.775**	**270.936**
Loss Allowances	0.000	0.000	(0.036)	0.000	(1.227)	(5.165)	**(6.428)**
Total Net Carrying Amount	**0.000**	**106.722**	**64.243**	**0.000**	**70.933**	**22.610**	**264.508**

The past due amount for trade debtors can be analysed by age as follows:

	31 Mar 2019 £m	31 Mar 2020 £m
Less than three months	16.957	14.995
Three to six months	1.789	2.401
Six months to one year	1.406	2.796
More than one year	5.925	7.109
Total	**26.077**	**27.301**

The gross value of trade debtors, excluding other local authorities and central government departments and agencies, is analysed as follows:

	Gross Value of Trade Debtors 31 Mar 2020 £m
Finance Lease Receivables	0.136
Contract Assets	0.298
0 - 30 Days	8.134
Over 30 Days	14.325
Debtors Excluding Other Local Authorities and Government	**22.893**

A loss allowance for these financial assets is recognised based on the gross value of trade debtors which are more than 30 days past due and which have been or are expected to be referred for review by the Council's Legal Services department or under the Care Act (2014). A non-recovery rate based on the historical success rate of recovering such debt, once referred, along with a factor to reflect the prevailing economic conditions, is applied to the gross value of referred debt to determine the amount of the loss allowance. The factor for current market conditions was derived by comparing the expected default rate for 2020 with the historic default rate based on information collated by the major rating agencies. This is the first year that macroeconomic information has been used in the estimation of the loss allowance for trade debt. The change to this estimation technique has been made to factor in the significant general impact of the Covid-19 pandemic on the economy and its potential to impact on the Council's ability to recover debt.

Department / Debt Category	Trade Debtors Over 30 Days £m	Referred Debt * £m	Expected Non-Recovery Rate %	Factor for Current Economic Conditions ** %	General Loss Allowance £m	Specific Loss Allowance £m	Total Loss Allowance £m
Adult Care - Secured Over Property	3.031	0.000	0%	193%	0.000	0.000	**0.000**
Adult Care Other - Over 1 Year	2.691	2.691	62%	193%	2.691	0.000	**2.691**
Adult Care Other - 1 Year or Under	3.106	3.106	29%	193%	1.720	0.000	**1.720**
Other	5.497	0.892	29%	193%	0.494	0.261	**0.755**
Total	**14.325**	**6.689**			**4.905**	**0.261**	**5.166**

* Referred debt has been, or is expected to be, referred to Legal Services or reviewed under the Care Act (2014)
** The adjustment for economic conditions is restricted in order that the loss allowance does not exceed 100% of the value of the debt

Whilst expected credit losses relating to trade debtors are measured on a collective basis, those relating to other financial assets are determined on a case by case basis.

Reconciliation of Credit Loss Allowances

A reconciliation of the opening and closing balances of the allowances recognised for potential credit losses on the Council's financial assets for the year ended 31 March 2020 is provided as follows:

	Balance at start of year £m	Increase due to recognition of new Financial Assets £m	Decrease due to de-recognition of Financial Assets £m	Change due to Modification of cash flows of the Financial Assets £m	Due to Change in Average Default Rates £m	Due to Change in Significance of Credit Risk £m	Balance at end of year £m
Measured at 12-month expected credit losses where:							
There has been no significant increase in credit risk since initial recognition	**0.023**	0.035	(0.034)	0.000	0.013	0.000	**0.037**
Measured at lifetime expected credit losses where:							
Credit risk has increased significantly since initial recognition	**0.530**	0.486	0.000	0.000	0.244	(0.034)	**1.226**
Financial assets have become credit impaired	**0.000**	0.000	(0.034)	0.000	0.000	0.034	**0.000**
Allowed under the simplified approach i.e. Debtors	**2.711**	0.921	0.000	0.000	1.533	0.000	**5.165**
Total Loss Allowance	**3.264**	**1.442**	**(0.068)**	**0.000**	**1.790**	**0.000**	**6.428**

£0.034m of expected credit losses were de-recognised following the write-off of the loan to Derbyshire Developments Limited.

There were no modifications to the cash flows of the Council's financial assets during the year.

12-month expected credit losses are based on the following inputs and assumptions:

- The value of the principal on maturity.
- The coupon interest rate of the loan receivable.
- The average probability of default in the next 12 months for that grade of investment, as determined by the major ratings agencies. This has been adjusted for current market conditions based on the ratio of the expected default rate for 2020 compared to the historic rate of default collated by the major rating agencies.
- The expected loss given default is assumed to be 53% (Moody's unsecured).
- In the event of default the recoverable amount is expected to be received two years later than the due date.

Lifetime expected credit losses are based on the following inputs and assumptions:

- The value of the principal on maturity.
- The probability of default for that grade of investment, and the expected loss given default (Moody's).

Forward-looking information is incorporated into the determination of expected credit losses:

- For specific investments – by reference to the investment grade provided by the major ratings agencies and by considering the forecast default rates for the year compared to historical rates of default.
- For trade debtors – by considering the value of additional debt that is likely to be referred in addition to that which has already been referred for review and by considering the forecast default rates for the year compared to historical rates of default.

The Council does not hold any collateral as security or any other credit enhancements against the loans it has issued.

Liquidity risk

The Council manages a comprehensive cash flow management system. This seeks to ensure that cash is available when it is needed. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The contractual maturity for short term and long term borrowing is as follows:

	31 Mar 2020 £m
Less than one year	(57.075)
Between one and two years	0.000
Between two and five years	(16.371)
Between five and ten years	(30.403)
More than ten years	(195.636)
	(299.485)

Interest rate risk

Within the Annual Treasury Management Strategy maximum limits are set for fixed and variable interest rate exposure. The interest rate profile of financial assets and liabilities is as follows:

	Total £m	Non-interest bearing £m	Variable or Fixed <1 year £m	Fixed > 1 year £m	Fixed rate: Weighted average int rate (%)	Fixed rate: Weighted average period (years)
Financial assets	**236.256**	1.000	209.215	26.041	2.21	1
Financial liabilities	**(299.485)**	0.000	(57.075)	(242.410)	3.89	18

A 1% change in interest rates would have the following impact:

	Impact on provision of services £m	Impact on net worth £m
Increase by 1% (100 basis points)	0.386	44.249
Decrease by 1% (100 basis points)	(0.386)	(44.249)

50. SUBSEQUENT EVENTS

Trust Funds
On 23 April 2020, Cabinet approved the transfer of 47 educational charitable Trust Funds, for which the Council is the sole Trustee, to Foundation Derbyshire. The total value of these funds was £1.323m at 31 March 2020.

Springwell Community College, Staveley
Springwell Community College, in Staveley, became an Academy on 1 March 2020. A lease to the Two Counties Trust, for the school land and buildings, commenced on the same date but was signed on 13 May 2020. The assets have been disposed of in the Council's accounts as at 31 March 2020.

Fire at Harrington Junior School, Long Eaton
On 28 May 2020, a fire occurred at one of the Council's schools, Harrington Junior School, in Long Eaton. The fire is what is known as a non-adjusting event after the balance sheet date because the fire which impacted on the condition of the school assets did not occur until after the balance sheet date.

The fire affected the main block of the school, which had a balance sheet value of £2.323m at 31 March 2020. It is expected that the Council will make an insurance claim for £3.600m, representing £3.015m for rebuilding the block and replacing its contents and £0.350m for the business continuity provision of temporary classrooms. The Council's insurance excess of £1m will be met from its insurance fund.

Covid-19
The local government sector has responded swiftly to the Covid-19 outbreak, to ensure that it is supporting residents and businesses throughout the pandemic. The Council estimates that there will be substantial cost pressures over the coming months, as well as significant loss of income and slippage in the savings programme. These additional pressures include, but are not limited to:

- Additional cost of care packages.
- Increased demand for Personal Protective Equipment.
- Set up and administration of the Council's Community Response Unit.
- Managing the delivery of food parcels to shielded and vulnerable residents.
- Increase in fees to independent sector care providers.
- Children's Services care placements.

- Additional staffing to manage workloads and staff absences as a result of the pandemic.
- Business Hardship Fund.
- Loss of income from countryside sites and country, household waste recycling centres and registrars.
- Loss of investment income.

In early April 2020, the Council made an initial estimate of the cost pressures, including loss of income, for the period April to June 2020. The costs at that time were estimated to be in excess of £30m.

In response to the financial pressures faced by local government, the Government has provided additional funding to support local authorities, which is welcome, however, there are concerns that it may not be sufficient. It is too early in the 2020-21 financial year to understand the true extent of the financial impact, but the Council will provide reports to its Corporate Management Team and Members as part of the usual budget monitoring process.

In addition to the additional costs, there is also expected to be some slippage on the Council's savings programme as the Council has refocused its priorities during the response to the pandemic.

There are inevitably some risks and uncertainties during the following months which are difficult to quantify at this time. These include:

- Additional placements costs for children in care – the associated costs are likely to extend beyond the initial three month cost estimates.
- Extended services in schools – whether these will be eligible for support for the Government's Covid-19 grant for schools.
- Personal Protective Equipment – demand has been high so the Council has continued to purchase large volumes in the knowledge that it will be quickly consumed.
- Staffing costs – redeployment to support priorities during the pandemic.
- Projects – the Council has a number of ongoing projects and discretionary activity – a number of these actions will be suspended.

There was an initial period of uncertainty in financial markets during mid-to-late March 2020 and local authorities had concerns about cashflow and the ability to obtain resources to fund activities. However, the Government decision to release some elements of grant funding to local authorities earlier than scheduled has helped to ease some of these concerns and there have been signs that financial markets have absorbed the initial shock and are starting to stabilise at pre-Covid-19 levels. The Council's cashflow forecasting indicates that there are no immediate short-term concerns, however the Council has taken the decision to lessen the demand for cash in the short term by changing and introducing more flexibility into its approach to making Advanced Pension Contributions over the three year period from 2020-21.

The Council set its 2020-21 investment income budget at £6m in February 2020, when the Bank of England's base rate of interest was 0.75%. The base rate was reduced from 0.75% to 0.25% on 10 March 2020, with a further cut, to 0.10%, announced later in the month. This will inevitably result in the Council being unable to meet its budgeted target income, as rates are expected to remain low in the short-term. Assuming a return to normal interest rate levels, this could result in a one-off shortfall in 2020-21 of at least £3m of the anticipated interest income of £6m.

The Council has made an offer to defer rent to business tenants of Council property for a period of three months in respect of the period April to June 2020. The terms of the deferral will be to secure repayment of the rent over the period up to the end of March 2022. Whilst the proposal in itself does not result in a deficit in the Council's income, it will mean that income to the value of approximately £0.5m will be deferred beyond Quarter 1 of the 2020-21 financial year. However, it is likely that many of these businesses will be in no position to make up the "holiday" later in 2020-21 and it is recognised that the Council will probably have to write off a significant element of the income.

The Council will need to make significant investment to stimulate the local economy as it emerges from the impact of the pandemic in the coming months. The capital programme will be reviewed and this is likely to result in additional borrowing to support capital projects which could lead to an increase in base debt repayment and interest charges of up to £5m, subject to a wider affordability test of the Council's financial resilience and sustainability.

There were no other significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements.

ACCOUNTING POLICIES

INTRODUCTION

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

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

This document outlines how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2019-20 financial year.

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

The Accounting Policies of the Council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable. A Glossary of Terms can be found at the end of this document.

The document has been divided into four distinct categories which are Accounting Principles, Capital Accounting, Revenue Accounting and Treasury Management, with each policy being assigned a policy number.

ACCOUNTING PRINCIPLES

1.1. Going Concern

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

1.2. Accruals Concept

The Council accounts for income and expenditure in the period in which the provision of goods or service has taken place, rather than when cash payments are received or made.

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

1.3. Cost of Services

Internal support service costs (e.g. Human Resources) are apportioned across the core service areas to represent the total cost of delivering that service to the public, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2019-20 (SerCOP).

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

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

1.4. Value Added Tax

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

1.5. Changes in Accounting Policy

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

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

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

1.6. Prior Year Adjustments

These typically arise from omissions and misstatements in the Council's financial statements for one or more prior periods. For the error to be a prior year adjustment, it would need to have arisen from a failure to use or misuse, reliable information that:

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

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

They may also arise for reasons such as changes in Accounting Standards, which are required to be applied retrospectively.

Where required changes are thought to be significant, an adjustment will be entered into the financial statement's comparative year balances, and the columns headed 'restated'. In addition full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

Errors which are found and are not significant will not result in a prior year adjustment and will be corrected as a current year entry. In addition, errors as a result of information which was not known to the Council, or could not have reasonably been obtained by the Council when the accounts were authorised for issue will also be treated as an in year adjustment.

1.7. Unidentified Income

All unidentified income received is initially coded to an income suspense account. Individual amounts below £10 are written off due to immateriality. Weekly updates of the content of the suspense accounts are circulated to finance departments, to ensure the balances are cleared quickly. Any items of income below £10,000 which remain unidentified for six months will be written off. Items above £10,000 will be written off after 12 months.

1.8. Events after the Balance Sheet Date

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

1.9. Exceptional Items

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

1.10. Contingent Assets and Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. They are not recognised in the Balance Sheet but disclosed in a note to the accounts.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

CAPITAL ACCOUNTING

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

In accordance with International Accounting Standard 16 (IAS 16), the Council recognises non-current assets as:

- Assets where it is expected that future economic benefit or service potential will flow to the Council.
- Assets where the cost can be measured reliably.

and defines them as :-

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.
- Assets expected to be used for more than one financial period.

The initial measurement of an asset is recognised to be:

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

Subsequent expenditure are costs incurred to add to, replace part of, or service the asset, but do not include day-to-day repairs and maintenance and are treated as capital when

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

Where a component is replaced, the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles as set out above.

The Council has two levels of de-minimis for recognition of capital expenditure, £10,000 and £500,000:

- £10,000 and below – all expenditure at this level is deemed to be non-enhancing unless funded by a Capital grant, and therefore is charged to revenue as it is incurred. This includes initial recognition of assets and subsequent asset expenditure.
- Above £500,000 - expenditure meeting the definitions above will be treated as capital expenditure, either as initial recognition or as an enhancement. However, in order to ensure that the subsequent asset expenditure is enhancing the value of the asset, the Council will instruct a valuation of the asset by a Royal Institute of Chartered Surveyors (RICS) qualified valuer, and any impairment or additional enhancement recognised as necessary.
- Any expenditure above £10,000 and below £500,000 will be treated as capital expenditure as the amount is significant enough to increase the useful life of an asset, however is not material enough to warrant individual impairment review, until the time the asset would normally be valued.

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

The Council has assessed whether Voluntary Aided, Voluntary Controlled and Foundation Schools should be included within the balance sheet, based upon an assessment of ownership and control of the assets. Maintained schools are already held on the balance sheet as the Council controls these entities and therefore all transactions relating to maintained schools are recognised in these accounts. Other types of schools such as Voluntary Aided, Voluntary Controlled and Foundation schools are subject to a test of ownership. The Council recognises a school's assets on its balance sheet where it directly owns them and/or the Council retains substantive rights over the assets and the future economic benefits/service potential of school assets flow to the Council or rights to use the assets have been transferred from another entity.

1.12. **Donated Assets**

These are acquired at less than fair value or transferred for nil consideration. When the Council receives a donated non-current asset, the initial recognition of the asset will be at fair value.

Once any condition attached to the donation has been satisfied, the credit which is the difference between any cash payment and fair value will be treated as income in the Taxation and Non-Specific Grant Income and Expenditure line in the Comprehensive Income and Expenditure Statement. To ensure there is no impact on Council Tax this will then be reversed in the Movement in Reserves Statement and credited to the Capital Adjustment Account.

Until the condition has been satisfied the credit will be recognised in the Donated Assets account. If there is no condition, the recognition of the credit in the Comprehensive Income and Expenditure Statement will occur upon acquisition of the asset.

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

1.13. **Non-Current Asset Classification**

The Council manages its assets in the following categories:

- **Intangible Assets**

  In line with International Accounting Standard 38 (IAS 38), the Council recognises intangible assets as non-monetary assets without physical substance, where that asset meets the capital expenditure criteria set out in Accounting Policy 1.11.

- **Property, Plant and Equipment Assets**

  Property Plant and Equipment Assets are subcategorised into Operational Land & Buildings, Community Assets, Vehicles Plant Furniture & Equipment, Infrastructure Assets, Non-Operational Assets, these being Surplus Assets and Assets under Construction.

  - Land and/or Buildings Assets.

    These assets are recorded, valued and accounted for based on their significant components in line with IAS 16. The Council recognises a significant asset to be 25% of the total asset base within an asset class. A component would be recognised if its expenditure in a given financial year exceeds 25% of the total value of the significant asset and has a substantially different life to the overall asset:

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

- Community Assets

  These are assets that the Authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect for sale or change of use.

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

- Infrastructure Assets

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

- Vehicles, Plant Furniture and Equipment Assets and Assets Under Construction

  These assets are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale.

- Non-Operational (Surplus) Assets

  Surplus assets are assets that are not being used to deliver services, and do not meet the criteria to be classified as either investment properties or held for sale. All surplus assets under IFRS13 which came into effect and were adopted by the Council from 1 April 2015 are to be valued at Fair Value and depreciated accordingly.

- **Investment Property Assets**

  These are items of land and / or buildings held by the Council solely for the purpose of rental income generation or capital appreciation or both.

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

Investment property that subsequently meets the criteria within the Code to be classified as held for sale shall continue to be accounted for as an investment property, but may be reported separately as investment property held for sale.

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

- **Heritage Assets**

  Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations are classified as Heritage Assets.

- **Assets Held for Sale**

  The Council will classify assets as held for sale where all of the following criteria have been met:
  - The asset must be available for immediate sale in its present condition. However, if a sale is dependent on planning permission being obtained, reclassification is suspended until that permission has been given.
  - The asset's sale is highly probable.
  - The asset must be actively marketed for sale.
  - The completion of the sale is expected within 12 months from the date of classification.

In situations where it is not necessary to carry out active marketing, for example the Council is able to identify prospective purchases willing to pay a reasonable price without marketing or because the buyer initiates the transaction (such as a right-to-buy-sale) the actively marketed test is treated as 'not applicable', rather than failed.

Assets which become non-operational which do not meet all of the criteria set out as assets Held for Sale will be classified as surplus. If at a later point in time the asset no longer meets the criteria of Held for Sale, it is restored to its previous classification and all transactions which would have occurred shall be retrospectively applied as though the asset had never been held for sale.

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

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

1.14. **Non-Current Asset Valuation Methodology**

The various classifications of assets as outlined in Accounting Policy 1.13 are valued on a differing base. Where not explicitly stated otherwise, property revaluations are completed by a RICS qualified valuer (who is internal to the Council), over a 'short period', interpreted to mean on a five year rolling programme for each class of asset i.e. 20% of the Council's assets are revalued at the 1 April for the financial year. However an impairment review to consider if any material degradation or other impairment has occurred during the financial year is then completed at the Balance Sheet date.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the Revaluation Reserve. This is then reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain. Where there is a revaluation resulting in a lower than carrying amount valuation, this is treated in line with Accounting Policy 1.15 – impairment of Non-Current Assets.

The Council, as per the reporting standard, values its assets and liabilities in accordance with section 2.10 of the Code of Practice on Local Authority Accounting in the United Kingdom to reflect the adoption of IFRS13 Fair Value Measurement at each reporting date except where adaptations to fit the public sector are detailed in the Code. However, Section 4.1 of the Code adapts IAS 16 to require that items of Property, Plant and Equipment that are operational and therefore providing a service potential for the authority are measured for their service potential at existing use value, existing use value – social housing, (depreciated) historic cost or depreciated replacement cost and not at fair value. Surplus assets are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Code requires all assets to be measured at Current Value and the basis of valuation will be determined using the following criteria:

- Depreciated replacement cost – specialised assets
- Existing use value – non-specialised assets
- Existing use value – social housing

Fair value for the following assets:

- Investment assets
- Surplus assets
- Assets Held for Sale (less costs to sell)

The Council uses valuation techniques, as required by the Code, which maximise the use of relevant observable inputs and minimise the use of unobservable inputs and that are appropriate in the circumstances and for which sufficient data is available.

Observable inputs are inputs that are developed using market data, such as publically available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

Unobservable inputs are inputs for which market data is not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

The Council follows the fair value hierarchy which categorises inputs to the valuation techniques in respect of assets and liabilities into three levels for which fair value is measured or disclosed in the Council's financial statements, these include:

- Level 1 inputs – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset or liability

Highest priority is given to Level 1 inputs (unadjusted) in active markets and lowest priority to Level 3.

Upon the revaluation of a Surplus Asset at the 31st March of the financial year, based on the inputs available at the date of valuation the valuer will establish the Code Valuation Input Level for the valuation and will compare this with the Code Valuation Input Level for the previous valuation. Where the Input Level is different from that of the previous valuation this will be specifically reported with the valuation together with a narrative description of the reasons and differing circumstances that have resulted in the change.

Valuations are completed under the Code as follows:

- **Intangible Assets –** the Council recognises Intangible Assets at cost. The Council will only revalue intangible assets annually where there is a determinable market value for the asset.

- **Property Plant and Equipment (PPE) –** Property Assets are held at current value which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of Existing Use Value (EUV) in accordance with United Kingdom Practice Statement (UKPS) 1.3 of the RICS Valuation Standards. Where no other valuation method can be used because of the specialist nature of the asset, current value is estimated using a Depreciated Replacement Cost (DRC) approach. Vehicles, Plant, Furniture and Equipment, IT Hardware, and Assets Under Construction within PPE are held at historic cost (not valued).

- **Infrastructure Assets –** the Council recognises Infrastructure Assets at Depreciated Historical Cost.

- **Investment Property Assets –** Investment Properties are annually revalued at fair value which is interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. An investment property under construction is measured at cost until such time as its fair value can be determined reliably or its construction us complete, whichever comes first. The fair value of Investment Property held under a lease is the lease interest.

- **Community Assets –** the Council recognises Community Assets at historic cost.

- **Heritage Assets –** where it is possible to determine a valuation for Heritage Assets, then the Council will recognise the asset in the Balance Sheet at that valuation. Where a valuation has been applied to this class of assets, other than a historic valuation, a range of valuation bases have been used which include external valuations, curatorial valuations and a limited number of cases of insurance valuations. Where a curatorial valuation has been applied the valuation is dependent upon the experience and knowledge of the Derbyshire Museums Manager. However, where it is not practicable to obtain a valuation the asset will be carried at historic cost. Where information on cost or value is not available all Heritage Assets will be disclosed in the notes to the accounts, even where they are not recognised in the Balance Sheet. Where there is evidence of impairment to Heritage Assets e.g. where an item has suffered a physical deterioration or breakage or new doubts arise as to its authenticity, any impairment is recognised and measured in accordance with the Council’s general policies on impairment.

- **Assets Held for Sale –** Assets held for sale are, at initial classification and at the end of each reporting year, valued at the lower of carrying amount and fair value less costs to sell and depreciation on these assets should cease.

- **Surplus Assets** - Surplus assets are valued at Fair Value in accordance with the Code.

1.15. **Impairment of Non-Current Assets**

This accounting policy has been created in accordance with IAS 36.
Impairment is the amount to which the carrying value of an asset exceeds the recoverable amount.

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

The Council recognises impairment as:

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

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains). Any further impairment or if there has been no previous revaluation, the impairment is charged to revenue. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

1.16. **Disposal of Non-Current Assets**

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

Sale proceeds in excess of £10,000 are categorised as Capital Receipts. Receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the Capital Financing Requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the Capital Adjustment Account via the Movement in Reserves Statement.
Sale proceeds of £10,000 and below are credited straight to the Comprehensive Income and Expenditure Statement.

1.17. **Depreciation / Amortisation Methodology**

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

The Council charges depreciation on a pro-rata basis during the year i.e. from the month of acquisition to the month of disposal.

The economic lives of assets are:

- **Intangible Assets –** 5 years.

- **Property Plant and Equipment**
    - Combined Group for Flat Roof and Mechanical Engineering – 20 years
    - Land – not depreciated
    - Temporary Buildings – 15 years
    - Modular Buildings – 25 years
    - Combined group for structure, external works, pitched roof and components of less than 25% of the overall structure value – 40 years
    - Other unique features (i.e. a swimming pool) – as required
    - Fixtures and Fittings – 10 years
    - IT Hardware – 5 years
    - Vehicles – 3 to 10 years

- **Infrastructure Assets**
    - Carriage ways – 40 years
    - Footways and cycle tracks – 40 years
    - Structures – 40 years
    - Lighting – 25 years
    - Traffic management – 25 years
    - Street furniture – 25 years

- **Investment Property Assets –** not depreciated

- **Community Assets –** Community Assets are assets that an authority intends to hold to perpetuity which have no determinable useful lives and as such are not depreciated.

- **Assets Held for Sale –** are not depreciated

1.18. Leases

In line with IAS 17, the Council recognises a lease to be any agreement which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments.

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

1.19. **Defining a Finance Lease**

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

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

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

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

1.20. **Defining an Operating Lease**

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

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

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

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

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

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

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

Where the Council is the lessor for an operating lease, it will retain the property as either an item of Property Plant and Equipment or as an Investment Property on the Balance Sheet. Any rental income is credited to the relevant service income.

1.24. **Service Concession Agreements (Private Finance Initiative (PFI) and other similar contracts)**

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

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

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

PFI Credits are treated as general revenue government grants.

1.25. **Capital Grants and Contributions**

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

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

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the Comprehensive Income and Expenditure Statement.

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

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

1.26. **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred that either may be capitalised under statutory provisions or is capital in nature but does not result in the creation of a fixed asset that is owned by the Council. REFCUS is charged as expenditure to the Comprehensive Income and Expenditure Statement in the year, however is financed from existing capital resources or by borrowing. A transfer between the Capital Adjustment Account and the Movement in Reserves Statement then reverses out the impact on the general fund balance.

1.27. **Minimum Revenue Provision (MRP)**

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

The Council will provide for 2.5% of debt outstanding on all debt as at 31 March 2008. On any new debt since this date the Council will provide 2.5% of the balance on all borrowing, unless any unsupported borrowing relates to any significant assets with a life of less than 20 years. In this case an annual amount based on the expected useful life of the individual assets is used and where those assets are vehicles then an average life of five years is used.

The Council has adopted the policy of charging MRP for PFI and Leased Assets at the value of the associated loan liability repayment each year, thus mitigating the impact to the General Reserve.

1.28. **Capital Reserves**

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

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

REVENUE ACCOUNTING

1.29. **Recognition of Revenue Expenditure**

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

1.30. **Employee Costs**

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

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

Short Term Employee Benefits

- **Salaries and Wages –** The total salary and wages earned by employees during the financial year are charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.

- **Leave Owed, Accumulating Absences –** The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu.

  If an employee were to leave the Council, cash payment would be made for entitlements such as annual leave; this leave is termed vesting. Where no cash payment would be due, the leave is termed non-vesting.

  In order to correctly reflect the cost of time owed to staff, a charge has been made to the Comprehensive Income and Expenditure Statement and a creditor accrual has been reflected in the Balance Sheet. This charge is reflective of the estimated time cost value of all accumulating leave owed to employees. Vesting leave will be charged in full; however non-vesting leave has been adjusted to reflect the turnover of staff.

- **Easter Bank Holiday –** When Good Friday and/or Easter Monday fall in April, the preceding financial year only accounts for 6 or 7 bank holidays rather than the statutory 8. When this occurs a charge is made to the Comprehensive Income and Expenditure Statement and a creditor accrual is reflected in the Balance Sheet.

- **Non-accumulating Absences –** are periods of leave that cannot be carried forward for use in future periods. Examples include Maternity Leave, Special Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs.

- **Non-monetary Benefits –** Where employees have non-monetary benefits (e.g. retirement benefits or life insurance), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.

Termination Benefits

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

The Council will disclose details of exit packages within the notes to the accounts.

Pensions Costs

- **Teachers' Pension Scheme –** is a defined benefit scheme administered by the Department for Education. The assets and liabilities of the Teachers' Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.

- **Local Government Pension Scheme –** is a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates and employee turnover rates, and projections of earnings for current employees.

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

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

- Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement within the relevant service area dependant on staff employed at the Council. The current service cost includes an allowance for administration expenses
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Interest Income on Plan Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Movement in Reserves Statement.
- Employer Contributions – cash paid by the Council to the Pension Fund.

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

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

1.31. **Lessee Accounting for an Operating Lease**

Costs associated with operating leased assets where the Council is the lessee are charged immediately to the Comprehensive Income and Expenditure Statement within the Net Cost of Services on an accruals basis.

1.32. **Revenue Grants and Contributions**

Grants, contributions and donations (referred to as grants for the purposes of this policy) are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (income in advance). Any grant which had met the recognition criteria but had not been received would be shown as a debtor.

Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services. Those which are for general purpose are shown within Other Operating (Income) and Expenditure in the Comprehensive Expenditure and Income Statement.

1.33. **Income from Service Recipients**

Income from service recipients is defined as consideration that a party, which has contracted with the Council, has given in exchange for goods or services that are the output of the Council's normal operating activities. Such a contract may be in writing, orally or in accordance with customary business practices. These may include:

- Charges for service provided by the Council.
- Sale of goods provided by the Council.
- Fees and charges for services under statutory requirements where there is an exchange of assets or services, such as the issuing of a licence or processing of an application.

In such cases the Council recognises income when it has satisfied the performance obligation by transferring the promised goods or services to the service recipient. The point of transfer is when the service recipient takes control of the goods or benefits from the service.

The Council deems performance obligations to be satisfied over time, rather than at a point in time if any of the following criteria are met:

- The service recipient simultaneously receives and consumes the benefits of a service.
- The Council's performance enhances an asset that the service recipient controls.
- The Council has an enforceable right to payment for performance completed to date and that performance does not create an asset for which it has an alternative use.

Such income is recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services.

1.34. **Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision. Where payment is not expected for more than 365 days after the balance sheet date, the provision has been discounted using the rate of a high quality corporate bond.

Estimated settlements are reviewed at the end of each financial year and adjustments with the Comprehensive Income and Expenditure Statement are made as required.

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

The Council does not hold any general provisions.

1.35. **Revenue Reserves**

The Council holds usable revenue reserves for the purpose of funding future expenditure. The General Reserve represents the balance of reserves to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the Five Year Financial Plan. Earmarked Reserves represent balances where approval has been received to use the reserve for a specific purpose.

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

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

The Council publishes a separate Reserves Policy document, which is reviewed by Cabinet at least annually.

1.36. **Research Costs**

Research costs should be treated as revenue expenditure at the point in which they are incurred, and charged to the Comprehensive Income and Expenditure Statement.

1.37. **Members' Allowances**

The Council in exercise of the powers and duties conferred by the Local Authorities (Members' Allowances) (England) Regulations 2003, has established a Members Allowance Scheme, outlining the allowances payable to Members of the Council. Members are reminded of the need to keep detailed supporting information, such as a diary, about every attendance for which they claim. This information should be available for scrutiny by the Council's Auditors or other relevant persons as and when required. The scheme is updated annually, and full details are available on the Council's website.

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

1.38. Council Tax and Business Rates Recognition

Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement includes the Council’s share of accrued income recognised by billing authorities in the production of the Collection Fund Statements.

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

1.39. Inventories and Work in Progress

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Inventory is recorded in terms of average cost, with the exception of fleet parts where the cost is recorded on a first in, first out basis.

Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

1.40. Loss Allowance for Expected Credit Losses

The Council maintains a loss allowance for any amounts it is due to receive from its debtors or investments which might become uncollectable.

Credit risk is assessed based on the expectation of a debtor’s or an investment issuer’s ability to pay future cash flows due under the contractual terms. This risk is estimated, where possible, based on historical loss experience, the debtor’s or investment issuer’s credit rating and other impacting factors including forward-looking information.

The loss allowance for an investment is initially measured at an amount equal to the portion of the lifetime credit losses which might be expected from a default event within 12 months of the balance sheet date. If the Council considers that the risk of default on an investment has increased significantly since the investment was initially recognised it will measure the loss allowance at an amount equal to the total lifetime credit losses expected from a default event.

At each Balance Sheet date the Council makes a two-stage assessment of significant increases in credit risk since initial recognition:

- Firstly, whether there is evidence of a significant increase for an individual debtor or investment that is significant, and
- Secondly, whether there is evidence of a significant increase for groups of similar debtors or investments.

The Council adopts the simplified approach of measuring the loss allowance for debtors at an amount equal to the total lifetime credit losses expected from a default event, from the time a debtor is initially recognised.

No loss allowance is recognised for expected credit losses where the debtor or investment issuer is central government or another local authority for which relevant statutory provisions prevent default.

Loss allowances are offset against the debtor or investment amount shown as an asset. The movement in the allowance is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

TREASURY MANAGEMENT

1.41. **Definition of Treasury Management Activities**

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

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

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

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

1.42. **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in the value.

1.43. **Financial Liabilities**

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

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

Any premiums or discounts, incurred on the early repayment of loan debt, arising from 1 April 2007 are taken immediately to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repayment. However, the amount is then credited or debited to the General Reserve and transferred to the Financial Instruments Adjustment Account via the Movement in Reserves Statement as required by statute.

The regulations allow that the premium or discount is amortised over periods specified in the statutory guidance. In accordance with the guidance the Council has a policy of spreading the premium or discount over the remaining term of the original loan, or a minimum of 10 years in the case of discounts. This amortisation is managed by a transfer from the Financial Instruments Adjustment Account to the General Reserve via the Movement in Reserves Statement.

Where a loan has been restructured, by a modification to the terms of the existing loan or by an exchange of debt instruments with the existing lender, and the terms are substantially different, the original financial liability is extinguished and a new financial liability is recognised. The difference between the carrying amount of the new and extinguished liability and any consideration transferred is recognised in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Where the terms of a loan debt exchange or the modification to the terms of an existing loan are not substantial, the carrying amount of the liability is adjusted to the value of the remaining cash flows required by the new terms, including any premiums or discounts paid/received, discounted to present value at the original loan's effective interest rate. Any gain or loss on modification is credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

A modification of terms is deemed to be substantially different if the present value of the cash flows under the new terms, including any premiums or discounts paid/received, is at least 10% different from the present value of the cash flows under the old terms. In both cases the present value is calculated by reference to original loan's effective interest rate.

1.44. **Financial Assets**

Financial assets are classified into three types according to the Council's business model for managing those assets and the characteristics of the cash flows of the asset:

1) **Financial Assets Measured at Amortised Cost** – assets where it is the Council's intention to hold the asset to collect the contractual cash flows and those cash flows consist solely of payments of principal and interest which arise on specified dates

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

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

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

Investments are represented on the balance sheet depending on their remaining life at the Balance Sheet date:

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

2) **Financial Assets Measured at Fair Value Through Other Comprehensive Income** – assets where it is the Council's intention to hold the asset both to sell the asset and to collect the contractual cash flows and those cash flows consist solely of payments of principal and interest which arise on specified dates, or assets which are equity instruments which it is the Council's intention to hold for more than 12

months and which the Council has irrevocably elected to present changes to their fair value in Other Comprehensive Income and Expenditure

These assets are initially measured and carried at fair value. Where the asset has determinable payments of dividends or interest, these are credited to the Comprehensive Income and Expenditure Statement. Interest receivable is based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends are recognised when the Council's right to receive the payment has been established and the amount can be measured reliably.

Values are based on the following principles:

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

Changes in fair value are balanced by an entry in the Financial Instrument Revaluation Reserve and the gain/loss is recognised in Other Comprehensive Income and Expenditure and the Movement in Reserves Statement. Impairment of these assets, due to expected credit losses, is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement and credited to a loss allowance account which reduces the carrying value of the financial asset. Any gains and losses that arise on de-recognition of the asset are credited/debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

3) **Financial Assets Measured at Fair Value Through Profit or Loss** – assets which are neither measured at amortised cost nor where changes to fair value are presented in Other Comprehensive Income and Expenditure

These assets are initially measured and carried at fair value. Where the asset has determinable payments of dividends or interest, these are credited to the Comprehensive Income and Expenditure Statement. Interest receivable is based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends are recognised when the Council's right to receive the payment has been established and the amount can be measured reliably.

Values are based on the following principles:

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

Changes in fair value are balanced by an entry in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

1.45. **Interests in Companies and Other Entities**

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

Audit Opinion to be inserted

Audit Opinion to be inserted

AUDITOR’S OPINION – DERBYSHIRE COUNTY COUNCIL ACCOUNTS

Audit Opinion to be inserted

Audit Opinion to be inserted

Public

Statement of Accounts Derbyshire Pension Fund 2019-20

Version History			
Vsn	**Date**	**Detail**	**Author**
0.1	14.10.20	Post-audit accounts changes	E Scriven R Dosanjh
0.2	17.11.20	Included in Audit Committee Report for 24 November 2020 meeting	E Scriven

This document has been prepared using the following ISO27001:2013 standard controls as reference:

ISO Control	Description
A.8.2	Information classification
A.7.2.2	Information security awareness, education and training
A.18.1.1	Identification of applicable legislation and contractual requirements
A.18.1.3	Protection of records
A.18.1.4	Privacy and protection of personally identifiable information

EXPLANATORY FOREWORD

Derbyshire County Council administers the Local Government Pension Scheme (LGPS) for employees, pensioners and dependents of a variety of bodies in Derbyshire, including: Councils; Police and Fire Authorities (for civilian employees); the University of Derby, Colleges and Academies (non-teaching staff); Charities and some private companies providing services to local councils.

Derbyshire Pension Fund (the Fund) has over 300 participating employers and over 100,000 members, either active contributors, pensioners or deferred pensioners (people who have stopped paying into the scheme but are not yet receiving a pension).

The benefits payable to members within the Fund are determined by regulations and are guaranteed. Assets in the Fund meet members' benefit payments when they fall due and are accumulated through a combination of contributions from employees and employers within the Fund and from investment returns (both income and capital). The Fund continues to be cashflow positive, with combined contributions and investment income exceeding benefit payments.

At the end of March 2020, the value of the Fund's assets had fallen to just over £4.6bn. Supportive monetary policy helped to deliver positive investment returns in the first three quarters of 2019-20 despite concerns about lower economic growth, the fall-out from the US-China Trade War, the uncertainty surrounding Brexit and increasing political concerns in the run up to the US Presidential Election. Global equity indices achieved all-time highs in February 2020 before the spread of the coronavirus hit markets sharply in the final quarter of the financial year, resulting in a negative investment return of 4.7% for the year ended 31 March 2020. The benefits of diversification were well demonstrated in 2019-20, with the UK equity market losing around 19% in value, whilst losses in major overseas equities markets ranged from 2%-13% in sterling terms and government bonds delivered positive returns.

During the year, the Pension Fund Team successfully used Altair, the new pension administration system implemented in the first quarter of 2019, and the rollout of the associated i-Connect system, which will enable employers to automate the submission of their data, commenced.

The actuarial valuation of the Fund's assets and liabilities as at 31 March 2019 was undertaken during the financial year. As part of the valuation process, the Fund's Actuary reviewed funding plans and set contribution rates for the Pension Fund's participating employers for the period from 1 April 2020 to 31 March 2023.

A separate Annual Report is produced for the Fund which, in addition to the Fund's accounts, includes the governance arrangements for the Fund, detailed performance information and the Fund's approved policy statements. The Annual Report is available on Derbyshire Pension Fund's website:
https://derbyshirepensionfund.org.uk/about-the-fund/annual-report/annual-report.aspx

Membership Statistics

	Actuals		
	31 Mar 2018	31 Mar 2019	31 Mar 2020
Contributors	41,010	41,157	40,125
Pensioners and Dependants	27,959	30,024	31,548
Deferred Pensioners	32,099	31,136	33,164

Employers' Contributions

Employers pay pension contributions into the Fund. The contribution rates payable by the County, Unitary and District Councils expressed as a percentage of pensionable payroll and fixed cash amounts are:

Council	2019-20	2020-21
Derbyshire County	14.5% plus £15.536m	15.5% plus £15.536m
Derby City	13.5% plus £6.981m	14.5% plus £6.981m
Amber Valley Borough	14.0% plus £1.057m	15.0% plus £1.057m
District of Bolsover	13.9% plus £0.962m	14.9% plus £0.962m
Chesterfield Borough	14.2% plus £1.991m	15.2% plus £1.991m
Derbyshire Dales	13.6% plus £0.645m	14.6% plus £0.561m
Erewash Borough	13.1% plus £1.125m	14.1% plus £0.999m
High Peak Borough	12.4% plus £1.833m	13.4% plus £1.833m
North East Derbyshire	13.7% plus £1.527m	14.7% plus £1.527m
South Derbyshire	13.8% plus £0.678m	14.8% plus £0.678m

The percentage rates that were determined by the Actuary in the valuation of the Fund at 31 March 2016, for 2017-18 to 2019-20, and in the valuation of the Fund at 31 March 2019, for 2020-21 to 2022-23, are intended to cover the cost of future service of active Fund members, with the past service deficit being addressed by an annual fixed cash amount.

Members' Contributions

For 2019-20 the contribution rates payable by members into the Fund are determined by The Local Government Pension Scheme 2013 Regulations. The rates are between 5.5% and 12.5% of members' pay, including non-contractual overtime, depending on their pay banding. There is no change to these rates for 2020-21.

Investment Policy

During 2019-20 responsibility for policy matters rested with a Pensions and Investments Committee which is comprised of eight County Councillors, two Derby City Councillors and two non-voting Trade Union representatives. The Pensions and Investments Committee received advice from the Director of Finance & ICT and from one independent external adviser.

Day-to-day management of the Fund is delegated to the Director of Finance & ICT and his in-house staff, operating within a policy framework laid down by the Committee.

Policy is determined by reference to The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which require that advice is taken at regular intervals and place an onus on administering authorities to determine the balance of their investments and take account of risk.

The Fund has a central (strategic) benchmark asset allocation which is designed to meet the performance requirements for the level of risk agreed by the Pensions and Investments Committee. There were no changes to the benchmark allocation in 2019-20, following the change part-way through 2018-19, which re-balanced the Fund's assets from Growth Assets (e.g. Equities and Private Equity) to Income Assets (e.g. Infrastructure, Multi Asset Credit and Property). The Pensions and Investments Committee has a degree of flexibility around the central benchmark allocation and decides the specific allocations (weights) for each asset class at its quarterly meetings. In the table below, the column showing the benchmark return is what would have been achieved via neutrally weighted index returns, whereas the actual Fund returns are a function of both active asset allocation and active stock selection decisions.

Investment Returns

The table below shows the Fund's returns over 1, 3, 5 and 10 years to 31 March 2020, compared to those of its strategic benchmark, as well as the impact of inflation on Fund returns.

	Return		Inflation		Fund Real Return	
Periods to 31 Mar 2020	**Derbyshire Fund**	**Benchmark**	**CPI**	**RPI**	**Versus CPI Inflation**	**Versus RPI Inflation**
	% pa	**% pa**	**%**	**%**	**%**	**%**
1 Year	(4.7)	(5.4)	1.5	2.6	(6.2)	(7.3)
3 Years	1.5	1.0	2.3	3.1	(0.8)	(1.6)
5 Years	4.8	4.3	1.6	2.5	3.2	2.3
10 Years	6.7	6.4	2.2	3.0	4.5	3.7

On a year by year basis, returns tend to fluctuate significantly according to economic and market conditions. Long-term returns are a more appropriate guide to the performance of the Fund.

The Fund out-performed over the one, three, five and ten year periods relative to the benchmark. It is important to note that the Fund delivered real returns over the five and ten year periods, with returns ahead of inflation in these periods. Real returns over the one and three year periods have been impacted by the Covid-19 pandemic.

After several years of positive returns and ever higher equity markets, returns in 2019-20 were adversely impacted by a sharp sell-off in February and March 2020 in response to the Covid-19 pandemic. The economic impact of the containment measures imposed across the globe were unprecedented, as was the resultant policy response from the central banks. In April 2020, the International Monetary Fund (IMF) projected that the global economy would contract by -3% in 2020, in excess of the contraction experienced during the 2008-09 Global Financial Crisis.

The Fund's 2019-20 return of -4.7% compared with a return of 5.6% in 2018-19. In the twelve months to March 2020, equity returns to Sterling investors ranged from -2.1% in Japan to -18.5% in the United Kingdom, with overseas equity returns being positively impacted, on translation, by a weaker pound relative to the major overseas currencies. Returns were positive in the first nine months of the year but fell sharply in the final quarter of the year in response to the Covid-19 pandemic. This is illustrated by UK equity returns in 2019-20. In the first nine months of 2019-20, UK equities returned 8.9% but fell by 25.1% in the final quarter of the year, resulting in a total return for the year of -18.5%.

Government bond returns were positive in 2019-20, with UK Gilts returning 9.9% and UK Index-Linked returning 2.2%. These assets demonstrated their defensive qualities in Q4 2019-20, with prices rising as central banks reduced interest rates and restarted quantitative easing. However, corporate bonds and high-yield bonds fell sharply in Q4 2019-20, as investors switched into less risky assets (e.g. cash and sovereign bonds). Yield spreads widened significantly, reflecting concerns about the effect of lockdowns on corporate profits. UK Investment Grade Bonds returned -4.7% in the final quarter of 2019-20, whereas Sterling-hedged Global High Yield Bonds returned -14.2% in the final quarter.

Property (60% direct/40% indirect) returned 0.5% in 2019-20, down from 4.3% in 2018-19. The full effect of the Covid-19 pandemic has yet to flow through to the property sector, reflecting the illiquid nature of the asset class and it is highly likely that capital values and rental income collections will be adversely impacted in 2020-21.

Actuarial Position of the Fund

Every three years an actuarial valuation of the Fund is undertaken in accordance with the provisions of The Local Government Pension Scheme Regulations 2013. The purpose of the valuation is to review the funding strategy and ensure that the Fund has a contribution plan and investment strategy in place that will enable it to pay members' benefits as they fall due. A valuation of the Fund was undertaken as at 31 March 2019 and set the level of contributions payable by each participating employer for the three years commencing 1 April 2020.

At 31 March 2019, the Net Assets of the Fund were £4.929bn and the Past Service Liabilities were £5.092bn. The Fund's deficit of £0.163bn is being recovered in accordance with its Funding Strategy Statement, which is available on the Council's website at:
https://www.derbyshirepensionfund.org.uk/about-the-fund/policies-strategies-and-statements/investment-strategy.aspx

The funding level is the Fund's ratio of assets to liabilities at the valuation date. The funding level at the 2019 valuation was 97%, a significant improvement on the funding level at the 2016 valuation of 87%.

It should be noted that the actuary adopted a risk-based approach to determine an appropriate investment return assumption for reporting the whole Fund results at the 2019 valuation, in line with the approach taken for setting contribution rates. The Fund's assets were valued at their market value on the valuation date. On a like-for-like basis of calculation, the funding level at March 2019 would have been approximately 92%.

A number of factors, both positive and negative, impacted on the overall funding level in the 2019 valuation.

The actual investment return on the Fund's assets for the period 31 March 2016 to 31 March 2019 was 33.3%, increasing the market value of the Fund's assets and improved the funding position by £1.219bn over the period. Employers' and members' contributions paid to the Fund in the period improved the funding position by a further £0.509bn.

The accrual of new members' benefits and interest on members' benefits already accrued in the period since the last valuation increased the value of the Fund's liabilities and reduced the funding position by £1.066bn in that same period. Changes in actuarial assumptions reduced the funding position by an additional £0.189bn, with an improvement in longevity assumptions being more than offset by changes in the financial assumptions used to calculate the present value of the Fund's liabilities.

Assumptions used in the March 2019 actuarial valuation:

	Assumption
Benefit Increases (CPI Inflation)	2.30%
Career Average Revalued Earnings (CARE) Revaluation (CPI Inflation)	2.30%
CPI Price Inflation	2.30%
Discount Rate	3.60%
Future Investment Return*	3.60%
Life Expectancy at age 65 - Female - Current Pensioners***	23.7 years
Life Expectancy at age 65 - Female - Future Pensioners**	25.1 years
Life Expectancy at age 65 - Male - Current Pensioners***	21.6 years
Life Expectancy at age 65 - Male - Future Pensioners**	22.6 years
Salary Increases (0.70% over CPI Inflation)	3.00%

* 77% likelihood that the Fund’s investments will return at least 3.60% over the next 20 years based on asset projections.
** Future Pensioners are assumed to be aged 45 at the valuation date.
*** Current Pensioners are assumed to be aged 65 at the valuation date.

The contribution rates required have been determined using a “risk based” approach. The level of contribution rate to give an appropriate likelihood of meeting an employer’s funding target, within the agreed timeframe, is determined for each employer. The full rate of an employer’s contribution provides for the cost of year-by-year accrual of benefits in respect of current Fund members and the amount required to meet a shortfall in respect of the assets required for pensions in payment (including those payable to survivors of former members) and benefits accrued by other members, which will become payable in the future (known as a past service deficiency).

Further Information

Derbyshire Pension Fund’s Investment Strategy Statement, Funding Strategy Statement, Actuarial Valuation Report, Governance Compliance Statement, Communications Policy Statement and Annual Report are available on the Derbyshire Pension Fund's website at http://www.derbyshirepensionfund.org.uk .

FUND ACCOUNT

2018-19 £m		Note	2019-20 £m
	Dealings with Members, Employers and Others Directly Involved in the Fund		
193.715	Contributions	6,23	160.457
10.324	Transfers in from Other Pension Funds	7	11.195
204.039			**171.652**
(160.930)	Benefits	8,23	(172.634)
(12.976)	Payments to and on Account of Leavers	9	(17.676)
(173.906)			**(190.310)**
30.133	**Net Additions/(Reductions) from Dealings with Members, Employers and Others Directly Involved in the Fund**		**(18.658)**
(28.129)	Management Expenses	10	(30.104)
2.004	**Net Additions/(Withdrawals) Including Fund Management Expenses**		**(48.762)**
	Returns on Investments		
100.816	Investment Income	11	93.983
0.033	Taxes on Income	12	(0.037)
181.703	Profits and Losses on Disposal of Investments and Changes in Value of Investments	13	(316.288)
282.552	**Return on Investments**		**(222.342)**
284.556	**Net Increase in the Net Assets Available for Benefits During the Year**		**(271.104)**
4,644.031	Opening Net Assets of the Fund		4,928.587
4,928.587	**Closing Net Assets of the Fund**		**4,657.483**

NET ASSETS STATEMENT

31 Mar 2019 £m		Note	31 Mar 2020 £m
4,905.599	Investment Assets	13-15	4,640.864
(4.874)	Investment Liabilities	13-15	(8.768)
32.336	Current Assets	17	31.420
(4.474)	Current Liabilities	18	(6.033)
4,928.587	**Net Assets of the Scheme Available to Fund Benefits at the Period End**		**4,657.483**

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investments Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 22 of these accounts.

Derbyshire Pension Fund (“the Fund”) is administered by Derbyshire County Council and is governed by Local Government Pension Scheme Regulations and associated pension legislation. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is a funded defined benefit scheme, administered locally by the Council on behalf of its own employees (except teachers, former NHS employees and new employees working in Public Health, for whom separate pension arrangements apply), Unitary and District Council employees within Derbyshire and employees of other bodies who are specifically authorised by the Regulations. On 1 April 2014, the Fund, which had previously been a final salary scheme, became a Career Average Revalued Earnings (CARE) scheme.

1. Basis of preparation

The accounts have been prepared on a going concern basis, in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (“the Code”), which is based upon International Financial Reporting Standards (IFRS), which require the Fund’s accounts to comply with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations for the Public Sector detailed in the Code and the Statement of Recommended Practice 2015 (“SORP”): Financial Reports of Pension Schemes insofar as it is relevant.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investments Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 22 of these accounts.

The amount of separately invested Additional Voluntary Contributions (“AVCs”) paid by members during the year and their value at the net assets statement date are not included in the Pension Fund financial statements in accordance with Regulation 4 (1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

2. Accounting policies

Contributions
Employee contributions are accounted for when deducted from members' pay. Employer normal contributions are accounted for in the period to which the corresponding pay relates. Other employer contributions, such as deficit funding 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 decision 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.

Management expenses
Management expenses are accounted for on an accruals basis. They are analysed in accordance with CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs (2016)".

Investment income
Dividends from quoted securities are accounted for when the securities are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statements as an investment asset. Rent is accounted for in accordance with the terms of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term 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.

Taxes on income
The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of The Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable taxation is accounted for as a fund expense as it arises.

Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies are accounted for at the market exchange rate at the date of transaction. End of year market exchange rates are used to value overseas assets at the end of the accounting period.

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

Cash and cash equivalents
Cash comprises cash in hand and on-demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Basis of valuation

Financial assets and liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial asset or liability is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset or liability. From this date any gains or losses arising from changes in the fair value of the asset or liability are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (Note 15). The basis of valuation of each class of financial investment asset and liability is set out in Note 15.

3. Accounting Standards issued and not yet applied

At the balance sheet date the following interpretations, new standards and amendments to existing standards have been published but not yet adopted by the Code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long–term Interests in Associates and Joint Ventures. The Fund has no Associates and Joint Ventures and these amendments would not have impacted on the Fund’s 2019-20 accounts.
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle makes amendments to IFRS 3 and IFRS 11 in relation to joint operations, to IAS 12 in respect of the income tax consequences of dividends and to IAS 23 relating to the calculation of capitalisation rate on general borrowing. The improvements would not have impacted on the Fund’s 2019-20 accounts.

- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement – these amendments make it mandatory for the current service cost and the net interest for the period after a remeasurement to be determined using the assumptions used for the remeasurement and also clarifies the effect of a Plan amendment regarding what is known as the asset ceiling. These amendments to IAS 19 would not have impacted on the Fund’s 2019-20 accounts.

4. Critical judgements made in applying the accounting policies

In applying the accounting policies in Note 2, it has not been necessary to make any critical judgements.

5. Assumptions made and other estimation uncertainty

Covid-19

The outbreak of Covid-19, declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has had, and continues to have, a significant impact on global financial markets. The majority of the countries in which the Fund invests have implemented severe restrictions on the movement of populations, with a resultant significant impact on economic activity. The impact of these restrictions, including the subsequent lifting of restrictions, will vary from country to country. The actions taken by the various governments and central banks around the world, including those of the United Kingdom, provide an indication of the potential severity of the downturn and post-recovery environment, which could be significantly different to past crises and take much longer. The Covid-19 outbreak has led to weaker GDP in many of the countries in which the Fund invests, and the impact is likely to differ significantly by country, and by industry and sector. It is not possible to predict the future trajectory of the Covid-19 outbreak, including the future impact on global financial markets, asset prices and bond yields.

The Fund’s basis of valuation for each class of financial investment is set out in greater detail in Note 15 to these accounts, and there have been no changes to the valuation techniques used in the year. A significant proportion of the Fund’s financial investments relate to Level 1 assets where there is a readily available daily bid market price, Level 2 assets where the fair value can be determined based on other market data or market prices, and cash deposits.

The remainder of the Fund’s financial investments relate to Level 3 assets, including unquoted private equity, infrastructure, private debt investments and indirect property assets. These assets are valued using the most recently reported net assets statement for that investment, adjusted for drawdowns and distributions to the final day of the accounting period, if the net assets statement is not produced to that date.

Level 3 assets also include the Fund’s direct property portfolio which is independently valued by Savills at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors’ Valuation Standards. In their March 2020 Valuation Report, Savills noted that ‘‘market activity is being impacted in many sectors and at the valuation date we do not consider that we can rely upon previous market evidence to fully inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of ‘material valuation uncertainty’ as indicated in Global Valuation Technical and Performance Standards and Practice Guidance Applications VPS 3 and VPGA 10 of the Royal Institute of Chartered Surveyors (RICS) Red Book Global Standards, containing mandatory rules, best practice guidance and related commentary for all members undertaking asset valuations. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that the valuation of these properties are kept under frequent review’’.

The value of the Fund’s Level 3 assets at 31 March 2020 was £2,175.402m, accounting for 46.9% of total investment assets. The estimated impact of price risk in respect of Level 3 assets is ±7.5%, equating to £161.681m at 31 March 2020. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, ‘risker’ assets such as equities display greater volatility than bonds.

Actuarial present value of promised retirement benefits

These accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year, however, the actuarial present value of promised retirement benefits is disclosed in these accounts. Estimation of the net liability to pay pensions depends on several complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund investments. The Fund has engaged Hymans Robertson LLP as its Actuary to provide expert advice about the assumptions to be applied. The effect of changes in these estimates on the Fund’s actuarial present value of promised retirement benefits is disclosed in the Report of the Actuary, in Note 22.

Impact of McCloud judgement

When the Local Government Pension Scheme (LGPS) benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an ‘underpin’ which means that they cannot be lower than they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018, the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. In July 2019, the Chief Secretary to the Treasury confirmed that the principles of the outcome would be accepted as applying to all public service schemes.

It is expected that the remedy in the LGPS will involve the extension of some form of statutory underpin to members who were not originally protected. The protection is expected to be extended to qualifying members who have left the scheme since April 2014, as well as to active members. The remedy is expected to result in a retrospective increase in benefits for some members, which in turn would give rise to a past service cost for the Fund's employers. In addition, it is understood that the LGPS cost cap process will be restarted once the McCloud remedy has been agreed.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases, in particular, can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression.

The Fund's Actuary made no estimated allowance for the McCloud judgement in its 2019 actuarial valuation, following instruction from the LGPS Scheme Advisory Board to value liabilities in the 31 March 2019 funding valuations in line with the current LGPS Regulations benefit structure.

The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019. The Fund's Actuary has adjusted GAD's estimate to better reflect the Derbyshire Pension Fund's (Fund) local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to the Fund, is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be around 0.5% higher as at 31 March 2020, an increase of approximately £31.1m for the Fund as a whole. The Actuary has made an allowance for this potential increase in liabilities in its disclosure of the actuarial present value of promised retirement benefits, in Note 22, the Report of the Actuary.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

Indexation and equalisation of Guaranteed Minimum Pensions (GMP)
Guaranteed Minimum Pension (GMP) was accrued by members of the LGPS between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However, overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. Thereafter the Government's preferred approach is to convert GMP to scheme pension. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

For the 2019 valuation, given the Government's preference for conversion to scheme benefits, the Fund Actuary has assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers (known as a full GMP indexation allowance). Full GMP indexation allowance is therefore included in the Fund Actuary's disclosure of the actuarial present value of promised retirement benefits, in Note 22, the Report of the Actuary.

Britain leaving the European Union
There remains a high level of uncertainty around the implementation of the 2016 Brexit referendum result. The United Kingdom left the European Union on 31 January 2020 and is now in a transition period until 31 December 2020, while the UK and European Union negotiate additional arrangements. Brexit developments have caused volatility in asset prices and hence also in bond yields. It is not possible to predict future Brexit developments with any degree of certainty, including the trading arrangements put in place with both the European Union and other non-European Union trading partners but these are likely to cause further volatility in asset prices and bond yields and therefore impact future actuarial assumptions. However, pronouncements from the US Federal Reserve on the future direction of US interest rates and developments with respect to the Covid-19 pandemic and in global politics have the potential to cause similar levels of volatility in asset prices and bond yields and to materially impact future actuarial assumptions.

6. Contributions

	2018-19	2019-20
	£m	£m
Employers		
Normal	96.261	89.191
Deficit Funding	57.276	29.346
Members		
Normal	40.178	41.920
	193.715	**160.457**

Employers' contributions rates payable in 2018-19 and 2019-20 were set as part of the 2016 valuation which revealed an overall funding level of 86.7%.

On 12 June 2018 Derby City Council paid employer contributions of £39.716m to the Fund, covering the period May 2018 to March 2020. During 2018-19, normal employer contributions due from Derby City Council amounted to £14.429m. The balance of Derby City's employer contributions received during 2018-19 were disclosed as deficit funding employer contributions and this is the main reason for the decrease in employer's deficit funding contributions and normal contributions in 2019-20.

7. Transfers in from other pension funds

	2018-19	2019-20
	£m	£m
Individual transfers in from other pension funds	**10.324**	**11.195**

8. Benefits

	2018-19	2019-20
	£m	£m
Pensions	127.949	134.375
Commutation of pensions and lump sum retirement benefits	29.033	33.597
Lump sum death benefits	3.948	4.662
	160.930	**172.634**

9. Payments to and on account of leavers

	2018-19	2019-20
	£m	£m
Refund of contributions to members leaving the Fund	0.650	0.383
Group transfers out to other pension funds	0.048	0.000
Individual transfers out to other pension funds	12.278	17.293
	12.976	**17.676**

Group transfers out in 2018-19 relate to the transfer of members from Derby City Council to the Department of Education.

Individual transfers out to other pension funds have increased in 2019-20, from £12.278m to £17.293m. During the year, the Pension Fund Team successfully used Altair, the new pension administration system. The speed at which transfer requests are processed has increased, with more cases being completed than in the previous year. In addition, actuarial factors for calculating cash equivalent transfer values (CETVs) were amended, with effect from November 2018, part way through the previous year. In most cases these were increased. CETVs calculated using the new factors are therefore higher than they would have been before the change.

10. Management expenses

Management expenses are analysed in accordance with CIPFA Guidance “Accounting for Local Government Pension Scheme Management Costs (2016)”.

	2018-19	2019-20
	£m	£m
Investment management expenses	24.829	26.054
Administrative costs	2.085	2.599
Oversight and governance costs	1.215	1.451
	28.129	**30.104**

Oversight and governance costs increased by £0.236m in 2019-20, largely reflecting higher LGPS Central Limited governance, operator and product development costs (£0.057m) and higher actuarial costs resulting from the triennial valuation (£0.161m). Oversight and governance costs includes audit fees of £0.019m (2018-19: £0.022m).

Administration costs increased by £0.514m in 2019-20, reflecting investment into the headcount and systems to support improvements in service delivery to scheme members and employers. Pension administration costs per member were £24.79 in 2019-20 (2018-19: £20.38).

Investment management expenses are analysed below:

	2018-19	2019-20
	£m	£m
Fund value based management fees	23.653	25.129
In house management fees	0.338	0.365
Transaction costs	0.798	0.527
Custody fees	0.040	0.033
	24.829	**26.054**

Fund value based management fees increased by £1.476m, to £25.129m in 2019-20, reflecting an increase in the average value of underlying investments during the year. Based on average investment assets across the year, management fees as a proportion of average investment assets were 0.50% in both 2018-19 and 2019-20.

Transaction costs relate to the following asset classes:

	2018-19	2019-20
	£m	£m
Equities	0.797	0.527
Bonds	0.001	0.000
	0.798	**0.527**

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment financial asset or liability. An incremental cost is one that would not have been incurred if the scheme had not acquired or disposed of the financial instrument. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties.

Commissions decreased by £0.028m in 2019-20, to £0.301m. Stamp duty decreased by £0.244m in 2019-20, to £0.226m, reflecting the termination of the Fund’s discretionary mandate in respect of UK equities and the resultant transition into a pooled product.

Directly held investment properties are not financial assets and transaction costs in respect of them are capitalised into their initial cost, rather than expensed.

Direct transaction costs do not include debt premiums or discounts, financing costs or internal administration or handling costs.

Costs are incurred indirectly by the Fund on sales and purchases of pooled investment vehicles through the difference between the highest price a buyer of a security or other asset is willing to pay and the lowest price a seller is willing to offer (bid-offer spread).

Such costs are not separately identifiable but are reflected in the cost of these investment purchases and in the proceeds from their sale (Note 13).

11. Investment income

	2018-19	2019-20
	£m	£m
Income from equities	65.274	46.751
Income from bonds	9.623	10.130
Net rents from properties	10.087	10.230
Income from pooled investment vehicles	13.491	24.236
Interest on cash deposits	2.341	2.636
	100.816	**93.983**

Income from equities has decreased by £18.523m in 2019-20, to £46.751m, reflecting a reduction in UK dividend income following the transition of the Fund's direct UK equity portfolio into an accumulation unit pooled product, which is a pooled investment vehicle where dividend income is reinvested and not distributed. Income from pooled investment vehicles has increased by £10.745m in 2019-20, to £24.236m reflecting on-going investment into income generating pooled investment vehicles, principally in respect of infrastructure and private debt funds.

Rents from properties are net of £1.198m of property expense (2018-19, net of £0.528m of property expense), which includes a £0.191m credit loss allowance adjustment for property rent debtors at the year end. The income or expense each year is the net of property management expenses recovered by service charges to tenants and irrecoverable property management expenses, for instance, rates on vacant properties.

12. Taxes on income

	2018-19	2019-20
	£m	£m
Taxation (receivable)/payable	**(0.033)**	**0.037**

From 6 April 2016 there are no notional tax charges for UK dividends. Taxes on income relate to withholding taxes in respect of overseas investment income, which are recoverable by the Fund. In 2019-20 there is an overall tax debit because of withholding tax which has yet to be reclaimed.

13. Investment assets and liabilities

	Value at 31 Mar 2019	Purchases & hedging payments	Sales & hedging receipts	Profits & losses on disposal of investments & changes in value of investments	Value at 31 Mar 2020
	£m	£m	£m	£m	£m
Investment assets					
Equities	1,794.650	423.155	(1,345.678)	(59.461)	812.666
Bonds	553.372	45.821	(55.847)	32.837	576.183
Pooled investment vehicles	1,942.878	1,596.170	(539.664)	(279.330)	2,720.054
Properties	229.350	14.468	0.000	(4.168)	239.650
Currency hedging contracts	0.000	0.000	0.000	3.032	3.032
	4,520.250	*2,079.614*	*(1,941.189)*	*(307.090)*	*4,351.585*
Cash deposits & short term loans	371.103			0.000	275.110
Other investment balances	14.246			0.000	14.169
	4,905.599			**(307.090)**	**4,640.864**
Investment liabilities					
Currency hedging contracts	(1.534)	413.876	(403.144)	(9.198)	0.000
Other investment balances	(3.340)			0.000	(8.768)
	(4.874)			**(9.198)**	**(8.768)**
	4,900.725			**(316.288)**	**4,632.096**

The total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities has decreased the Fund's value by £316.288m during 2019-20 (2018-19, £181.703m increase). This total includes all increases and decreases in the market value of investments held at any time during the year and profits and losses realised on sales of investments during the year.

At 31 March 2020 the Fund's investments accounting for more than 5% of the total value of the Fund's net assets available for benefits were:

- UBS Life Europe Ex-UK Equity Tracker Fund £368.025m, representing 7.9% (2019, £489.312m, 9.9%).
- LGIM UK Equity Index Fund £692.277m, representing 14.9% (2019, nil).

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts relating to sovereign fixed income holdings. The Fund's objective is to decrease risk in the portfolio by entering into forward contracts to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets.

At the year end, there was one currency hedging contract, with less than six months to expiry, with a gross contract value of £112.323m (2019, one contract, with less than six months to expiry, with a gross contract value of £93.094m).

Investment assets are further analysed below:

	31 Mar 2019	31 Mar 2020
	£m	£m
Equities		
UK quoted	1,014.080	165.255
UK unquoted	1.315	1.315
Overseas quoted	779.255	646.096
	1,794.650	**812.666**
Bonds		
UK quoted	455.958	462.177
UK unquoted	0.685	0.685
Overseas quoted	96.729	113.321
	553.372	**576.183**
Pooled Investment Vehicles		
Property – unquoted	139.751	149.857
Property - quoted	22.502	20.575
Other quoted	1,010.635	763.727
Other unquoted	769.990	1,785.895
	1,942.878	**2,720.054**
Properties		
UK freehold	177.750	191.550
UK leasehold	51.600	48.100
	229.350	**239.650**

	31 Mar 2019	31 Mar 2020
	£m	£m
Cash deposits and short term loans		
Sterling cash deposits	34.215	22.525
Money market funds	0.000	5.000
Other Sterling short term loans	330.700	244.500
Foreign currency	6.188	3.085
	371.103	**275.110**

Pooled investment vehicles are further analysed below:

	31 Mar 2019	31 Mar 2020
	£m	£m
Pooled Investment Vehicles		
Funds Invested in Property	162.253	170.432
Unit Trusts	84.719	76.563
Unitised Insurance Policies	556.771	1,107.937
Other Managed Funds	1,139.135	1,365.122
	1,942.878	**2,720.054**

The proportion of the market value of net investment assets managed in-house and by each external manager at the year end is set out below. The analysis at 31 March 2019 has been restated to separately disclose investment assets managed by Legal and General Investment Management (LGIM).

	Restated 31 Mar 2019		31 Mar 2020	
	£m	%	£m	%
In-house	2,675.282	54.6	2,398.881	51.8
Colliers Capital Holdings Ltd	230.869	4.7	241.845	5.2
Legal and General Investment Management	67.459	1.4	842.719	18.2
LGPS Central Ltd	885.126	18.1	291.642	6.3
UBS Global Asset Management Life Ltd	489.312	10.0	367.990	7.9
Wellington Management International Ltd	552.677	11.2	489.019	10.6
	4,900.725	**100.0**	**4,632.096**	**100.0**

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

Fund	**Country of registration of fund manager**
Aberdeen Global Japan Smaller Companies Fund	Luxembourg
AMP Capital Infrastructure Debt Fund III	Luxembourg
Barings Global Private Loan Fund I	Luxembourg
Barings Global Private Loan Fund II	Luxembourg
Barings Global Private Loan Fund III	Luxembourg
CVC Credit Partners European Direct Lending Fund II	Luxembourg
Fidelity Eurozone Select Real Estate Fund	Luxembourg
Invesco Real Estate Europe Fund	Luxembourg
J P Morgan Funds Latin American Equity Fund	Luxembourg
M&G European Property Fund	Luxembourg
Macquarie European Infrastructure Fund 5 (MEIF 5)	Luxembourg
Macquarie European Infrastructure 5 Co Investment Fund	Luxembourg
Macquarie European Infrastructure Fund 6 (MEIF 6)	Luxembourg
Macquarie European Infrastructure 6 Co Investment Fund	Luxembourg
Macquarie GIG Renewable Energy Fund 2 SCSp	Luxembourg
Polunin Emerging Markets Developing Countries Fund	Luxembourg
SL Capital Infrastructure Fund II	Luxembourg
Baring Australia Fund	Republic of Ireland
CQS Credit Multi Asset Fund	Republic of Ireland
JO Hambro Capital Management Japan Fund	Republic of Ireland
Montanaro UK Smaller Companies Fund	Republic of Ireland
Adam Street 2017 Global Fund Program	Cayman Islands
3i Infrastructure Plc	Channel Islands
Baird Capital Partners Europe Fund	Channel Islands
Epiris II LP Fund	Channel Islands
Foresight Solar	Channel Islands
HICL Infrastructure Company Limited	Channel Islands
International Public Partnerships Limited	Channel Islands
Partners Group – Global Value 2008 Fund	Channel Islands
Princess Private Equity Holding Limited	Channel Islands
The Renewables Infrastructure Group Limited	Channel Islands

14. Fund investments by geographical sector (at market value)

	31 Mar 2019		**31 Mar 2020**	
	£m	**%**	**£m**	**%**
UK	2,600.120	53.1	2,286.628	49.4
N America	775.745	15.8	783.607	16.9
Europe	703.542	14.4	695.025	15.0
Asia and other	821.318	16.7	866.836	18.7
	4,900.725	**100.0**	**4,632.096**	**100.0**

UK investments fell in both absolute terms and as a percentage of total investment assets between 31 March 2019 and 31 March 2020 as on-going changes to the asset allocation, together with weaker relative returns from UK assets, reduced the Fund's exposure to UK investment assets. As the proportion of UK investment assets fell, allocations to North American, European and Asian assets increased, driven by higher levels of Private Equity, Infrastructure, Multi-Asset Credit and Indirect Property fund draw-downs. The North American geographical allocation also benefited from stronger relative returns.

15. Fair value – Basis of valuation

The basis of valuation of each class of financial investment asset and liability is set out below. There has been no change in the valuation techniques used during the year. All investment assets and liabilities have been valued using fair value techniques as follows:

- Market quoted investments, where there is a readily available market price, are valued at the bid market price on the final day of the accounting period.
- Quoted bonds are valued at net market value excluding accrued income.
- Pooled investment vehicles are included at closing bid price for funds with bid/offer spreads, or if single priced, at the closing price. For unquoted pooled investment vehicles this is at the price advised by the fund manager.
- Unquoted investments are valued at fair value, at the price or net asset value advised by the fund manager, or for private equity investments, based on the Fund's share of net assets at the year end, using the latest financial information available from the respective fund managers, adjusted for drawdowns and distributions to the final day of the accounting period, if the latest financial information is not produced to that date.
- Property is included at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. The property portfolio was independently valued by Savills, Property Advisers.
- Fair value for investment property is calculated using the investment method of valuation, the premise of which is that all current and future income streams are capitalised at a rate or rates compared against yields achieved in market investment transactions and adjusted for individual characteristics of the subject property, based on valuer's opinions, wholly derived from observable prices achieved in market transactions.
- 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.

Financial investment assets and liabilities valued using fair value techniques have been classified into the three levels of what is known as a fair value hierarchy. The hierarchy is ordered according to the quality and reliability of information used to determine recurring fair values, with Level 1 being of the highest quality and reliability.

- Level 1 – Assets and liabilities assigned to Level 1 in the fair value hierarchy are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Fund's investments classified as Level 1 are quoted UK and Overseas Equities and quoted UK and Overseas Bonds issued by governments.
- Level 2 – Assets and liabilities assigned to Level 2 in the fair value hierarchy are those where quoted market prices are not available, for instance in a market that is not considered to be active, or where observable valuation techniques are used to determine fair value. The Fund's investments classified as Level 2 are quoted Pooled Investment Vehicles, Currency Hedging Contracts and unquoted LGPSC Bonds and Equities.
- Level 3 – Assets and liabilities assigned to Level 3 in the fair value hierarchy are those where at least one input which could have a significant effect on an instrument's valuation is not based on observable market data. The Fund's investments classified as Level 3 are unquoted Pooled Investment Vehicles and Properties.

The Fund's fair value hierarchy of investment financial assets, loans and receivables and financial liabilities is as follows:

	31 Mar 2019	31 Mar 2020
	£m	**£m**
Financial Assets		
Level 1		
UK quoted equities	1,014.080	165.255
Overseas quoted equities	779.255	646.096
UK quoted bonds	455.958	462.177
Overseas quoted bonds	96.729	113.321
	2,346.022	**1,386.849**
Level 2		
Property - quoted pooled investment vehicles	22.502	20.575
Other quoted pooled investment vehicles	1,010.635	763.727
UK unquoted equities	1.315	1.315
UK unquoted bonds	0.685	0.685
Currency hedging contracts	0.000	3.032
	1,035.137	**789.334**
Level 3		
Property – unquoted pooled investment vehicles	139.751	149.857
Other unquoted pooled investment vehicles	769.990	1,785.895
UK freehold properties	177.750	191.550
UK leasehold properties	51.600	48.100
	1,139.091	**2,175.402**

	31 Mar 2019	31 Mar 2020
	£m	£m
Loans and Receivables at Amortised Cost		
Sterling cash deposits	34.215	22.525
Money market funds	0.000	5.000
Other Sterling short term loans	330.700	244.500
Foreign currency	6.188	3.085
Other investment balances	14.246	14.169
	385.349	**289.279**
Financial Assets	**4,905.599**	**4,640.864**
Financial Liabilities		
Level 2		
Currency hedging contracts	(1.534)	0.000
	(1.534)	**0.000**
Loans and Receivables at Amortised Cost		
Other investment balances	(3.340)	(8.768)
	(3.340)	(8.768)
Financial Liabilities	**(4.874)**	**(8.768)**
	4,900.725	**4,632.096**

Additional information in respect of the fair value measurement is provided below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation
UK quoted equities	Level 1	Bid market price	Not required	Not required
Overseas quoted equities	Level 1	Bid market price	Not required	Not required
UK quoted bonds	Level 1	Net market value excluding accrued income	Not required	Not required
Overseas quoted bonds	Level 1	Net market value excluding accrued income	Not required	Not required
Property quoted pooled investment vehicles	Level 2	Fair value based on price or net asset value advised by the fund manager	Not required	Not required
Other quoted pooled investment vehicles	Level 2	Fair value based on price or net asset value advised by the fund manager	Not required	Not required
UK unquoted equities	Level 2	Fair value based on price or net asset value advised by the fund manager	Not required	Not required
UK unquoted bonds	Level 2	Fair value based on price or net asset value advised by the fund manager	Not required	Not required
Currency hedging contracts	Level 2	Published exchange prices at the year-end date	Not required	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation
Property unquoted pooled investment vehicles	Level 3	Investment method whereby all current and future income streams are capitalised at the rate or rates compared against yields achieved in market investment transactions and adjusted for individual characteristics of the subject property, based on valuer's opinion, wholly derived from observable prices achieved in market transactions	Existing lease term rentals; Independent market research; Covenant strength for existing tenants; Actual and assumed vacancy levels; Estimated rental growth; Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes in market prices
Other unquoted pooled investment vehicles (private equity; infrastructure; private debt)	Level 3	At the price or net asset value advised by the manager using the latest financial information available from the respective manager, adjusted for drawdowns and distributions to the final date of the accounting period, if the latest financial information is not produced to that date	Private Equity & Infrastructure: EBITDA; Revenue & EBITDA multiple; Discount for lack of marketability; Control premium; Discounted cash flows Private Debt: Comparable valuation of similar assets; Revenue & EBITDA; Discounted cash flows; Asset security; Enterprise value estimation	Valuations could be impacted by material events occurring between the date of the financial statements provided and the year-end date, by changes to expected cash flows, and any differences between the audited and unaudited accounts
UK freehold and leasehold properties	Level 3	Determined in accordance with the RICS Valuation Standards	Existing lease term rentals; Independent market research; Covenant strength for existing tenants; Actual and assumed vacancy levels; Estimated rental growth; Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes in market prices

Below is a reconciliation of the movement in fair value measurements within Level 3 of the fair value hierarchy from the start to the end of 2019-20:

	Value at 31 Mar 2019	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	Value at 31 Mar 2020
	£m	£m	£m	£m	£m	£m
Financial Assets						
Level 3						
Pooled investment vehicles						
Property – unquoted	139.751	14.149	(6.440)	2.332	0.065	149.857
Other unquoted	769.990	1,581.873	(356.548)	(324.491)	115.071	1,785.895
Properties						
UK freehold	177.750	14.468	0.000	(0.668)	0.000	191.550
UK leasehold	51.600	-	0.000	(3.500)	0.000	48.100
	1,139.091	**1,610.490**	**(362.988)**	**(326.327)**	**115.136**	**2,175.402**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal of investments and changes in value of investments line of the fund account.

The impact of the Covid-19 pandemic on investment values is considered in Note 5. Having analysed historical data and current market levels, the Fund has determined that the Level 3 values at 31 March 2020 above are likely to be accurate to within the ranges set out in the sensitivity analysis below:

	Value at 31 Mar 2020	Assessed valuation range	Value on increase	Value on decrease
	£m	%	£m	£m
Level 3 sensitivity				
Direct property	239.650	15.0	275.598	203.702
Diversified multi-asset credit funds	189.421	5.0	198.892	179.950
Equity index tracking funds	842.771	2.0	859.626	825.915
Global investment grade credit fund	291.883	5.0	306.477	277.289
Indirect property	149.857	15.0	172.336	127.378
Infrastructure	261.905	12.5	294.643	229.167
Private debt	103.868	10.0	114.255	93.481
Private equity	96.047	20.0	115.256	76.838
	2,175.402	**7.5**	**2,337.083**	**2,013.720**

16. Additional Voluntary Contributions

In accordance with Regulation 4(1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Accounts do not include employees' Additional Voluntary Contributions ("AVCs"). The amounts involved are not material in relation to the size of the overall Pension Fund.

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

On 1 January 2020, all members' AVCs with Equitable Life Assurance Society were transferred to Utmost Life and Pensions. Utmost Life and Pensions has been unable to provide AVC information to align with the production of the Fund's accounts for the year ended 31 March 2020. As a result of operational constraints, caused by the Covid-19 crisis, Utmost Life and Pensions had postponed production of financial information but this has now resumed. Utmost Life and Pensions are unable to provide a date when the financial information will be issued but will endeavour to do this to allow statutory deadlines to be met.

Including Utmost Life and Pensions funds at 31 March 2019 values, the total value of funds provided by AVC contributions at 31 March 2020 was:

	31 Mar 2019	31 Mar 2020
	£m	£m
Utmost Life and Pensions		
With profits fund	0.182	
Unit-linked funds	0.413	
Total Utmost Life and Pensions	*0.595*	*0.595*
Standard Life		
Managed fund	0.761	0.657
Multi asset managed fund	0.082	0.106
Protection fund	0.084	0.088
Ethical fund	0.104	0.088
With profits fund	0.326	0.334
Total Standard Life	*1.357*	*1.273*

	31 Mar 2019	31 Mar 2020
	£m	**£m**
Prudential Assurance Company Ltd		
Deposit fund	2.427	2.290
With profits cash accumulation fund	4.111	4.874
Blackrock Aquila	0.040	0.000
Cash fund	0.130	0.236
Discretionary fund	0.689	0.656
Dynamic global equity passive fund	0.000	0.109
Dynamic growth funds	0.072	0.409
Fixed interest fund	0.091	0.127
Global equity fund	0.394	0.329
Index-linked fund	0.326	0.325
International equity fund	0.413	0.367
Long-term bond fund	0.000	0.006
Long-term gilt passive fund	0.195	0.229
Positive impact fund	0.000	0.131
Property fund	0.227	0.193
Socially responsible fund	0.116	0.000
UK equity fund	0.187	0.166
UK equity passive fund	0.333	0.120
Total Prudential Assurance	*9.751*	*10.567*
Clerical Medical		
With profits fund	0.218	0.156
Unit linked fund	0.158	0.073
Total Clerical Medical	*0.376*	*0.229*
Total AVC Investments	**12.079**	**12.664**
Death in Service Cover		
Utmost Life and Pensions	**0.117**	***0.117***

Death in Service cover is payable by the AVC provider where an employee has opted to pay an extra life insurance sum. The Local Government Pension Scheme Regulations 2013 require the death grant payable for contributors into the LGPS to be three times their “final pay” (in the case of a part-time employee it is three times their actual pensionable pay). The Inland Revenue limit for death in service cover is four times “final pay”, so the maximum extra amount insurable is, therefore, restricted to an amount equivalent to one times “final pay” and in the case of a part-time contributor, their actual pensionable pay. “Final pay” is defined in the above Regulations.

	Utmost Life £m	Prudential £m	Standard Life £m	Clerical Medical £m	Total £m
Value at 31 Mar 2019	**0.595**	**9.751**	**1.357**	**0.376**	**12.079**
Income					
Contributions received		2.260	0.021	0.005	*2.286*
Interest and bonuses and change in market value		0.084	(0.075)	(0.002)	*0.007*
Transfers in		0.049	0.000	0.000	*0.049*
Expenditure					
Life assurance premiums		0.000	0.000	0.000	*0.000*
Retirement benefits		(1.577)	(0.009)	(0.144)	*(1.730)*
Transfers out and withdrawals		0.000	(0.021)	(0.006)	*(0.027)*
Value at 31 Mar 2020	***0.595***	**10.567**	**1.273**	**0.229**	***12.664***

17. Current assets

	31 Mar 2019 £m	31 Mar 2020 £m
Employers’ contributions due	5.374	5.275
Employees’ contributions due	1.924	2.000
Amounts owed by Derbyshire County Council	3.899	0.000
Sundry debtors	0.864	1.164
Cash balance	20.275	22.981
	32.336	**31.420**

Employers' and employees' contributions due at 31 March 2020 have been received since the year-end.

As at 31 March 2020, the Fund was owed rent totalling £0.763m in respect of 2019-20 (31 March 2019, nil, net rent prepayment). Whilst the Fund's discretionary direct property manager is actively managing the collection of this rent, the Covid-19 outbreak in Q4 2019-20 has had a significant impact on the trading and cash flows of some of the Fund's tenants, particularly those in the Retail and Leisure Sectors. As a result, the Fund has provided a credit loss allowance of £0.191m against these rents.

18. Current liabilities

	31 Mar 2019	31 Mar 2020
	£m	£m
Unpaid benefits	1.768	2.206
Sundry creditors	2.706	2.772
Amounts owed to Derbyshire County Council	0.000	1.056
	4.474	**6.034**

19. Related party transactions

Derbyshire County Council
The Council is the administering authority for the purposes of the Fund under The Local Government Pension Scheme Regulations 2013.

Included in management expenses in 2019-20 are charges from the Council of £2.510m (2018-19, £2.269m) for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for management of the Fund's in-house investments.

At 31 March 2020 the Fund owed the Council £1.056m (31 March 2019, the Council owed the Fund £3.899m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 32 and 33 of the Council's Statement of Accounts.

LGPS Central Limited
LGPS Central Limited (LGPSC) has been established to manage investment assets on behalf of eight LGPS funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPSC Pool, of which the Council, as the administering authority for the Fund, is one of the shareholders.

The Fund had £1.315m invested in share capital and £0.685m in a loan to LGPSC at 31 March 2020 (31 March 2019, £1.315m and £0.685m, respectively) and was owed interest of £0.036m on the loan to LGPSC on the same date (2018-19, £0.043m).

In February 2020, the Fund transitioned its UK Corporate Bond portfolio into LGPSC's Investment Grade Credit sub-fund and paid associated management fees of £0.004m to LGPSC in 2019-20.

LGPSC also provided advisory management services in respect of the Fund's Japanese Equities and Asia Pacific Ex-Japanese Equities in the year. LGPSC's advisory management services mandate for Emerging Market Equities was terminated on 15 June 2019 and its mandate to manage the Fund's UK Equity portfolio on a discretionary basis was terminated on 14 November 2019. The charges in respect of these services totalled £0.551m in 2019-20 (2018-19, £0.764m), of which £0.065m was payable to LGPSC at 31 March 2020 (31 March 2019, £0.211m).

The Fund incurred £0.813m in respect of Governance, Operator Running and Product Development in connection with LGPSC in 2019-20 (2018-19, £0.756m), of which £0.213m was payable to LGPSC at 31 March 2020 (31 March 2019, £0.125m).

LGPSC leases office space from the Council. The lease commenced on 14 June 2018 and is for a duration of five years, with a break clause at 30 June 2021. The rental income received and receivable by the Council from LGPSC in 2019-20 amounted to £0.014m (2018-19, £0.014m). For the duration of the lease term, subsequent years' rentals will be subject to an annual increase of 2.8%.

20. Investment commitments

At the end of the financial year, investment commitments in respect of future payments were:

	31 Mar 2019	31 Mar 2020
	£m	£m
Unquoted investments	421.617	292.133
Other Sterling short-term loans	40.000	30.000
	461.617	**322.133**

Unquoted investments commitments are commitments to invest in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments, not yet drawn-down by the managers. Revisions to the Fund's approved Strategic Asset Allocation Benchmark between July 2015 and January 2019 increased the proportion of the Fund's investments required to be invested in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments from 5% to 22% in 2019-20.

This has resulted in a higher level of unquoted investment commitments than has been the case in previous years. The reduction of £129.484m between 31 March 2019 and 31 March 2020 principally reflects the payment of a USD 110 million commitment to an infrastructure fund on 1 April 2019.

Since the year-end, the Fund has signed-up to an additional £25m private equity commitment.

The Other Sterling short-term loans commitments are commitments to make short-term investments at the year-end. There is no provision or creditor for these amounts in the financial statements as the legal obligation to pay was not fulfilled at 31 March 2020. These commitments will be met using funds received from the maturity of earlier investments and therefore have no impact on the financial position reported.

There were two such commitments at 31 March 2020 (2019, four), which were secured to take advantage of higher rates available at that time because of a cash shortage in the market.

21. Financial instruments

Many requirements of the financial instruments standards (IAS 39, IAS 32, IFRS 7 and IFRS 9), which govern the recognition, measurement, presentation and disclosure of financial instruments, are not applicable to the Fund's accounts, since all material financial instruments are carried in the net assets statement at fair value.

Nature and extent of risks arising from financial instruments

Certain financial risks are a necessary and appropriate component of the investment strategy of the Fund in order for it to achieve the targeted long term rate of return assumed by the Fund Actuary. This rate of return is used in drawing up the Funding Strategy Statement and setting employer contribution rates.

The overall financial risk for the Fund is that its assets could be insufficient to meet its liabilities to pay benefits. At the financial instrument level, the Fund's key risks are:

- **Credit risk** – the risk of the Fund suffering loss due to another party defaulting on its financial obligations;
- **Liquidity risk** – the risk that funds might not be available to meet commitments because the Fund's assets are not readily marketable or easily turned into cash;
- **Market risk** - the risk that the Fund's financial instruments may suffer an adverse change in value, which is common to an entire class of assets or liabilities.

Responsibility for Fund investments has been delegated to the Council's Pensions and Investments Committee (the Committee). Day to day responsibility for the management of the Fund is delegated to the Director of Finance and ICT; the investments are managed by a combination of internal and external investment managers and investment advice is provided by an independent investment advisor. The Fund's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks.

As required by the Fund's Investment Strategy Statement, the Fund is invested in accordance with the Strategic Asset Allocation guidelines, to maximise returns within appropriate levels of risk, taking into account the Fund's liabilities and projected cashflows.

These Strategic Asset Allocation guidelines were approved by the Pensions and Investments Committee, following an external asset/liability study.

Economic background, market returns, asset allocation, investment activity, investment strategy and investment performance are monitored and reviewed by the Committee on a quarterly basis.

Credit risk

The Fund is primarily exposed to credit risk through its daily treasury management activities and through its forward currency contracts, which address the currency risk on overseas bonds. Credit risk on cash deposits and short term loans arises from deposits with banks, financial institutions and UK government and local authorities. Credit risk on forward currency contracts arises from contracts with large banks.

There is also a credit risk in respect of income due at the year end from the Fund's direct property tenants. As at 31 March 2020, the Fund was owed rent totalling £0.763m (31 March 2019, nil, net rent prepayment). Whilst the Fund's discretionary direct property manager is actively managing the collection of this rent, the Covid-19 outbreak in Q4 2019-20 has had a significant impact on the trading and cash flows of some of the Fund's tenants, particularly those in the Retail and Leisure Sectors. As a result, the Fund has provided a credit loss allowance of £0.191m against these rents, calculated using a non-recovery rate of 25%, based on information provided by the in-house investment management team.

	Rental Income Debt 31 Mar 2020 £m	Expected Non-Recovery Rate %	General Loss Allowance £m	Total Loss Allowance 31 Mar 2020 £m
Property Rental Income	**0.763**	**25.0**	**0.191**	**0.191**

A reconciliation of the opening and closing balances of the potential credit losses on the Fund’s financial assets for the year ended 31 March 2020 is provided as follows:

	Value at 31 Mar 2019 £m	Change in average default risk rate £m	Value at 31 Mar 2020 £m
Credit Loss Allowance	**0.000**	**0.191**	**0.191**

Treasury activities - The Fund places security of capital and liquidity ahead of investment return. Credit risk on treasury activities is minimised through the Fund’s annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody’s and Standard & Poor’s Ratings Services and are approved counterparties on this basis. Investments with local authorities, the Government’s Debt Management Office, UK Treasury Bills and Certificates of Deposit are also permissible. The Fund has agreed maximum loan durations and joint limits for each counterparty.

The limits for financial institutions are based on the above credit assessment and are approved each year. The financial institutions’ credit ratings and supplementary information are monitored throughout the year to ensure compliance with the policy.

The Treasury Management Investment Strategy for 2019-20 was approved by Full Council on 6 February 2019 and by the Pensions and Investments Committee on 8 May 2019.

The Fund’s maximum exposure to credit risk in relation to its treasury/cash deposit investments and operating cash in banks, building societies, money market funds and UK local authorities of £298.091m (2019, £391.378m) cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, generally, for such entities to be unable to meet their commitments; the approach to risk assessment taken by the Fund makes this remote.

A risk of non-recovery applies to all of the Fund’s deposits, but there was no evidence at 31 March 2020 that this was likely to occur. No breaches of the Fund’s counterparty criteria occurred during the reporting period. At 31 March 2020, the Fund had £22.981m in its operational account with Lloyds Bank.

Forward currency contracts - Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the currency risk on overseas sovereign bonds, the value of which comprise 2% (2019, 2%) of investment assets at the year end and by selecting large banks as the counterparties. The forward currency contract at the year end was with Bank of New York Mellon.

The maximum credit risk exposure on forward currency contracts is the full amount of the foreign currency which the Fund pays when the settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund. At the year end, there was one currency hedging contract, with less than six months to expiry, with a gross contract value of £112.323m (2019, one contract, with less than six months to expiry, with a gross contract value of £93.094m). The Fund does not expect any losses from non-performance by any of its counterparties in relation to this contract.

Other financial assets - Bonds mainly include investments in UK and US Government securities and certain corporate bond funds. The Fund does not expect any losses from non-performance by any of its counterparties in relation to these financial assets.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets as they are marked to market. The market value of financial assets represents the Fund's exposure to credit risk in relation to those assets.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur during settlement of transactions.

Liquidity risk

The Fund continues to be cash flow positive, with combined contributions and investment income exceeding benefit payments. There is, therefore, no present requirement to realise assets in order to meet liabilities to pay benefits, as these are more than covered by contributions and investment income, and there is net cash available for investment. The Fund does, however, sell investments from time to time as part of normal investment management activities.

The majority of the Fund's investments are readily marketable and may be easily realised, if required. Emphasis is placed on treasury deposits of up to six months' duration to ensure that longer term investment strategy is not compromised by lack of liquidity. Listed equities may also be liquidated at short notice, normally two working days. Holdings of investments which may be less easy to realise are limited. Current Pensions and Investments Committee guidelines limit investments in property to 12%, multi asset credit to 8%, infrastructure to 11% and private equity to 6%.

Sufficient funds are retained on instant access accounts to ensure that payment of benefits and the settlement of investment transactions can be made without the need to borrow.

The Fund manages its liquidity position using a comprehensive cash flow management system, as required by the CIPFA Code of Practice.

Maturity analysis for liabilities at the year end:

- There were no financial liabilities within the portfolio at the year end other than those that arose from the trading of investments. Such liabilities fall due within 12 months of the year end.

- There were no derivative financial liabilities held at the year-end in respect of currency hedging contracts (2019, one).

Market risk

The Fund is exposed to market risk because it is inherent in the investments the Fund makes. It can result from changes in such measures as interest and exchange rates and changes in prices due to factors other than these. This risk cannot be eliminated but it can be reduced.

The objective of market risk management is to manage and control market risk exposure to within acceptable parameters, whilst optimising the return on risk. Excessive volatility in market risk is managed through diversification. Risk reduction arises from the different investments not being perfectly correlated.

The Fund has applied diversification at various levels; that is, diversification between countries, asset classes, sectors and individual securities. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

Risk of exposure to specific markets is limited by adhering to defined ranges within the asset allocation guidelines, which are monitored and reviewed by the Committee on a quarterly basis.

Interest rate risk – This risk primarily impacts on the valuation of the Fund's bond holdings and to a lesser degree the return it receives on cash held. A rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Fund Account would rise;
- investments at fixed rates – the fair value of the assets would fall.

The Fund has a number of strategies for managing interest rate risk. Interest rates and the durations of the bond portfolios are monitored during the year, by the Fund's in-house and external managers. Within the annual Treasury Management Strategy, maximum limits are set for fixed and variable interest rate exposure. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, subject to liquidity requirements.

Other price risk – Other price risk originates from factors specific to the individual instrument or to its issuer, or from factors affecting all instruments in the market.

The Fund manages price risk by holding fixed interest bonds, index-linked stocks and property and by holding a diversified equity portfolio spread geographically, across market sectors and across investments. Contracts specify the level of risk to be taken by the external Fund managers investing in overseas equities. These external managers are monitored by in-house managers.

A Fund specific benchmark has been drawn up, which is designed to meet the Fund's performance requirements for the level of risk agreed by the Committee. Economic background, asset allocation, recent transactions, investment strategy and performance are monitored by the Committee on a quarterly basis.

The impact of the Covid-19 pandemic on investment values is considered in Note 5.

The table below quantifies the level of price risk that the Fund's investment assets and liabilities at 31 March 2020 are potentially exposed to. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'riskier' assets such as equities display greater potential volatility than bonds. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. The volatility shown for total investment assets and liabilities in both tables below incorporates the impact of correlation across asset classes, which dampens volatility, therefore the value on increase/decrease figures of the asset classes will not sum to the total assets figure.

	Value at 31 Mar 2020 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
UK Government bonds	229.907	4.57	240.414	219.400
UK index-linked bonds	232.270	8.16	251.223	213.317
Corporate bonds	292.568	3.60	303.100	282.036
Overseas index-linked bonds	64.381	6.64	68.656	60.106
Overseas bonds	51.972	0.00	51.972	51.972
UK equities	740.993	14.66	849.623	632.363
Overseas equities	1,544.907	11.77	1,726.743	1,363.071
Private equity	151.285	9.23	165.249	137.321
Infrastructure	339.931	5.19	357.573	322.289
Multi asset credit	293.289	5.62	309.772	276.806
Cash	275.110	0.12	275.440	274.780
Other investment balances	5.401	-	-	-
Properties (non-financial instruments)	410.082	2.55	420.539	399.625
Total investment assets and liabilities	**4,632.096**	**7.55**	**4,981.819**	**4,282.373**

Currency risk - The Fund is exposed to currency risk through its overseas equity shares, its overseas bonds and its foreign currency holdings. The overseas equity exposure is not hedged; if Sterling weakens this currency exposure will make a positive contribution to the Fund’s performance in Sterling terms. The overseas sovereign bond exposure is hedged.

The table below quantifies the level of currency risk that the Fund’s overseas investment assets at 31 March 2020 are potentially exposed to. Currency risk on overseas sovereign bonds is managed using forward currency contracts, therefore sovereign overseas bonds have been excluded from the table. Potential aggregate currency exposure within the Fund at 31 March 2020 is determined using a currency “basket” based on the Fund’s currency mix at that date. The weight of each currency multiplied by the change in its exchange rate relative to Sterling is summed to create the aggregate currency change of the basket. The outcomes are then applied to all unhedged overseas assets.

	Value at 31 Mar 2020 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
Overseas equities	1,544.907	8.90	1,682.404	1,407.410
Overseas bonds	32.639	8.90	35.544	29.734
Overseas cash	3.085	10.31	3.403	2.767
Overseas investment assets	**1,580.631**	**8.88**	**1,720.991**	**1,440.271**

22. Actuarial Present Value of Promised Retirement Benefits

Below is an extract from the Report of the Actuary, showing the actuarial present value of the Fund's promised retirement benefits, required by the Code. If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation is carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

"The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Note that the figures below include an allowance for the "McCloud Ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

The figures below include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

	31 Mar 2019 £m	*31 Mar 2020 £m*
Active members	*3,847.000*	*2,829.000*
Deferred members	*1,309.000*	*1,164.000*
Pensioners	*1,956.000*	*2,240.000*
Present Value of Promised Retirement Benefits	***7,112.000***	***6,233.000***

It should be noted the above figures are appropriate for the Administering Authority only for the preparation of the Pension Fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2020 and 31 March 2019. I estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £592m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £233m.

Financial assumptions

Year ended (% p.a.)	***31 Mar 2019 %***	***31 Mar 2020 %***
Pension Increase Rate	*2.50*	*1.90*
Salary Increase Rate	*3.00*	*2.60*
Discount Rate	*2.40*	*2.30*

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a. for both women and men. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	***Females***
Current Pensioners	*21.6 years*	*23.7 years*
*Future Pensioners**	*22.6 years*	*25.1 years*

**Future pensioners are assumed to be aged 45 at the latest formal valuation as at 31 March 2019.*

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 Mar 2020	*Approximate increase to liabilities %*	*Approximate monetary amount £m*
0.5% p.a. increase in the Pension Increase Rate	*9*	*592*
0.5% p.a. increase in the Salary Increase Rate	*1*	*43*
0.5% p.a. decrease in the Real Discount Rate	*10*	*639*

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%."

Barry Dodds FFA
14 April 2020
For and on behalf of Hymans Robertson LLP

23. Participating Employers

The participating employers with active members in the Fund are Derbyshire County Council (which is also the Administering Authority), Derby City Council (Unitary Authority), District Councils (which are Scheduled Bodies), further Scheduled Bodies and Admission Bodies. The Unitary and District Councils are listed in the foreword of this Annual Report. Other participating employers are listed on the following pages.

Contributions and benefits, by participating employer type, in respect of the year, are as follows:

	2018-19		2019-20	
	Benefits	**Contributions**	**Benefits**	**Contributions**
	£m	**£m**	**£m**	**£m**
Derbyshire County Council	77.156	69.871	82.316	71.426
Scheduled Bodies	78.346	119.592	84.389	84.347
Admission Bodies	5.428	4.252	5.929	4.684
	160.930	**193.715**	**172.634**	**160.457**

The contribution rates payable by the County, Unitary and District Councils expressed as a percentage of pensionable payroll and fixed cash amounts are:

Council	2019-20	2020-21
Derbyshire County	14.5% plus £15.536m	15.5% plus £15.536m
Derby City	13.5% plus £6.981m	14.5% plus £6.981m
Amber Valley Borough	14.0% plus £1.057m	15.0% plus £1.057m
District of Bolsover	13.9% plus £0.962m	14.9% plus £0.962m
Chesterfield Borough	14.2% plus £1.991m	15.2% plus £1.991m
Derbyshire Dales	13.6% plus £0.645m	14.6% plus £0.561m
Erewash Borough	13.1% plus £1.125m	14.1% plus £0.999m
High Peak Borough	12.4% plus £1.833m	13.4% plus £1.833m
North East Derbyshire	13.7% plus £1.527m	14.7% plus £1.527m
South Derbyshire	13.8% plus £0.678m	14.8% plus £0.678m

The contribution rates payable by other Scheduled Bodies, expressed as a percentage of pensionable payroll are:

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
Scheduled Bodies		
Peak District National Park Authority	14.0 plus £0.224m	15.0 plus £0.224m
Chesterfield Crematorium	17.8 plus £0.020m	18.8 plus £0.029m
Derbyshire Police Authority	12.9 plus £1.465m	13.9 plus £1.465m
Derbyshire Fire & Rescue	13.2 plus £0.170m	14.2 plus £0.170m
Derby Homes Limited	13.4 plus £0.290m	14.4 plus £0.290m
Rykneld Homes	16.4	17.4
University of Derby	12.7 plus £0.745m	16.3

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
Chesterfield College	13.9 plus £0.158m	15.0 plus £0.166m
Derby College	13.7 plus £0.441m	16.5 plus £0.350m
Landau Forte College	12.3 plus £0.003m	13.5
Akaal Academy Trust Derby	19.5	18.5
Aldecar Infant School	21.0	18.3
Allenton Primary	27.9	26.9
All Saints Infants School	21.0	17.8
All Saints Junior School	21.0	19.1
All Saints Catholic Voluntary Academy (Glossop)	21.0	16.0
Alvaston Junior Academy	21.0	22.7
Arboretum Primary School	21.0	18.6
Ash Croft Primary Academy	21.0	20.4
Ashgate Croft School - from 1 June 2019	21.0	21.0
Ashwood Spencer Academy	21.0	20.3
Bishop Lonsdale Church of England Primary School	25.8	24.8
Bolsover Church of England Junior	21.0	17.9
Breadsall Hill Top Primary	21.0	20.4
Brimington Infant School	18.9	19.9
Brimington Junior School	18.3	19.3
Brookfield Academy	20.0	21.0
Brookfield Primary School - from 1 May 2019	21.0	21.0
Brooklands Primary School - from 1 July 2019	21.0	21.0
Carlyle Infant and Nursery School - from 1 August 2019	21.0	21.0
Cavendish Close Junior	21.0	19.5
Cavendish Multi-Academy Trust	19.3	21.1
Chaddesden Park Primary	21.0	23.3
Chellaston Academy - to 31 March 2020	20.9	0.0
Chellaston Fields - from 1 August 2019	21.0	21.0
Christ Church Church of England Primary School	21.5	21.5
Christ The King Catholic Voluntary Academy (Alfreton)	21.0	17.4

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
Church Gresley Infant and Nursery School - from 1 September 2019	21.0	21.0
Cloudside Junior	21.0	17.4
Cotton Farm Primary Academy	21.0	21.5
Da Vinci Academy	21.0	24.1
Darley Churchtown Primary	21.0	17.5
David Neiper Academy	17.8	18.8
Derby Cathedral School	21.0	19.3
Derby Manufacturing University Technical College	21.1	20.1
Derby Moor Community Sports College	21.0	17.4
Derby Pride Academy	15.5	16.5
Derby St Chads C of E (VC) Nursery and Infant School	21.0	19.3
Derwent Primary	21.0	20.8
Djanogly Learning Trust (Multi-Academy Trust)	21.0	17.9
Dovedale Primary School (Willows Academy Trust)	20.9	20.9
Ecclesbourne Academy	22.6	23.6
Eckington Junior	19.4	19.4
Eckington School	21.0	19.2
English Martyrs Catholic Voluntary Academy	18.5	19.5
Esteem Multi-Academy Trust	21.0	16.6
Firs Estate Primary School	21.0	18.5
Frederick Gent	21.0	18.3
Friesland School	21.0	16.5
Gamesley Primary School	21.0	17.9
Grampian Primary Academy	19.2	20.2
Granville Sports College	21.0	15.5
Griffe Field Primary School	21.0	22.4
Hackwood Primary Academy - from 1 September 2019	21.0	21.0
Hardwick Primary	21.0	19.4
Heanor Gate Science College	20.5	21.5
Heath Primary School	21.0	16.4
Heritage High School	21.0	18.0

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
Hilton Primary School	21.0	17.0
Hodthorpe Primary School - from 1 August 2019	21.0	21.0
Holbrook Primary School	22.4	22.4
Holme Hall Primary School - from 1 April 2019	21.0	21.0
Hope Valley College	23.3	24.3
Horsley Woodhouse Primary School	21.0	18.8
Howitt Primary Community School	21.0	18.2
Inkersall Primary School	20.2	21.2
Immaculate Conception Academy Trust	20.7	19.7
Ironville and Codnor Park Primary	21.0	17.0
Ivy House School - from 1 October 2019	21.0	21.0
John King Infant	21.0	17.3
John Port Academy	20.4	21.4
John Flamsteed Community School	20.2	21.2
Kilburn Junior School	21.0	16.8
Kirk Hallam Academy	18.4	19.4
Kirkstead Junior Academy	21.0	18.0
Lakeside Community Primary School	21.0	19.1
Landau Forte Moorhead Academy	19.6	20.6
Langwith Basset Junior Academy	21.0	16.1
Lawn Primary School - from 1 December 2019	21.0	21.0
Leesbrook School	19.7	20.7
Longford C of E Primary School - from 1 August 2019	21.0	21.0
Longwood Community Infant	21.0	16.3
Loscoe C of E Primary School and Nursery	21.0	16.7
Mary Swanwick Primary	21.0	20.2
Merrill Academy	22.5	23.5
Newbold Church of England Primary School	17.3	18.3
New Whittington Primary	21.0	16.2
Noel Baker School	21.0	23.5
North Wingfield Primary and Nursery Academy - from 1 March 2020	21.0	21.0
Odyssey Trust (Multi-Academy Trust)	21.0	19.7

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
Old Hall Junior School - from 1 June 2019	21.0	21.0
Outwood Academy Newbold	20.2	21.2
Peak Multi Academy Trust - from 1 April 2019	20.9	20.3
Peartree Junior	21.0	21.6
Pennine Way Junior Academy	19.7	20.7
QEGS Multi-Academy Trust	21.6	22.6
Ravensdale Junior School - from 1 September 2019	21.0	21.0
Redhill Primary School	20.7	21.7
Reigate Park Primary Academy	21.0	18.7
Richardson Endowed Primary School - from 1 June 2019	21.0	21.0
Sawley Infant School (Willows Academy Trust)	20.0	21.0
Sawley Junior School (Willows Academy Trust)	21.2	21.2
Scargill Primary	21.0	19.9
Shardlow Primary School (Willows Academy Trust)	23.3	22.3
Shirebrook Academy	20.4	21.4
Somercotes Infant School	21.0	16.1
Somerlea Park Junior	21.0	20.0
Springwell Community College - from 1 March 2020	21.0	21.0
St Alban's Catholic Voluntary Academy (Derby)	21.0	20.3
St Andrew's School - from 1 September 2019	21.0	21.0
St Anne's Catholic Voluntary Academy (Buxton)	21.0	19.2
St Benedict Voluntary Catholic Academy	22.0	23.0
St Charles' Catholic Primary Voluntary Academy (Hadfield)	21.0	17.5
St Edward's Catholic Academy	20.0	20.0
St Elizabeth's Catholic Voluntary Academy (Belper)	21.0	17.3
St George's Primary (New Mills)	21.0	19.2
St George's Voluntary Catholic Academy	20.1	21.1
St Giles Church of England Aided Primary School	20.3	21.3
St Giles Primary (Killamarsh)	21.0	16.9
St Giles School - from 1 November 2019	21.0	21.0
St John Fisher Catholic Voluntary Academy	21.7	22.7

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
St John Houghton Catholic Voluntary Academy	20.6	21.6
St Joseph's Catholic Primary School (Matlock)	20.0	21.0
St Joseph's Catholic Primary School Voluntary Academy	17.6	18.6
St Joseph's Catholic Voluntary Academy (Derby)	21.0	20.1
St Laurence Primary School	21.2	21.2
St Margaret's Catholic Voluntary Academy (Glossop)	21.0	16.5
St Mary's Catholic High School Academy Trust	21.4	22.4
St Mary's Catholic Voluntary Academy (Derby)	21.0	20.3
St Mary's Catholic Voluntary Academy (Glossop)	21.0	19.0
St Mary's Catholic Voluntary Academy (New Mills)	21.0	15.5
St Peter's C of E Aided Junior School - from 1 March 2020	21.0	21.0
St Philip Howard Catholic Voluntary Academy	20.2	20.2
St Thomas Catholic Voluntary Academy (Ilkeston)	21.0	17.5
St Thomas More Catholic Voluntary Academy (Buxton)	21.0	18.2
St Werburgh's C of E Primary School - from 1 October 2019	21.0	21.0
Street Lane Primary School	21.0	19.0
Swanwick Hall School	20.2	21.2
Temple Normanton Primary	21.0	24.8
The Bolsover Academy	20.9	21.9
The Green Infant School - from 1 November 2019	21.0	21.0
The Long Eaton Academy	19.9	20.9
The Mease at Hilton - from 1 September 2019	21.0	21.0
The Ormiston Ilkeston Enterprise Academy	23.7	24.7
The Pingle Academy	21.0	18.9
The Ripley Academy	25.0	26.0
Tupton Hall School - from 1 October 2019	21.0	21.0
Tupton Primary and Nursery Academy - from 1 July 2019	21.0	21.0
Turnditch Church of England Primary School	20.2	21.2

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
Village Primary School	21.0	20.1
Walter Evans Primary School	21.0	21.1
Walton Holymoorside Primary School - from 1 June 2019	21.0	21.0
Walton On Trent C of E Primary and Infant School	21.0	19.0
West Park Academy	21.2	22.2
Westfield Infant School - from 1 June 2019	21.0	21.0
William Gilbert Endowed (C of E) Primary School	21.2	22.2
Wilsthorpe School	21.0	19.0
Woodlands School	19.9	20.9
Woodthorpe Cof E Primary School - from 1 June 2019	21.0	21.0
Wyndham Primary Academy (Boulton Primary School)	16.7	17.7
Zaytouna Primary School (previously Al-Madinah School)	20.0	20.0
Town and Parish Councils - Group 1	23.8	18.2
Town and Parish Councils - Group 2	17.2	18.8

Town and Parish Councils

Group 1	Group 2
Ashbourne Town Council	Alfreton Town Council
Belper Town Council	Blackwell Parish Council
Clay Cross Parish Council	Breaston Parish Council
Dronfield Town Council	Bretby Parish Council
Eckington Parish Council	Burnaston Parish Council
Killamarsh Town Council	Clowne Parish Council
Matlock Town Council	Codnor Parish Council
New Mills Town Council	Darley Dale Town Council
Old Bolsover Town Council	Draycott Parish Council
Pinxton Parish Council	Glapwell Parish Council
Shirebrook Town Council	Hatton Parish Council
Staveley Town Council	Heanor and Loscoe Town Council
Whitwell Parish Council	Heath and Holmewood Parish Council
Wirksworth Town Council	Kilburn Parish Council
	North Wingfield Parish Council
	South Normanton Parish Council
	Stenson Fields Parish Council
	Tibshelf Parish Council
	Ticknall Parish Council
	Tupton Parish Council
	Wingerworth Parish Council
	Woodville Parish Council

The contribution rates payable by Admission Bodies, expressed as a percentage of pensionable payroll are:

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
7 Hills Leisure Trust - to 31 March 2019	25.3	0.0
Accuro FM Ltd - from 1 January 2019	32.4	32.4
Action for Children	28.1	16.5
Active Nation	28.2 plus £0.002m	19.8
Alliance Environmental Services Ltd	16.9	18.3
Amber Valley Schools Sports Partnership	21.0	23.0
Arvato Government Services Ltd (Derbyshire Dales)	13.8	0.0
Arvato Government Services (Sefton) Ltd	14.5	14.5
Aspens Services Ltd	28.2 plus £0.001m	28.5
Balfour Beatty Power Networks Ltd	16.5	17.3
Balfour Beatty (Derby BSF)	20.6	25.1
Barnados - to 30 June 2019	21.1	0.0
Belper Leisure Centre Ltd	31.4	33.3 plus £0.001m
Caterlink Ltd (Abercrombie)	27.8	28.8
Caterlink Ltd (Cavendish Learning Trust)	28.3	29.6
Caterlink Ltd (De Ferrers Trust)	30.2	31.7
Caterlink Ltd (Lea Primary)	30.2	12.9
Caterlink Ltd (Reigate Primary)	27.9	58.9
Caterlink Ltd (Shirebrook/Stubbin Wood)	31.0	16.0
Caterlink Ltd (St Marys)	31.2	33.4
Caterlink Ltd (St Marys High School)	31.8	31.2
Caterlink Ltd (Swanwick Hall)	32.6	57.4
Chesterfield Care Group	25.2	3.3
Churchill Contractor Services (St Marys)	33.9	40.0
Clean Slate (UK) Ltd (Pottery)	30.4 plus £0.001m	16.4
Compass Contract Services (UK) Ltd	10.3	17.0
Compass Services Ltd (DCC)	16.5	18.5
Connex Community Support	33.3	21.0
Crich Tramway Museum Society	24.0 plus £0.015m	30.8
CSE Education	29.0	26.3
Derby County Community Trust	23.1	35.5 plus £0.008m
Derby Museums & Arts Trust	19.2	22.1

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
Derbyshire Building Control	23.2	26.1
Derbyshire Student Residences Ltd	25.8	27.7
Elite Cleaning and Environmental Services - to 31 August 2019	32.8	0.0
EMH Homes	22.3 plus £0.161m	21.1
Futures Homescape Ltd	23.9 plus £0.103m	33.4 plus £0.095m
Interserve Catering Services Ltd	20.2	24.4
Interserve Integrated Services Ltd	7.1	20.8
KCLS Ltd (Tibshelf Infant)	34.4	6.9
Kier Ltd	13.8	13.8
Leisure Amber Valley BC	13.8	13.8
Leisure High Peak BC - to 31 March 2019	1.4	0.0
Legacy Leisure Ltd (Parkwood Leisure) Erewash	27.2	26.8
Macintyre Care Ltd	2.0	0.0
Mellors Catering	25.7	0.0
Mellors Catering (Murray Park)	31.7	30.0
Mitie Facilities Services Ltd	37.7	30.2
Norwest Holst Ltd (previously Vinci plc)	33.0	9.5
NSL Ltd	22.3	20.3
Office Care Ltd (Brookfield Academy) - to 11 October 2019	29.5	0.0
Parkwood Leisure Limited (Buxton Pavillion)	24.3	24.3
Platform Housing Group (previously known as Waterloo Housing Group)	28.1 plus £0.018m	11.4
RM Education Ltd	28.8	33.7
SIV Enterprises Ltd - to 31 March 2019	4.6	0.0
Superclean Services Wothorpe Ltd (Fire) - to 31 March 2019	11.2	0.0
Taylor Shaw	34.7	24.4
Veolia (Amber Valley Refuse)	6.1	0.0
Veolia (Chesterfield Refuse)	17.5	8.3
Vinci Construction UK (Ashcroft & Portway)	31.7	30.8
Vinci plc (Ravensdale) - to 31 March 2019	29.9	0.0
Wealdon Leisure - from 1 August 2018	24.5	25.8

24. Subsequent Events

Covid-19
The outbreak of Covid-19, declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has had, and continues to have, a significant impact on global financial markets. The majority of the countries in which the Fund invests have implemented severe restrictions on the movement of populations, with a resultant significant impact on economic activity. The impact of these restrictions, including the subsequent lifting of restrictions, will vary from country to country. The actions taken by the various governments and central banks around the world, including those of the United Kingdom, provide an indication of the potential severity of the downturn and post-recovery environment, which could be significantly different to past crises and take much longer. The Covid-19 outbreak has led to weaker GDP in many of the countries in which the Fund invests, and the impact is likely to differ significantly by country, and by industry and sector. It is not possible to predict the future trajectory of the Covid-19 outbreak, including the future impact on global financial markets, asset prices and bond yields.

The Fund’s basis of valuation for each class of financial investment is set out in greater detail in Note 15 to these accounts, and there have been no changes to the valuation techniques used in the year. A significant proportion of the Fund’s financial investments relate to Level 1 assets where there is a readily available daily bid market price, Level 2 assets where the fair value can be determined based on other market data or market prices, and cash deposits.

The remainder of the Fund’s financial investments relate to Level 3 assets, including unquoted private equity, infrastructure, private debt investments and indirect property assets. These assets are valued using the most recently reported net assets statement for that investment, adjusted for drawdowns and distributions to the final day of the accounting period, if the net assets statement is not produced to that date.

Level 3 assets also include the Fund’s direct property portfolio which is independently valued by Savills at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors’ Valuation Standards. In their March 2020 Valuation Report, Savills noted that ‘‘market activity is being impacted in many sectors and at the valuation date we do not consider that we can rely upon previous market evidence to fully inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of ‘material valuation uncertainty’ as indicated in Global Valuation Technical and Performance Standards and Practice Guidance Applications VPS 3 and VPGA 10 of the Royal Institute of Chartered Surveyors (RICS) Red Book Global Standards, containing mandatory rules, best practice guidance and related commentary for all members undertaking asset valuations. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that the valuation of these properties are kept under frequent review’’.

The value of the Fund's Level 3 assets at 31 March 2020 was £2,175.402m, accounting for 46.9% of total investment assets. The estimated impact of price risk in respect of Level 3 assets is ±7.5%, equating to £161.681m at 31 March 2020. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'risker' assets such as equities display greater volatility than bonds.

AUDITOR’S OPINION – PENSION FUND ACCOUNTS

Audit Opinion to be inserted

AUDITOR'S OPINION – PENSION FUND ACCOUNTS

Audit Opinion to be inserted

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Audit Opinion to be inserted

AA rated corporate bonds
Financial indicator of very good quality, low risk debt securities. These are assigned by credit rating agencies such as Moody's, Standard & Poor's and Fitch Ratings to have letter designations (such as AAA, B, CC).

Account
A group of expenditure items or balances with similar qualities will be summated into an 'account' balance such as an individual reserve account, or revenue expenditure account.

Accounting Policies
The Councils document outlining how it will account for all of its operations.

Accounting Principles
Commonly accepted set of concepts or assumptions that have to be followed when producing financial statements.

Accounting Standard
Statutory guidelines which explain how to treat financial activities in the financial statements. See International Financial Reporting Standards (IFRS).

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

Accruals Concept
Requires operations of the Council to be reported in the financial statements at the point which they took place, rather than when the cash was paid or received.

Accumulating Absences
Types of leave which employees are entitled to each year; which if untaken in one financial year will be added to the entitlement for the following year.

Acquired / Acquisition
Operations or assets which have become the responsibility of the Council, such as through purchase, a Government reorganisation, donation or merger.

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

Actuaries
An actuary is a professional who deals with the financial impact of risk and uncertainty. Actuaries provide assessments of financial systems and balances.

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

Amortised Cost – Financial Instruments
The valuation of a financial asset or liability based on repayments of principal, interest accrued at a constant rate and the difference between the initial amount recognised and the maturity amount. For financial assets this is adjusted by any loss allowance.

Amortised Cost – Other Non-Current Assets
The cost of intangible assets reduced by the amount of amortisation charged to date.

Annual Leave
Yearly entitlement of paid time off for Council staff.

Asset Register
Listing of all property (for example land, buildings, furniture, infrastructure, software) owned by the Council. The register holds all financial information relating to the asset.

Assets
Right or other access to future economic benefits.

Assets Held For Sale
Non-Current Assets which meet the relevant criteria to be classified as held for sale.

Assets Under Construction
Assets which are in the process of being constructed and are not yet operational.

Associates
An entity (including partnerships) which is not a subsidiary or joint venture, where the Council has significant influence.

Authorised For Issue
The date which the financial statements have been certified by External Audit and signed the relevant Officers and Members of the Council.

Balance Sheet
Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

Balance Sheet Date
The date at which the Council reports its financial statements. For Derbyshire County Council, this date is the 31 March.

Bias
Influence or direction.

Billing Authorities
Councils who are responsible for issuing Council Tax Invoices and collection of income from local residents. The relevant share of that income is then transferred to the Council.

Borrowing Requirement
The amount required to be loaned from Money Markets or other financial institutions or Councils in order to support capital expenditure.

Business Rates
Local property taxation issued to businesses, similar to Council Tax on residential properties. Also known as National Non Domestic Rates (NNDR).

Cabinet
Sub-committee of elected Councillors representing the functions and portfolios of the Council.

Capital
Assets which have a long term value (more than one year) to the Council such as Buildings.

Capital Adjustment Account
Capital reserve largely comprising of resource applied to capital financing and is not available to the Council to support new investment.

Capital Appreciation
Increase in the worth of assets over time due to changes in market conditions or enhancements to the asset.

Capital Costs
Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.

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

Capital Financing Requirement
The Capital Financing Requirement measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It is a measure of the underlying need to borrow for a capital purpose.

Capital Grant
Grant which is intended to fund capital expenditure.

Capital Grants Unapplied Reserve
Balance of capital grants received which is available to finance future capital expenditure.

Capital Receipts
Income received from the sale or utilisation of property, such as sale proceeds or rental income on finance leases.

Capital Reserves
Reserve balances held for capital purposes.

Carrying Value
The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

Cash Flow Statement
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Cash Flows
Monies received or paid either as cash or bank transactions. Cash inflow denotes money received, cash outflow denotes money paid.

Chartered Institute of Public Finance And Accountancy (CIPFA)
The main authority on accountancy and financial management for the public services in the UK.

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

Collection Fund
The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

Collection Fund Adjustment Account
Revenue reserve to represent the difference between the income received by a local authority in Council Tax and the amount attributable to them.

Collection Fund Statements
The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

Community Assets
Assets which are held for the benefit of the community where there is no determinable useful life.

Comparative Year
The previous year to that which is being reported.

Component Accounting
The concept that individual parts of an asset (such as land, building, roof, sheds) should be treated differently in the financial statements dependent on the expected useful life or value of those individual parts. The concept expects that some parts of an asset require repair or replacement sooner than others.

Comprehensive Income And Expenditure Statement
Financial Statement detailing the revenue operations of the Council. This represents the private sector equivalent of a Profit and Loss Statement.

Condition
A requirement which must be met for an asset or liability to be recognised by the Council. For example, a donation which can only be spent within a specific service area such as museums or to support children.

Contingent Assets And Liabilities
A possible asset or obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

Contract Asset
The Council's right to receive consideration in exchange for goods or services that it has transferred to a service recipient where that right is conditional on something other than the passage of time (such as the Council's future performance).

Contract Liability
The Council's obligation to deliver goods or services to a service recipient for which it has already received consideration.

Contributions
Income received by the council which is not a grant, donation, fine, or in direct exchange for goods or services.

Core Service Areas
The services provided by the Council externally, such as education, highway maintenance and adult social care.

Corporate And Democratic Core
Costs associated with maintaining a democratic representation and management within the Council. For example Members Allowances and administrative costs associated with supporting elected Members.

Council
The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.
Council Tax
Council Tax is a local taxation that is levied on dwellings within the local Council area, and funds all Council services.
Credit
A credit represents income to a revenue account.
Credit Loss
The difference between contractual amounts due to the Council and the amounts it expects to receive.
Creditor
Represents the amount that the Council owes other parties.
Current Service Cost
The current service cost is the increase in the value of the pension schemes future pension liabilities arising from the employees on-going membership of the pension scheme.
Current Value
IFRS13 introduces the concept of current value and defines it as the measurements that reflect the economic environment prevailing for a service or function the asset is supporting at the reporting date. Current value can be fair value, existing use value, existing use value – Social Housing and depreciable replacement cost.
Current Year Entry
A transaction which has occurred in the financial year being reported.
Curtailments
Materially reducing the expected years of future services of current employees or eliminating for a significant number of employees the accrual of defined benefits for some or all of their future services.
Debit
A debit represents expenditure against a revenue account.
Debt Outstanding
The remaining principal balance owed on a loans or investments.
Debtors
Represents the amounts owed to the Council.
Equity Instrument
A contract which evidences a residual interest in the assets of another entity after deducting all of its liabilities. Examples include shares and derivatives that give the Council the right to receive a fixed number of shares for a fixed amount of cash (or another financial asset) in an exchange which is expected to be favourable to the Council.
Defined Benefit Scheme
Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members' contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

Defined Contribution Scheme
Also known as a Money Purchase Scheme. Pension scheme arrangement where the employer's liability is restricted to the amount that they contribute. Benefits payable to the members depend on the performance of the invested contributions of the members and the employer, the level of contributions invested, the charges deducted by the product provider and the annuity rate at retirement.

De-Minimis
Minimum level required. For example expenditure below the capital de-minimis is below the minimum level required to be treated as a capital expenditure item.

Department For Education
Central Government Department, responsible for education and children's services in England.

Depreciable Replacement Cost (DRC)
DRC is a method of valuation that provides the current cost of replacing an asset with its Modern Equivalent Asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

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

Derecognition
The process whereby a component is replaced to avoid double counting when no future economic benefits or service potential are expected from its use or upon disposal.

Discount
An allowance received through the early repayment of debt.

Discounted
Reflecting the equivalent value today of a payment or income made or due in the past or future.

Discounted Cash Flow
A method of analysing future cash flows, by removing the impact time has on the value of money, and producing an equivalent current value (present value).

Discretionary Benefits
Benefits given to employees which are not statutorily obliged.

Disposal
Operations or assets which have left the responsibility of the Council, such as through sale, a Government reorganisation, donation or merger

Donated Assets
Assets which have been acquired at below market cost.

Dowry
One off payment made as donation, contribution or pre-payment of an obligation.

Earmarked Reserves
Reserve balances which have been set aside for future spending in a specific area.

Economic Life

The number of years the Council is expected to receive economic benefits to deliver services.

Effective Rate

The interest rate embedded within a contract or lease, allowing for regular annual payments and the time value of money.

Employee

A person who holds an office within the Council, but does not include a person who is an elected Councillor.

Employee Benefits

Monetary or other awards to employees of the Council in exchange for services provided. For example, pay, holidays, and pensions.

Employee Costs

The costs directly associated with employees, including but not exhaustively salaries and wages, National Insurance contributions and pension’s costs.

Employer Contributions

The payments made to an employee’s pension scheme by the Council.

Enhancement Expenditure

Expenditure which increases the value of an asset.

Entity

Something with a legal status such as the Council, a company, or an individual.

Events After The Balance Sheet Date

An event which occurs between 31 March and the date that the accounts are signed which would alter the conclusion reached by any reader of the accounts.

Exceptional Items

Material items that result from the ordinary activities of the Council, but to a value so significantly abnormal that is not expected to recur at that level.

Existing Use Value (EUV)

The value of an asset based on what it is currently being used for. For example, two identical buildings in construction and design may have different values where one is used as a school and another is used as offices.

Exit Packages

The payment made to an employee upon leaving the Council.

Expenditure

Payments made of goods or services.

Fair Value

The income that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Through Other Comprehensive Income (FVOCI)

Measurement of a financial asset at fair value where any gain or loss on revaluation is recognised in other comprehensive income and expenditure and taken to the Financial Instrument Revaluation Reserve.

Fair Value Through Profit or Loss
Measurement of a financial asset at fair value where any gain or loss on revaluation is recognised as a credit or charge to Surplus or Deficit on Provision of Services within the CIES.

Finance Income
Interest receipts.

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

Financial Assets
A type of financial instrument which gives the Council the right to receive future economic benefits.

Financial Instruments
An umbrella term to describe all financial services and trading with which the Council may operate, including loans, borrowings, bank accounts and debtors.

Financial Instruments Adjustment Account
Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against Council tax.

Financial Instruments Revaluation Reserve
This reserve contains the cumulative gains and losses relating to the valuation of financial assets held at fair value through other comprehensive income. When the underlying financial assets are de-recognised any gains or losses held in this reserve are credited or expensed to the Surplus or Deficit on Provision of Services.

Financial Liabilities
A type of financial instrument that confers an obligation on the Council to transfer economic benefits under its control.

Financial Statements
Published document, consisting of the Balance Sheet, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Cash Flow Statement and Notes to the Accounts.

Financial Year
The current year being reported upon running from 1 April to 31 March.

Five Year Financial Plan
The Councils Medium Term Financial Plan, setting out the financial projection for the Council over the coming 5 years.

Fixed Assets
See Non-Current Assets.

Flexi-Time
Time owed to employees who have worked above the contracted hours.

Gain
Where income exceeds expenditure.

General Provisions
Money set aside in the Balance Sheet where its future use is not known.

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

General Revenue Government Grants
Grant income received from Central Government (or Government Department) which is not restricted in its use.

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

Goods Or Services
Supplies required by the Council to perform its operations. Examples of goods; paper, bricks or light bulbs, and services; electricity, petrol or agency staff.

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

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

Hire Purchase
A contract for the provision of an asset which becomes the property of the lessee at the end of the contract period.

Historic Cost
The cash paid in obtaining an asset in its current form. Inclusive of purchase price and enhancement expenditure.

HM Revenue & Customs
Her Majesty's Revenue and Customs is a non-ministerial department of the UK Government responsible for the collection of taxes, the payment of some forms of state support, and the administration of other regulatory regimes including the national minimum wage.

HM Treasury
Her Majesty's Treasury, sometimes referred to as the Exchequer, or more informally the Treasury, is the United Kingdom government department responsible for developing and executing the British government's public finance policy and economic policy.

IFRIC
International Financial Reporting Interpretation Committee.

Immateriality
Immateriality is an expression of the relative insignificance or unimportance of a particular matter in the context of the financial statements as a whole.

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

Inception
The point in time which something began such as a project, contract or lease.

Income

Cash flows into the Council.

Income From Service Recipients

Consideration a party, that has contracted with the Council, has given in exchange for goods or services that are the output of the Council's normal operating activites. Such a contract may be in writing, orally or in accordance with customary business practices.

Income In Advance

Income received before the point at which an obligation to receive it has occurred.

Infrastructure

A network and grouping of inalienable components, expenditure on which is only recoverable by continued use of the asset created i.e. there is no prospect of sale or alternative use. The inalienable components include carriageways, footways, cycle tracks, structures, street furniture, street lighting, traffic management systems and land.

Intangible Asset

Non-current assets which do not have physical form such as software.

Interest Accrued

Accrued interest is the interest on a bond or loan that has accumulated since the principal investment or since the previous coupon payment if there has been one already.

Interest Payable

The amount of interest due for payment within a financial year.

Interest Rate

The rate at which interest is calculated on a loan or investment.

Interest Receivable

The amount of interest due for receipt within a financial year.

International Accounting Standards (IAS)

Regulations outlining the method of accounting for activities, IAS's are currently being replaced with International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board.

International Financial Reporting Standards (IFRS)

Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

International Public Sector Accounting Standards (IPSAS)

Public Sector regulations outlining the method of accounting for activities.

Inventories

Goods purchased in advance of their use which are held in store.

Investment Property

Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation) or both.

Joint Venture

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

Lease

Financial contract for the continuing use of an asset.

Lease Interest
The interest rate inherent within a lease allowing for regular rental payments and an adjustment for the time value of money.
Lease Payments
Regular payment made in exchange for the use of an asset.
Leases
A method of funding expenditure by payment over a defined period of time.
Lessee
The person or organisation that is using or occupying an asset under lease (tenant).
Lessor
The person or organisation that owns an asset under lease (landlord).
Liabilities
An obligation to transfer economic benefits. Current liabilities are payable within one year.
Loans And Receivables
Financial assets which are not quoted in an active market and have either a fixed or determinable payment.
Loan Modification
A change to the terms of an existing loan. Changes may include a reduction in the interest rate, an extension of the loan term, or a reduction in the principal balance.
Loan Modification Gain/Loss
An amount arising from adjusting the carrying value of a loan to reflect the cash flows under the renegotiated terms of the loan, but accruing interest at the rate specified in the original loan terms.
Long Term Debtor
Income due in more than 365 days of the balance sheet date.
Long Term Liability
Payment due in more than 365 days of the balance sheet date.
Loss
Where expenditure exceeds income.
Loss Allowance
A reduction to the value of financial assets for the expected credit losses relating to those assets.
Materiality / Material
Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.
Maternity Leave
Statutory time off due to pregnant women and new mothers.
Members
Elected Councillors responsible for the democratic leadership of the Council.
Members Allowances
Allowances paid to members in association with their roles and responsibilities.

Minimum Lease Payments
The minimum which will be paid or received over the life of a lease agreement.

Minimum Revenue Provision (MRP)
A prudent amount of revenue set aside to contribute towards capital expenditure which has been financed by borrowing or credit arrangements.

Misstatement
An error whereby something was included in the accounts wrongly.

Modern Equivalent Asset (MEA)
The MEA should give the same service and performance as the existing asset, but should use modern materials and technology.

Movement In Reserves Statement (MiRS)
The statement detailing the movement in the reserves of the Council.

Net Cost Of Services
The direct cost of delivering the Councils services after allowing for specific income received by those services.

Net Operating Expenditure
The cost of operational items which are not direct services, such as disposing of the Councils assets, after allowing for specific income received.

Net Realisable Value
The estimated selling price of an asset in the ordinary course of operations less any completion costs and costs to make the sale, exchange or distribution.

Non Distributed Costs
The value of revenue operating expenditure that is not able to be apportioned to one of the authorities core service areas.

Non-Accumulating Absences
Types of leave an employee may take in a financial year, which if are not taken do not get added to the following year’s entitlement. For example Sick Leave.

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

Non-Vesting
An obligation which cannot be settled by a monetary payment.

Notes To The Accounts
A set of supplementary comments, tables and information which further explains the main Financial Statements.

Obligation
The requirement to transfer economic benefits.

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

Operational
The normal activities of the Council.

Past Service Cost
Past service cost is the change in the present value of defined benefit obligations caused by employee service in prior periods.

Payment In Advance
A payment made which is before the point of any obligation.

Pension Liabilities
The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.

Pensions Costs
The benefits paid by the Council which are accrued during the period of employment and paid to ex-employees after retirement.

PFI
See Private Finance Initiative.

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

Pooled Investment Funds Adjustment Account
This reserve contains the cumulative gains and losses related to pooled investment funds measured at FVPL as required by the statutory override effective for financial years 2018-19 to 2022-23.

Premium
A payment made in association with the early repayment of debt.

Pre-Payments
See payment in advance.

Present Value
See Discounted.

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

Principal
The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

Private Finance Initiative (PFI)
A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.

Projected Unit Method
This is a common actuarial funding method to value pension scheme liabilities.

Property, Plant And Equipment Assets (PPE)
Assets with a long Term value and physical substance such as buildings, land, IT equipment or vehicles.

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

Prudent
A cautious approach to present the Financial Statements without significant risk of failure to achieve the assets presented.

Quoted Market Prices
A method of determining the fair value of financial assets via prices quoted on an active market.

Recognition
The process upon which assets are deemed to belong to the Council ether by purchase, construction or other form of acquisition.

Receivable
The Council’s unconditional right to receive consideration in exchange for goods or services that it has transferred to a service recipient.

Residual
The remaining value in an asset at the end of a contract or lease.

Retirement Benefits
Remuneration package received by employees after their retirement from the Council.

Retrospectively
Changes made to previous years accounts to alter the treatment which has previously been reported.

Revaluation Gain
The increase to the fair value of an asset following a valuation.

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

Revenue
The cost associated with providing Council services.

Revenue Expenditure
Expenditure which is not capital.

Revenue Expenditure Funded From Capital Under Statute (REFCUS)
This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.

Revenue Grant
Grant which is not capital.

Risk
The chance of an asset not coming to fruition or a liability being greater than anticipated.

Royal Institute Or Chartered Surveyors (RICS)
An international organisation who represent everything professional and ethical in land, property and construction.

Salaries And Wages
Payments made to employees in exchange for service worked at the Council.

Service Concession Arrangements
Arrangements which involve the supply and maintenance of assets and service delivery.

Service Costs
Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.

Service Expenditure Reporting Code of Practice (SERCOP)
CIPFA guidelines on reporting revenue expenditure.
Service Level Agreements
Contract of service.
Short Term
Less than 365 days from the balance sheet date.
Short Term Benefits
Employee benefits earned and consumed during employment.
Significant
A measure of materiality where the value is deemed to be almost all of the total value in question.
Soft Loans
Low interest rate loans.
Spot Yields
A calculation of the projected return on bonds if held to maturity.
Staff
See employee.
Statute
Set out in legislation.
Straight Line Basis
The method of calculation of depreciation to allocate an equal amount of depreciation each year over an asset's useful life.
Support Services
Indirect costs of providing Council services including HR, Finance, Legal and Property Maintenance.
Surplus
Arises when income exceeds expenditure or when expenditure is less than available budget.
Surplus Assets
Assets which are no longer in operation.
Tangible
Physical, can be touched.
Tenant
The person or organisation that is occupying an asset under lease.
Termination Benefits
Employee benefits paid upon termination of employment such as redundancy.
The Code
CIPFA guidelines on accounting within Local Government.
Transactions
Individual items of income or expenditure.
Treasury Management
Utilisation of cash flows through investments and loans.
Unidentified Income
Income received by the Council where the reason for the income is unknown.

Unusable
Balances which are not available to support future spending.
Usable
Balances which are available to support future spending.
Useful Life
The period with which an asset is expected to be useful to the Council in its current state.
Value Added Tax
National taxation charged on goods and services.
Vesting
Obligation due which can be paid in cash.
Work In Progress
The fair value of incomplete contracts for goods and services which are to be charged to external customers.

CONTACT INFORMATION

If you require any further assistance

E-mail 💻:

contact.centre@derbyshire.gov.uk

Phone ☎:

01629 533190

Audit Governance Statement to be inserted

Schedule of Changes to the Statement of Accounts

	Accounts Reference	Issue
	Council Accounts (Note references refer to the Statement of Accounts at Appendix One)	
1	Note 1 Accounting Policies	Disclosure change to remove a prior year reference to the update of accounting policies for IFRS 9/IFRS 15.
2	Note 2 Critical Judgements when Applying the Accounting Standards	Change to bring up to date and remove a reference to Local Government Reorganisation but add in a reference to the formal assessment of Going Concern and its conclusion.
3	Contingent Assets and Liabilities and Similar Commitments Note	Note removed on auditor advice, as not required.
4	Note 14 Property, Plant and Equipment	Disclosure change to adjust the split between purchased/built assets and PFI assets in the nature of asset holding disclosure. No change to asset values. Additional disclosure table inserted to present the effective date of revaluation of land and buildings, with an analysis of the value of these assets according to when they were revalued under the rolling programme.
5	Note 15 Nature and Scale of Heritage Assets	Disclosure added to include categories of heritage assets, with a description of those categories.
6	Note 19 Assets Held for Sale	Disclosure change to add in comparatives and remove analysis not required.
7	Note 21 Financial Instruments	Disclosure added to separately show the fair value and hierarchy level of pooled investment funds and a loan. Disclosure added on the determination of the fair value of the Council's pooled investment funds, deposits and loans.
8	Note 33 Officers' Remuneration	Disclosure of the Salary of Director of Legal Services increased by £5,601 to include a "taxed redundancy payment" omitted because of a formula error in the working paper.
9	Note 37 Income from Contracts with Service Recipients	Disclosure updated to disclose income received by schools separately from the Young People portfolio.
10	Movement in Cash Reconciled to the Movement in Net Debt	Note removed on auditor advice, as Note 46 Reconciliation of Cash Flows and Liabilities Arising from Financing Activities suffices.

11	Note 49 Nature and Extent of Risks Arising from Financial Instruments	Minor updates to the trade debtors disclosures in credit risks arising from financial instruments. Sentence added on the Council's maximum exposure to credit risk.
12	Accounting Policies	1.14 Non-current asset valuation methodology clarified for Heritage Assets. 1.14 Non-current asset valuation methodology updated in respect of IFRS 13 references. 1.40 Loss allowance for expected credit losses updated for minor revisions to bring it up to date.
	Pension Fund Accounts	
1	Note 10 Management Expenses	Management fees as a proportion of average investment fees updated from 0.49% to 0.50% in both years; updated to agree to updated Annual Report analysis.
2	Note 13 Investment Assets and Liabilities	Additional disclosure analysis inserted, to further split Pooled Investment Vehicles between Funds Invested in Property, Unit Trusts, Unitised Insurance Policies and Other Managed Funds.
3	Note 15 Fair Value – Basis of Valuation	Additional fair value disclosure table inserted, providing further details of valuation hierarchy, basis of valuation, observable and unobservable inputs and key sensitivities affecting the valuation.
4	Note 17 Current Assets	Current assets note updated to agree to the current assets figure in the net assets statement of the pre-audit accounts.

Mark Surridge
Mazars LLP
45 Church Street
Birmingham
B3 2RT

November 2020

Dear Sirs

Derbyshire County Council - audit for year ended 31 March 2020
This representation letter is provided in connection with your audit of the financial statements of Derbyshire County Council (the Council) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information
I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information
I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance & ICT that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records
I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies
I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value
I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Material Valuation Uncertainty
The outbreak of Covid-19 has impacted global financial markets and as such identified that less weight can be attached to the previous market evidence for comparison purposes and to inform opinions of value. The current response to Covid-19 has resulted in an unprecedented set of circumstances on which to base judgement, resulting in the valuations recognised within the Statement of Accounts being reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global given the unknown future impact that Covid-19 might have on the real estate market. I am satisfied that sufficient and appropriate disclosures have been made in the Statement of Accounts to reflect the impact of 'material valuation uncertainty' on the Council's assets.

Contingencies
There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date. There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations
I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error
I acknowledge my responsibility as Director of Finance & ICT for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions
I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law. I have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which I am aware.

Impairment review
To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant, equipment and investment property below their carrying value at the balance sheet date.

Future commitments
I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements
I am not aware of any material contract variations, payment deductions or additional service charges in 2019-20 in relation to the Council's PFI schemes that you have not been made aware of.

Subsequent events
I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Other matters

I can confirm in relation to the following matters that:

- Brexit - we have assessed the potential impact of the United Kingdom leaving the European Union and that the disclosure in the Narrative Report and note 3 to the Statement of Accounts fairly reflects that assessment.
- Covid-19 - we have assessed the potential impact of the Covid-19 virus pandemic on the Council and the Statement of Accounts, including the impact of mitigation measures and uncertainties, and are satisfied that the Statement of Accounts and supporting notes fairly reflect that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts. I have updated our going concern assessment in light of the Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements
I confirm that the effects of the uncorrected misstatements as included in the auditor's Audit Completion Report are immaterial, both individually and in aggregate, to the financial statements as a whole.

This letter was tabled and agreed at the meeting of the Audit Committee on 24 November 2020.

Yours faithfully

Director of Finance & ICT

November 2020

Mazars LLP
Salvus House
Aykley Head
Durham
DH1 5TS

November 2020

Dear Cameron

Derbyshire Pension Fund - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of the Derbyshire Pension Fund (‘the Pension Fund’) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information
I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code.

My responsibility to provide and disclose relevant information
I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance & ICT that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Pension Fund and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Pension Fund in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Pension Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Finance & ICT for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;

- all knowledge of fraud or suspected fraud affecting the Pension Fund involving:
    - management and those charged with governance;
    - employees who have significant roles in internal control; and
    - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Assets
I confirm that all assets held are free from liens, charges or any other encumbrance.

Related party transactions
I confirm that all related party relationships, transactions and balances have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Pension Fund’s related parties and all related party relationships and transactions of which I am aware.

Future commitments
I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Specific representation on unquoted investments
Unquoted investments are included in the net assets statement at the value estimated by the general partner managing each fund in accordance with the guidelines used by the industry, and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, with the valuations, and am not aware of any subsequent events that would have a material impact on the estimated value of the unquoted investments.

Unadjusted misstatements
I confirm that the effects of the uncorrected misstatements as included in the auditor’s Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Subsequent events
I confirm all events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern
To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts. I have updated our going concern assessment in light of the Covid-19 pandemic. I continue to believe that the Council’s financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council’s needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Yours sincerely

Director of Finance & ICT

November 2020

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE MEETING

24 November 2020

Report of the Assistant Director of Finance (Audit)

AUDIT SERVICES UNIT – PROGRESS AGAINST AUDIT PLAN 2020-21

1. Purpose of Report

To inform Members of progress against the approved Audit Services Plan for 2020-21 as at 31 October 2020.

2. Information & Analysis

At the meeting of this Committee held on 27 May 2020 Members approved the Audit Services Plan for 2020-21 which had been formulated from our risk assessment drawn from a wide range of sources including the Council Plan, the Council's strategic risk register, Departmental risk registers, service plans and meetings with Executive Directors and Directors. These meetings included the Executive Director of Commissioning, Communities and Policy (Head of Paid Service), Director of Finance & ICT (Section 151 Officer) and Director of Legal and Democratic Services (Monitoring Officer).

In accordance with the Audit Committee's Terms of Reference this report updates Members on progress against the Plan for the seven months to 31 October 2020 and represents work undertaken during that period which is detailed in Appendix 1. An analysis of the priority criteria for Audit recommendations and assurance levels is provided in Appendix 2.

<u>Operational Matters</u>

The Audit Services Unit continues to progress its approved programme of work, including those areas of additional, unplanned work which were necessary to support Senior Management facing the challenges of the pandemic, and undertaking "deep dives" into specific areas of risk in greater detail. In common with previous years some work forming part of last year's approved Audit Services Plan was completed and reported in the current year which is identified at Appendix 1. Audit staff routinely follow up progress against agreed recommendations as part of subsequent work in that area.

<u>Coronavirus</u>

The potential impact of the coronavirus was reported to the Audit Committee at its meetings on 27 May and 22 September 2020 and these factors still remain which are detailed below:-

- Timing of Audit work;
- Additional, unplanned work;
- Potential impact of frauds, scams and errors;
- Home working and social distancing;
- Access to records;
- Access to premises;
- Return to business as usual.

The impact of these restrictions on the Audit Services Plan were considered in detail and included in the last progress report to the Audit Committee. Since the last meeting the country has been placed into a second, albeit slightly less restrictive lockdown which is planned to end on 2 December 2020. Eight months have now elapsed since the start of the first lockdown and it is still not possible to determine if, how and when the Council's services will return to normal.

Staffing

The considerable and continuing pressures placed on the Unit's staffing resources have been reported to the Audit Committee on a regular basis. With the exception of a vacant Senior Auditor post, which has been re-advertised on several occasions, all other posts are currently occupied. Since the last progress report to the Audit Committee the Senior Auditor post was advertised although this did not attract any suitable candidates; consequently the vacancy has been re-advertised again.

In addition, the Unit's levels of sickness absence continue to remain higher than estimated and at 31 October 2020 152 days had been lost through sickness absence. Whilst staff attendance continues to be managed in accordance with the Council's Policies, this situation has an ongoing impact on available days to deliver the Audit Services Plan.

Monitoring and Delivery of the Audit Services Plan

Despite the impact of coronavirus and reduced resources Audit staff will continue to focus on the delivery of the Audit Services Plan and supporting Senior Management. Whilst current restrictions prevent school and establishment Audit visits taking place the Unit has recently developed, and implemented a programme of virtual school audits. Although this programme will not provide the same level of coverage as planned it will allow a level of assurance to be drawn on schools' operations.

The delivery of Audit work is routinely monitored on a weekly basis by Senior Audit Management and progress against the Audit Services Plan is regularly reported to the Audit Committee. It is essential that the Audit Services Plan can continue to respond to changing and emerging threats to the Council's governance, control and risk management framework.

Where planned Audit activity does not take place Senior Management may wish to seek or build upon other forms of assurance and accept a higher level of risk.

The achievement of the Audit Services Plan and output from Audit work will inform the annual Audit Opinion provided by the Assistant Director of Finance (Audit), as Head of Internal Audit.

At 31 October 2020 1,480 productive days have been delivered against the pro-rata target of 1,682 days (total planned days for 2020-21 is 2,884). This includes 449 days deployed on projects not specifically included in the original Audit Services Plan.

3. Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

4. Background Papers

A file held by the Assistant Director of Finance (Audit).

5. Officer's Recommendation

That the Committee note the information on progress to date against the approved Audit Services Plan.

Carl Hardman
Assistant Director of Finance (Audit)

APPENDIX 1

DERBYSHIRE AUDIT SERVICES
INTERNAL AUDIT PLAN 2020/21

The information summarized below by Service Department identifies the work approved and actual time spent for the period ending 31 October 2020.

Corporate Activities

It is intended to spend **1,060** days on the Audit of Corporate Activities which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days 19-20	Actual Days 20-21	No of Reports	Level of Audit Assurance	Analysis of Recommendations C	H	M	L	Recs Not Acceptd	Recs Not Implmtd	Comments
Corporate Projects													
• Workforce Development/ Succession Planning	H	30	1	2	-	-	-	-	-	-	-	-	-
• Cyber Security	H	30	-	-	1	Other	-	-	-	-	-	-	Report issued to the Council's Information Governance Group.
• Audit of Corporate Culture	H	30	-	-	-	-	-	-	-	-	-	-	-
• Climate Change	H	30	-	-	-	-	-	-	-	-	-	-	-
• Major Incident Response	M/H	30	-	-	-	-	-	-	-	-	-	-	-
• Maintenance of Council Properties	M/H	30	-	44	-	-	-	-	-	-	-	-	-
• New Delivery & Commissioning Models/Partnership Working	M/H	30	-	-	-	-	-	-	-	-	-	-	-
• Data Protection Compliance	M/H	20	-	32	1	Other	-	-	-	-	-	-	Report issued to the Council's Information Governance Group.
• Supply Chain Failure	M/H	20	-	26	-	-	-	-	-	-	-	-	-
• Health and Safety & Wellbeing	M/H	20	-	5	-	-	-	-	-	-	-	-	-
• Serious and Organised Crime	M/H	10	-	2	1	Other	-	-	-	-	-	-	Initial data washing exercises undertaken with Police.
• D2N2 LEP	M	50	-	38	1	Other	-	-	-	-	-	-	-
• emPSN (SCo & ICo)	M	5	-	1	-	-	-	-	-	-	-	-	Attendance at emPSN Audit Committee.
• Financial Resilience & Achievement of Budget Reductions	H	-	2	-	1	Qualified	-	3	12	6	2 (1H, 1M)	9 (1H, 5M, 3L)	Memo relates to 2019/20.

Key to Level of Risk: H – High, M – Medium, L – Low

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low

Audit Area	Level of Risk	Plan Days	Actual Days 19-20	20-21	No of Reports	Level of Audit Assurance	Analysis of Recommendations C	H	M	L	Recs Not Acceptd	Recs Not Implmtd	Comments
Corporate Governance including:-													
• Embedding Corporate Governance	H	40	12	29	1	Qualified	-	-	-	-	-	-	Referred to individual schools.
• Business Continuity Planning	H	20	-	3	1	Limited	1	2	1	-	-	7 (5H, 1M,1L)	Memo relates to 2019/20.
• Corporate Health Check	H	20	-	-	-	-	-	-	-	-	-	-	-
• Information Governance Group and Support	H	20	-	29	-	-	-	-	-	-	-	-	Monthly reports provided to the Information Governance Group summarising Audit activity.
• Services to Members	H	-	17	-	1	Qualified	-	12	11	5	-	9 (2H, 5M, 2L)	Memo relates to 2019/20.
Corporate Fraud Prevention	H	425	25	68	2	-	-	-	-	-	-	-	This includes work on:- • NFI; • publication of NAFN alerts; • surveillance and data communications compliance; • liaison with External Audit; • Special Investigations; • Raising Fraud Awareness.
Audit Contingency	-	200	-	-	-	-	-	-	-	-	-	-	-
TOTAL		**1,060**	**57**	**279**	**10**		**1**	**17**	**24**	**11**	**2**	**25**	

Key to Level of Risk: H – High, M – Medium, L – Low

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low

<u>Commissioning, Communities and Policy</u>

It is intended to spend **705** days on the Audit of the Commissioning, Communities and Policy Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days 19-20	20-21	No of Reports	Level of Audit Assurance	Analysis of Recommendations C	H	M	L	Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration	M	60	8	18	1	Qualified	-	6	12	8	3 (1H, 1M, 1L)	15 (2H, 5M, 8L)	Memo relates to 2019/20.
External Grants & Certifications	M/H	10	-	-	-	-	-	-	-	-	-	-	-
Information Security Reviews	M/H	45	-	45	2	1 Qualified 1 Other	-	3	2	-	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Themed and Operational													
• Implementation of ICT Strategy	M/H	25	-	-	-	-	-	-	-	-	-	-	-
• Communications and Call Derbyshire	M/H	25	-	-	-	-	-	-	-	-	-	-	-
• Democratic Services	M	25	-	-	-	-	-	-	-	-	-	-	-
• Public Library Service	M/L	5	-	-	-	-	-	-	-	-	-	-	-
• Community Safety	M/H	-	13	-	1	Qualified	-	1	9	1	1 (1M)	5 (4M, 1L)	Memo relates to 2019/20.
Divisional Activity													
Corporate Finance													
Major Systems	H	285	28	110	7	4 Substantial 2 Qualified 1 Limited	-	17	44	31	9 (1H, 5M, 3L)	21 (8H, 10M, 3L)	Due to the nature of these key reviews they are routinely work in progress at the year end. Work on Human Resources, Accounts Payable, Procurement, Funds Management and Treasury Management reported in year. Memos relates to 2019/20. Reviews of Accounts Receivable and Asset Management relate to 2020/21.

Key to Level of Risk: H – High, M – Medium, L – Low   **Key to Recommendations: C – Critical, H – High, M – Medium, L - Low**

Audit Area	Level of Risk	Plan Days	Actual Days 19-20	20-21	No of Reports	Level of Audit Assurance	Analysis of Recommendations C	H	M	L	Recs Not Acceptd	Recs Not Implmtd	Comments
Probity and Compliance	M/H	95	62	-	2	Qualified	-	3	12	6	6 (3M, 3L)	3 (1H, 2M)	HM Revenue & Customs Compliance and Pensions Administration Reviews. Memos relate to 2019/20.
Corporate/Departmental ICT Services	M/H	90	24	44	-	-	-	-	-	-	-	-	Work includes assessments of new and existing IT systems together with specific reviews of the Systems Development Controls, BACS and Systems Interfaces.
County Property	M/H	20	-	-	-	-	-	-	-	-	-	-	-
Regulatory Registration Service	M/L	20	-	-	-	-	-	-	-	-	-	-	-
TOTAL		**705**	**135**	**217**	**13**		**-**	**30**	**79**	**46**	**19**	**44**	

Key to Level of Risk: H – High, M – Medium, L – Low

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low

Children's Services

It is intended to spend **650** days on the Audit of the Children's Services Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Audit Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
			19-20	20-21			C	H	M	L			
Departmental Review - Management & Administration	M	45	7	7	1	Qualified	-	7	11	9	1 (1L)	15 (6H, 6M, 3L)	Memo relates to 2019/20.
Information Security Reviews	M/H	35	1	2	1	Qualified	-	-	3	-	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT. Memo relates to 2019/20.
Schools													
Nursery, Primary & Special	M/H	348	-	34	-	-	-	-	-	-	-	-	It should be noted that Audit opinions and recommendations made relating to schools and establishments are categorized in relation to the school or establishment and not the Council.
Secondary	M/H	56	-	-	-	-	-	-	-	-	-	-	-
Information Security Reviews	M/H	35	5	6	2	Qualified	-	-	-	-	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT. 1 Memo relates to 2019/20.
Children's Homes	M/H	16	-	-	-	-	-	-	-	-	-	-	-
Derbyshire Outdoors	M/L	10	-	-	-	-	-	-	-	-	-	-	-
Themed & Operational													
• Use of Personal Budgets and Children with SEND	H	25	-	46	-	-	-	-	-	-	-	-	-
• Adult Community Education	M/H	25	-	33	1	Substantial	-	-	2	6	-	2 (1H, 1M)	-

Key to Level of Risk: H – High, M – Medium, L – Low **Key to Recommendations: C – Critical, H – High, M – Medium, L - Low**

Audit Area	Level of Risk	Plan Days	Actual Days 19-20	20-21	No of Reports	Level of Audit Assurance	Analysis of Recommendations C	H	M	L	Recs Not Acceptd	Recs Not Implmtd	Comments
• Derbyshire Music Partnership	M/L	25	-	-	-	-	-	-	-	-	-	-	-
• Troubled Families Programme	M/L	30	-	25	4	Other	-	-	-	-	-	-	Grant Claims.
• Starting Point	H	-	2	-	1	Qualified	-	8	6	2	1 (1L)	6 (3H, 1M, 2L)	Memo relates to 2019/20.
• Impact of Children in Care	M	-	-	6	1	N/A	-	1	-	1	-	2 (1M, 1L)	Follow-up review not included in original Audit Plan.
• Commissioning & Partnership Working	M	-	-	6	-	-	-	-	-	-	-	-	Follow-up review not included in original Audit Plan.
TOTAL		**650**	**15**	**165**	**11**		**-**	**16**	**22**	**18**	**2**	**25**	

Key to Level of Risk: H – High, M – Medium, L – Low

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low

Adult Social Care and Health

It is intended to spend **299** days on the Audit of the Adult Social Care and Health Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days 19-20	20-21	No of Reports	Level of Audit Assurance	Analysis of Recommendations C	H	M	L	Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration	M	45	-	7	1	Qualified	-	7	7	9	-	12 (5H, 4M, 3L)	Memo relates to 2019/20.
Public Health	M/H	25	-	-	-	-	-	-	-	-	-	-	-
Information Security Reviews	M/H	70	1	8	2	Limited	-	5	1	-	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT. Memos relates to 2019/20.
Social Care													It should be noted that Audit opinions and recommendations made relating to establishments are categorized in relation to the establishment and not the Council.
Elderly Residential	M/H	24	-	-	-	-	-	-	-	-	-	-	
Physical/Mental Disability	M/H	24	-	-	-	-	-	-	-	-	-	-	-
Day Care & Hostels	M/H	20	-	-	-	-	-	-	-	-	-	-	-
Community Care Centres	M/H	16	-	-	-	-	-	-	-	-	-	-	-
Themed & Operational													
• Review of Quality Assurance Framework	H	25	-	3	-	-	-	-	-	-	-	-	-
• Direct Payments	H	25	-	4	-	-	-	-	-	-	-	-	-
• Delayed Transfers of Care and Data Accuracy	M/H	25	-	29	-	-	-	-	-	-	-	-	-
• Deputyship	M/H	-	17	-	1	Qualified	-	4	7	4	-	5 (4H, 1M)	Memo relates to 2019/20.
• Private Residential Care	M/H	-	7	-	1	N/A	-	-	1	-	-	-	Relates to 2019/20 Audit Plan, work suspended due to Covid-19, no opinion formed.

Key to Level of Risk: H – High, M – Medium, L – Low **Key to Recommendations: C – Critical, H – High, M – Medium, L - Low**

Audit Area	Level of Risk	Plan Days	Actual Days 19-20	20-21	No of Reports	Level of Audit Assurance	Analysis of Recommendations C	H	M	L	Recs Not Acceptd	Recs Not Implmtd	Comments
• Emergency Response and Service Continuity	M	-	-	7	-	-	-	-	-	-	-	-	Follow-up review not included in original Audit Plan.
• Domiciliary Care	M	-	-	6	-	-	-	-	-	-	-	-	Follow-up review not included in original Audit Plan.
TOTAL		**299**	**25**	**64**	**5**		**-**	**16**	**16**	**13**	**-**	**17**	

Key to Level of Risk: H – High, M – Medium, L – Low

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low

Economy, Transport and Environment

It is intended to spend **170** days on the Audit of the Economy, Transport & Communities Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days 19-20	Actual Days 20-21	No of Reports	Level of Audit Assurance	Analysis of Recommendations C	H	M	L	Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration	M	45	29	4	1	Qualified	-	5	13	9	2 (1M, 1L)	11 (4H, 6M, 1L)	Memo relates to 2019/20.
Information Security Reviews	M/H	15	2	10	2	Qualified	-	-	6	-	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT. 1 Memo relates to 2019/20.
• Public Transport and Procurement of Taxis (including Vetting of Contractors)	M/H	25	-	-	-	-	-	-	-	-	-	-	-
• Waste Management	M/H	25	-	-	-	-	-	-	-	-	-	-	-
• Inspection and Control of Highways Assets	M/H	25	4	-	-	-	-	-	-	-	-	-	-
• Concessionary Fares	M/H	20	-	-	-	-	-	-	-	-	-	-	-
• Grants	M/H	15	-	23	2	2 Other	-	-	-	-	-	-	Local Transport Capital Funding Grant & Bus Services Operators Grant.
• Regeneration	M	-	-	2	-	-	-	-	-	-	-	-	Follow-up review not included in original Audit Plan.
TOTAL		**170**	**35**	**39**	**5**		**-**	**5**	**19**	**9**	**2**	**11**	

Key to Level of Risk: H – High, M – Medium, L – Low

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low

Additional Unplanned Work (As reported to Audit Committee on 27 May 2020) – (See analysis on page 14)

Audit Area	Level of Risk	Plan Days	Actual Days 19-20	Actual Days 20-21	No of Reports	Level of Audit Assurance	Analysis of Recommendations C	H	M	L	Recs Not Acceptd	Recs Not Implmtd	Comments
Audit Management Support	M/H	-	-	59									
Departmental Audit Support	M/H	-	-	19									
Individual Unplanned Projects relating to the Council's Activities:-													
• Duplicate Payments (VfM)	M	-	-	20	1	Substantial	-	-	-	-	-	-	539,000 Council invoices analysed. No duplicates identified based on criteria including supplier, amount and date of invoice. 174,000 school invoices analysed. Potential duplicate payments identified **£16,943.59.**
• Photocopier Charges (VfM)	M	-	-	12	1	Qualified	-	2	-	1	-	-	Review of photocopier charges in accordance with the Council's current contract provisions.
• Software Licencing (VfM)	M	-	-	-									Assess current licensing arrangements across Departments to evaluate costs and use of licenses.
• Gas and Electricity Charges (VfM)	M	-	-	2									Verify the Council's energy usage is registered with the correct supplier and billed in accordance with contract rates.
• Agency Staff Charges (VfM)	M/H	-	-	7	-	-	-	-	-	-	-	-	Review the level and usage of agency staff. Assess governance arrangements in place with individual suppliers. Audit Services will work with HR to review the use of Agency Staff across the Council
• Directorship Review (Gov)	H	-	-	65									Utilising the publically available Companies House data to match information against staff declarations of personal and business interests.
• Network Access Procedure (IS)	M/H	-	-	8									Review of staff network access against periods of leave to identify potential instances of user account compromise.

Key to Level of Risk: H – High, M – Medium, L – Low

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low

Audit Area	Level of Risk	Plan Days	Actual Days 19-20	20-21	No of Reports	Level of Audit Assurance	Analysis of Recommendations C	H	M	L	Recs Not Acceptd	Recs Not Implmtd	Comments
• CCTV Expenditure (VfM)	M/L	-	-	3									Following the review of the Council's Surveillance Camera Procedures (2019/20), assess CCTV charges across the Authority.
• Recruitment & Selection Costs (VfM)	M	-	-	-									Assess the level of costs in accordance with the Council's approved Recruitment and Selection procedures.
• Hospitality Costs (VfM)	M	-	-	17									Assess the level of costs in accordance with the Council's procedures.
• Memberships & Subscriptions (VfM)	M/L	-	-	20									Review the nature and extent of costs relating to external memberships and subscriptions to professional bodies and other organisations etc.
• Core Finance System Access (IS)	M/H	-	-	-									Review of staff access to core finance systems (SAP) against periods of leave to identify potential instances of user account compromise.
• Mosaic System Access (IS)	M/H	-	-	6									Review of staff access (Mosaic) against periods of leave to identify potential instances of user account compromise.
• Provisions for Suppliers and Contractors (Gov)	M/H	-	-	15									Review of payments to suppliers and contractors to ensure continuity of income and maintain further services.
• DfE Digital Devices for Disadvantaged Groups (Gov)	H	-	-	4									Assist Children's Services colleagues to implement robust controls for the management of the Department for Education (DfE) IT devices project.
• Covid 19 Returns & Executive Director Decisions (Gov)	H	-	-	40	1	Other	-	-	-	-	-	-	Review of returns to MCHLG in respect of additional expenditure incurred by the Council due to Covid-19 and lost sales/income. The work relating to lost sales/income enabled the Director of Finance & ICT to sign the claim. Audit Services will continue to work with Finance Managers on future claims.

Key to Level of Risk: H – High, M – Medium, L – Low

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low

Audit Area	Level of Risk	Plan Days	Actual Days 19-20	20-21	No of Reports	Level of Audit Assurance	Analysis of Recommendations C	H	M	L	Recs Not Acceptd	Recs Not Implmtd	Comments
• Suppliers Registered with the ICO (IS)	M	-	-	8									Compare the publically available register of organisations from the Information Commissioner's Office (ICO) against the Council's Accounts Payable records to assess whether organisations that have been paid by the Authority are registered with the ICO where appropriate.
• Home to School Transport Grant	M	-	-	1									
Individual Unplanned Projects relating to the schools. Activities analysed over the following reviews:-	M/H	-	-	143									The scope of the school reviews was similar to the work undertaken above in relation to activities and transactions processed by the Council.
• Agency Staff Charges (VfM)													
• CCTV Expenditure (VfM)	-	-	-	-									
• Directorship Review (Gov)	-	-	-	-									
• Gas and Electricity Charges (VfM)	-	-	-	-									
• Hospitality Costs (VfM)	-	-	-	-									
• Photocopier Charges (VfM)	-	-	-	-									
• Recruitment & Selection Costs (VfM)	-	-	-	-									
• Software Licencing (VfM)	-	-	-	-									
• Memberships & Subscriptions (VfM)	-	-	-	-									
TOTAL	**-**	**-**	**-**	**449**	**3**			**2**		**1**			

Key : (VfM) – Value for Money focused Audit review **(Gov)** – Governance focused Audit review **(IS)** – Information Security/ Data Protection focused Audit review.

	Audit Management Support	Departmental Support	Listed Individually Above
VR001 Duplicate Payments Review (Report)			✓
VR002 Photocopier Charges Review (Report)			✓
VR003 Auditor Inbox Review	✓		
VR004 Software Licence Review (Report)			✓
VR006 Restructure of S Drive	✓		
VR007 Restructure of T Drive	✓		
VR008 Gas and Electricity Review (Report)			✓
VR009 Agency Staff Review (Report)			✓
VR010 School Tests		✓	
VR011 Establishment Tests		✓	
VR012 Director Checks (Report)			✓
VR013 External Site Visit Tests	✓		
VR014 Network Access to Absence (Report)			✓
VR015 CCTV Expenditure (Report)			✓
VR016 Recruitment and Selection (Report)			✓
VR017 Hospitality (Report)			✓
VR018 Subs & Memberships (Report)			✓
VR019 Schools Review of Payments (Report)			✓
VR020 Non Audit Plan General Management	✓		
VR021 SAP Access to Absence (Report)			✓
VR022 Non-Productive Time Coronavirus	✓		
VR023 Non Audit Plan Adult Care		✓	
VR024 Non Audit Plan CCP		✓	
VR025 Non Audit Plan Children's Services		✓	
VR026 Non Audit Plan ETE		✓	
VR027 Non Audit Plan Corporate Activities		✓	
VR028 Mosaic User Access (Report)			✓
VR029 Provisions for Suppliers and Contractors			✓
VR030 DfE Digital Devices for Disadvantaged Groups			✓
VR031 Covid 19 Returns & Executive Director Decisions			✓
VR032 DCC Suppliers - Registered with ICO			✓
VR033 Home to School Transport Grant			✓

Audit Recommendations

Audit recommendations are prioritized depending upon the level of associated risk and impact upon the management control framework as follows:-

Level	Category	Definition
1	Critical	Significant strategic, financial or reputational risks where immediate remedial action is considered essential.
2	High	The absence of, significant weaknesses in, or inadequate internal controls over the operation of key systems or processes which compromise the integrity/probity of the client's operations. These would result in a potential, significant increase in the level of risk exposure which may be financial, reputational or take the form of an increased risk of litigation.
3	**Medium**	Findings which identify poor working practices or non-compliance with established systems or procedures which result in increased risk of loss/inefficient operation and which expose the client to an increased level of risk.
4	**Low**	General housekeeping issues which require consideration and a planned implementation date within the medium term.

Audit Opinions

Audit opinions are categorized based upon the assurance that Management may draw on the adequacy and effectiveness of the overall control framework in operation as follows:-

Level of Assurance	Explanation and significance
Substantial Assurance	Whilst there is a sound system of governance, risk management and control minor weaknesses have been identified which include non-compliance with some control processes. No significant risks to the achievement of system/audit area objectives have been detected.
Qualified Assurance	Whilst there is basically a sound system of governance, risk management and control some high priority recommendations have been made to address potentially significant or serious weaknesses and/or evidence of a level of non-compliance with some controls or scope for improvement identified, which may put achievement of system/audit area objectives at risk. Should these weaknesses remain unaddressed they may expose the Council to reputational risk or significant control failure.
Limited Assurance	Significant weaknesses and/or non-compliance have been identified in key areas of the governance, risk management and control system which expose the system/audit area objectives to a high risk of failure, the Council to significant reputational risk and require improvement.
No Assurance	Control has been judged to be inadequate as systems weaknesses, gaps and non-compliance have been identified

Level of Assurance	Explanation and significance
	in numerous key areas. This renders the overall system of governance, risk management and control inadequate to effectively achieve the system/audit area objectives which are open to a significant risk of error, loss, misappropriation or abuse. Immediate remedial action is required.

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Audit Completion Report

Derbyshire Pension Fund

Year ending 31 March 2020

CONTENTS

Mazars LLP
Salvus House
Aykley Head
Durham
DH1 5TS

Audit Committee Members
Derbyshire County Council
County Hall
Matlock
DE4 3AG

18 November 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 24 March. The COVID-19 pandemic has had significant implications for the UK, including the Pension Fund sector. We have updated our planning work to understand the implications of COVID-19 on our audit and concluded that the audit risks recorded in our Audit Strategy Memorandum remain appropriate.

In response to the COVID-19 pandemic, MHGLC issued a revised reporting timetable for the Pension Fund to prepare its financial statements for inclusion in the Administering Authority Statement of Accounts and for the audit to be completed. We understand the difficult circumstances that the Pension Fund is facing in order to respond to the pandemic and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 078 1375 2053.

Yours faithfully

Cameron Waddell
Key Audit Partner
For and on behalf of Mazars LLP

Mazars LLP – Salvus House, Aykley Heads, Durham DH1 5TS
Tel: (0191) 383 6300 – Fax: (0191) 383 6350 – www.mazars.co.uk

1. EXECUTIVE SUMMARY

Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of the Derbyshire Pension Fund ('the Pension Fund') for the year ended 31 March 2020, and forms the basis for discussion at the Audit Committee meeting on 24 November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Section 2 of this report outlines the detailed findings from our work on the financial statements. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of control; and
- valuation of level 3 unquoted investments for which a market price is not readily available.

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements	We anticipate issuing an unqualified opinion on the Pension Fund's financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B..
Wider powers	We have not needed to exercise any of our wider powers under the 2014 Act. We have not received any elector enquiries or objections to the accounting records of the Pension Fund. Further details on our responsibilities and wider powers under the 2014 Act are provided in section 2.

Our responsibilities include the requirement to conclude whether the Pension Fund financial statements included within the Pension Fund's Annual Report are consistent with the Fund's financial Statements included within the Administering Authority's Statement of Accounts. The publication deadline for the Pension Fund's Annual Report is 1 December 2020 and whilst we received a draft front-end of the report on 14 November our work in this area has not yet started. We will update the Audit Committee on any matters arising from this work when our consistency report has been issued. Our draft consistency report is provided in Appendix C.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Investments	● (amber)	A few pieces of information remain outstanding from fund managers. Our review of third party confirmations received to date is nearing completion.
Consistency opinion	● (green)	We received a draft front-end of the Pension Fund Annual Report on 14 November and have not yet compared the revised Pension Fund financial statements (within the Statement of Accounts of the Council) with the revised Pension Fund financial statements within the Pension Fund's Annual Report.
Audit Quality Control and Completion Procedures	● (green)	Our audit work, including the specific procedures carried out in relation to the significant audit risks identified, is undergoing final stages of review by the Engagement Lead. In addition, there are residual procedures to complete, including completing our internal technical consultations on the proposed audit opinion and the updated financial statements, updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.

Status

- ● Likely to result in material adjustment or significant change to disclosures within the financial statements
- ● Potential to result in material adjustment or significant change to disclosures within the financial statements
- ● Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2020. We have not made any significant changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £49.3 million using a benchmark of 1% of net assets available to pay benefits. We set a specific materiality for the fund account of £16.4 million at the planning stage of the audit using a benchmark of 10% of contributions receivable.

Our assessment of materiality, based on the 2019/20 financial statements and qualitative factors is £47 million, using the same benchmark as at planning. Our assessment of specific materiality for the fund account is £16 million, also based on the same benchmark as at planning. We set our trivial threshold (the level under which individual errors are not communicated to the Governance and Audit Committee), at £1.4 million based on 3% of overall materiality.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 8 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Pension Fund's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk
	We addressed this risk by performing audit work in the following areas: • accounting estimates impacting on amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion
	Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to your' attention in relation to management override of controls.

MAZARS

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	
Valuation of level 3 unquoted investments for which a market price is not readily available	As at 31 March 2019 the fair value of investments which were not quoted on an active market was £912m, which accounted for 18 percent of net investment assets. Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.

How we addressed this risk

We addressed this risk by:

- agreeing holdings from fund manager reports to the custodian's report;
- agreeing the valuation to supporting documentation including investment manager valuation statements and cashflows for any adjustments made to the investment manager valuation;
- agreeing the investment manager valuation to audited accounts or other independent supporting documentation, where available; and
- reviewing independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Fund's financial statements.

Audit conclusion

The work on this significant audit risk is in the process of final review and no material misstatements have been identified in the course of the audit work completed to-date.

The Financial Statements include at Note 5 a disclosure referring to the 'material valuation uncertainty' reported by valuers in relation to the Pooled Property Unit Trust investment assets caused by COVID-19. Our draft audit report at Appendix B includes an 'emphasis of matter' paragraph referring to this disclosure. Our audit opinion is not being qualified in respect of this matter.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the entity's accounting practices
We have reviewed the Pension Fund's accounting policies and disclosures. We have provided feedback on the draft financial statements and agreed amendments in any areas where disclosures could be strengthened. We are satisfied that the final statements comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Pension Fund's circumstances.

The national timetable for the accounts completion and audit this year was changed in response to the COVD-19 pandemic. There was also an expectation that asset valuations would change as a result of updated information due in July 2020 from fund managers. We agreed with management a split audit visit to accommodate these issues. The draft Statement of Accounts, including the Pension Fund's draft financial statements, were received on 8 June 2020, well ahead of the 31 August 2020 deadline, and were of a good quality.

Significant matters discussed with management
Significant matters discussed with management during our audit and which had implications for out audit testing and reporting included the impact of COVID-19 on the Pension Fund's business. This included any potential increased risk of material misstatement. This included the disclosures required regarding the key sources of estimation uncertainty that management has made in preparing the financial statements. The notes to the Pension Fund's financial statements disclose the significant matters considered and reference the "material valuation uncertainty" over the pooled property unit trust investments caused by COVID-19.

Significant difficulties during the audit
During the course of the audit we have had the full co-operation of management. The changes to the Council's and Mazars' working arrangements' in response to COVID-19, the changes to the national timetable and other pressures across the sector has lead to a number of challenges during the year-end accounts closedown and audit process for management and ourselves. There have understandably been some difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit. We are grateful for the co-operation and support provided.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such questions or objections have been raised in relation to the Pension Fund.

Modifications required to our audit report
As described above we expect to modify our audit opinion by including an 'emphasis of matter' paragraph drawing attention to the material valuation uncertainty caused by COVID-19 disclosed in the notes to the financial statements. This does not qualify our audit opinion. We are consulting on the specific wording for this modification and the proposed wording is included in the draft audit report included at Appendix B. We will update the Audit Committee on this matter at its meeting.

Other matters

Alongside the audit work required directly for the audit opinion on the Pension Fund Financial Statements we are required to provide annual IAS19 pension assurance work at the request of employer auditors. This work has been completed and the results reported directly to the employer auditors.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported in this section are limited to those deficiencies and other control recommendations that we identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our work to date has not identified any internal control issues to bring to your attention. Should any issues arise during the completion of our audit, these will be reported to the Audit Committee in a follow-up letter.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £1.4 million.

The table below outlines the misstatement that was identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

There were no adjusted misstatements in relation to the Pension Fund's 2019/20 financial statements.

Unadjusted misstatements 2019/20

		Fund Account		Net Assets Statement	
		Dr (£m)	Cr (£m)	Dr (£m)	Cr (£m)
1	Dr: Investments – Managed Funds			8.9	
	Cr: Change in Market Value		8.9		
	Difference between valuation of unquoted investments per pension fund accounts and third party confirmations				

Disclosure amendments

The following proposed disclosure amendment has not been made:

Note 20 – We identified a difference of £5 million between the valuation of the commitments sampled in relation to this note and the value of the third party confirmations of commitments we received. This difference extrapolates to a difference of £10.855 million between the valuation of the commitments detailed in this note and the value of third party confirmations of commitments. Management does not believe that this is an error. It is management's view that this is based on an out of date response by an investment manager, however it is accepted there is no time available to get an updated response.

The following disclosure amendments have been made by the Council:

Note 10 – The Council identified that management fees as a proportion of average investment fees needed the proportion updating from 0.49% to 0.50% in both years to agree to the updated Pension Fund Annual Report analysis. The Council has updated this note accordingly.

Note 13 – We identified the requirement to include additional analysis of the pooled investment vehicles, to split these between funds invested in property, unit trusts, unitised insurance policies and other managed funds. The Council has updated this note accordingly.

Note 15 – We identified the need to include an additional fair value table, with further details of the valuation hierarchy, basis of valuation, observable and unobservable inputs and key sensitivities affecting the valuation provided. The Council has updated this note accordingly.

Note 17 – The Council identified that the latest table for current assets latest table was not pasted in (table was before a £0.191 million loss allowance for rental debtors), in error, however the current assets detailed in the net assets statement was correct. The Council has updated this note accordingly.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP
Salvus House
Aykley Head
Durham
DH1 5TS

XX November 2020

Dear Cameron

Derbyshire Pension Fund - audit for year ended 31 March 2020
This representation letter is provided in connection with your audit of the financial statements of the Derbyshire Pension Fund ('the Pension Fund') for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information
I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code.

My responsibility to provide and disclose relevant information
I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance & ICT that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records
I confirm that all transactions that have a material affect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Pension Fund and Committee meetings, have been made available to you.

Accounting policies
I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value
I confirm that any significant assumptions used by the Pension Fund in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies
There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

Contingencies - continued

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Pension Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code.

Laws and regulations
I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error
I acknowledge my responsibility as Director of Finance & ICT for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Assets
I confirm that all assets held are free from liens, charges or any other encumbrance.

Related party transactions
I confirm that all related party relationships, transactions and balances have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Pension Fund's related parties and all related party relationships and transactions of which I am aware.

Future commitments
I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Specific representation on unquoted investments
Unquoted investments are included in the net assets statement at the value estimated by the general partner managing each fund in accordance with the guidelines used by the industry, and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, with the valuations, and am not aware of any subsequent events that would have a material impact on the estimated value of the unquoted investments.

Unadjusted misstatements
I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Subsequent events
I confirm all events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern
To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts. I have updated our going concern assessment in light of the Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Yours sincerely

Director of Finance & ICT

Date……………………………

APPENDIX B
DRAFT AUDITOR'S REPORT

Subject to consultation on 'emphasis of matter'

Draft Independent auditor's report to the members of Derbyshire County Council
Report on the financial statements

Opinion on the financial statements of the Derbyshire Pension Fund
We have audited the financial statements of Derbyshire Pension Fund ('the Pension Fund') for the year ended 31 March 2020, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:
- give a true and fair view of the financial transactions of Derbyshire Pension Fund during the year ended 31 March 2020, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – effects of Covid-19 on the valuation of the Pension Fund's Property Investment Assets
We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension Fund's property investment assets as at 31 March 2020. As disclosed at Note 5 these valuations have been reported by the valuers on the basis of 'material valuation uncertainty' in line with guidance from the Royal Institute of Chartered Surveyors. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Director of Finance & ICT's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance & ICT has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Director of Finance & ICT is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

DRAFT AUDITOR'S REPORT (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance & ICT for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance & ICT is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Director of Finance & ICT is also responsible for such internal control as the Director of Finance & ICT determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance & ICT is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Finance & ICT is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

APPENDIX B
DRAFT AUDITOR'S REPORT (CONTINUED)

Use of the audit report

This report is made solely to the members of Derbyshire County Council, as a body and as administering authority for the Derbyshire Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Cameron Waddell
For and on behalf of Mazars LLP

Salvus House
Aykley Heads
Durham
DH1 5TS

XX November 2020

APPENDIX C
DRAFT CONSISTENCY REPORT

Independent auditor's statement to the members of Derbyshire County Council on the pension fund financial statements included within the Derbyshire Pension Fund annual report

Report on the financial statements

Opinion
We have examined the Pension Fund financial statements for the year ended 31 March 2020 included within the Derbyshire Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of Derbyshire County Council for the year ended 31 March 2020 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Respective responsibilities of the Director of Finance & ICT and the auditor
As explained more fully in the Statement of the Director of Finance & ICT's Responsibilities, the Director of Finance & ICT is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of Derbyshire County Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of Derbyshire County Council

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of Derbyshire County Council describes the basis of our opinions on the financial statements.

Use of this auditor's statement
This report is made solely to the members of Derbyshire County Council , as a body and as administering authority for the Derbyshire Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Derbyshire County Council those matters we are required to state to them 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 and Derbyshire County Council 's members as a body, for our audit work, for this statement, or for the opinions we have formed.

Cameron Waddell
For and on behalf of Mazars LLP

Salvus House
Aykley Head
Durham
DH1 5TS

XX November

APPENDIX D
INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

CONTACT

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Audit Completion Report

Derbyshire County Council

Year ending 31 March 2020

MAZARS

CONTENTS

MAZARS

Mazars LLP
45 Church Street
Birmingham
B3 2RT
NG1 5DW

Audit Committee Members
Derbyshire County Council
County Hall
Matlock
DE4 3AG

19 November 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we issued in March 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07875 974 291.

Yours faithfully

Mark Surridge
Mazars LLP

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Derbyshire County Council ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Audit Committee meeting on 24 November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum. The significant audit risks we identified were:

- Management override of control
- Revenue recognition
- Valuation of Property, Plant and Equipment
- Valuation of net pensions liability

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements	We anticipate issuing an unqualified opinion on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.
Value for Money conclusion	We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.
Whole of Government Accounts (WGA)	This NAO issued their group instructions on 4 November with a request to complete this work by 4 December. It is possible our work will not be complete by 30 November as a result of the delay in the NAO issuing their group instructions, which would lead to a delay in issuing the Audit Certificate but not our auditor's report ..
Wider powers	The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We received no such objections or questions. Further details on the exercise of our wider powers are provided in section 2.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. The matters outstanding at the time of preparing this report, including the normal review and completion processes, are summarised below. We will provide the Audit Committee with an update in relation to these and any other matters in a follow-up letter, prior to signing the auditor's report.

Audit area	Status	Description of outstanding matters
Property, plant and equipment	● (orange)	We are finalising our work in in relation to the significant audit risk identified regarding valuations, including obtaining sufficient evidence that the carrying value of assets not subject to revaluation in 2019/20 remains materially correct. No material issues have been identified from the work carried out to date. We are proposing an emphasis of matter paragraph in the audit opinion in response to the disclosed material uncertainty in property valuations caused by Covid-19. We say more about this issue which affects all local authorities on page 8.
Pensions	● (orange)	No material issues have been identified from the work carried out to date. Part of our assurance over the net pensions liability is derived from specified procedures carried out alongside the Derbyshire Pension Fund audit and embodied in an assurance letter which has not yet been received. We anticipate this will include a disclosure of material valuation uncertainty on the Derbyshire Pension Fund property assets caused by Covid-19 that will be reflected in the Council's own financial statements.
Audit Quality Control Completion Procedures	● (orange)	Our audit work is undergoing the final stages of review by the Engagement Lead and other internal consultation and we are addressing any remaining review points. In addition, there are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.
Direct confirmation of investment balances	● (green)	We are awaiting the direct confirmation of certain investment balances at the year-end.

Status

- ● (red) Likely to result in material adjustment or significant change to disclosures within the financial statements
- ● (orange) Potential to result in material adjustment or significant change to disclosures within the financial statements
- ● (green) Not considered likely to result in material adjustment or change to disclosures within the financial statements

Whole of Government Accounts

The Council submitted its Cycle 1 return on 25 September, before the deadline of 30 September. There have been changes to the timetable to the national local authority Whole of Government Accounts (WGA) process, reflecting the changes to this year's accounts publication and audit deadlines. NAO Group Instructions for local authority 2019/20 audits were only issued on 4 November with an expected completed date of 4 December. The WGA return and audit certificate is therefore unlikely to be issued at the same time as the Audit Report.

2. EXECUTIVE SUMMARY (CONTINUED)

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2020. We have not made any changes to our audit approach since we issued our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £31,491k using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £30,656k using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee) at £920k based on 3% of overall materiality.

We also set a specific materiality on the following items of account:

- Note 34 Senior Officer Remuneration: £5k – on the basis this is a specific disclosure note that may attract public attention.
- Note 33 Members Allowances: £162k – on the basis this is a specific disclosure note that may attract public attention.
- Note 32 External Audit Costs: £14k – on the basis this is a specific disclosure note that may attract public attention.

Misstatements and internal control recommendations

Section 3 summarises any internal control recommendations we need to report to you.

Section 4 summarises the position in relation to any adjusted or unadjusted misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 11 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	**Description of the risk**
Management override of controls	Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: • Accounting estimates impacting on amounts included in the financial statements; • Consideration of any identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit Conclusion Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	**Description of the risk**
Revenue Recognition	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. Having considered the factors for revenue recognition, we believe the risk is focused on the year-end balance sheet and in particular the completeness, existence and accuracy of receivables and the cut-off of revenue. Relevant balances: • Note 10: Income from Fees, Charges & Other Service Income £193,052k (cut-off) • Note 24: Short Term Debtors £76,133k (completeness, existence, accuracy)
	How we addressed this risk We evaluated the design and implementation of controls to mitigate the risk of material receivables being recognised in the wrong period. We tested receivables to ensure that they are supported by sufficient and appropriate evidence and have been accounted for correctly. Our audit approach also incorporated a range of other substantive procedures, including, but not limited to the testing of receipts around the year-end to provide assurance that any material items of income had been recorded in the correct financial year.
	Audit Conclusion Our audit procedures in relation to this risk have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to your attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Valuation of Property, Plant and Equipment and Investment Properties	The Council's accounts contain material balances and disclosures relating to its holding of Property, Plant and Equipment, and Investment Properties with the majority of these assets required to be carried at valuation. Although the Council employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE and with the currency of valuations. Due to the significant judgements and number of variables involved, we have determined there is a significant risk in this area. The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE. Relevant balances: • Note 15: Property, Plant & Equipment – Land & Buildings £1,312,762k (valuation)
	How we addressed this risk In relation to the valuation of property, plant & equipment, investment properties and assets held for sale we: • Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • Considered whether the overall revaluation methodologies used by the Council's valuer's were in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • Assessed whether valuation movements are in line with market expectations by using information available from other sources; • Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and • Critically assessed the approach that the Council adopted to ensure that any assets not subject to revaluation in 2019/20 were materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers.
	Audit Conclusion Subject to our residual procedures, the work undertaken has not identified to date any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention. At the outset of the Covid19 outbreak, the Royal Institute of Chartered Surveyors set out an expectation that valuers are likely to conclude that there is "material uncertainty" over the valuation of land and buildings at the balance sheet date. The Council's valuers have followed guidance issued by the Royal Institute of Chartered Surveyors and as expected their valuation reports conclude that, due the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This has been properly disclosed in the notes to the Statement of Accounts. We will, in line with normal practice, include reference to this disclosure as an 'emphasis of matter' in our audit report. Our draft Auditor's Report is included at Appendix B.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Valuation of net pensions liability	The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we determined there is a significant risk in this area. Relevant balances: • Note 49: Net Pension Liability £706,324k (valuation)
	How we addressed this risk In relation to the valuation of the Council's defined benefit pension liability we: • Critically assessed the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary, Hymans Robertson; • Liaised with the auditors of the Pension Fund to gain assurance that the controls in place at the Pension Fund which support the IAS 19 valuation process were operating effectively. This includes the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and • Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.
	Audit Conclusion The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements. Part of our assurance over the net pensions liability is derived from specified procedures carried alongside the Derbyshire Pension Fund audit. We will complete the remaining audit work in this area when the information required is available. Our expectation is that this assurance will report material valuation uncertainty over property assets in the pension fund portfolio caused by Covid-19. This will also need to be disclosed in the Council's financial statements and referred to within the 'emphasis of matter' paragraph in our audit report. Our draft Auditor's Report is included at Appendix B. The draft Financial Statements were prepared on the basis of the IAS19 actuarial valuation report received in May 2020. The Council obtained an updated actuarial valuation in August 2020 to take account of the impact of the McCloud judgement. The differences between the original and latest valuation reports are not material and management do not propose to amend the draft Financial Statements. We have included this in our summary of non-material unadjusted misstatements at page 17.

2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement Minimum Revenue Provision (MRP)	**Description of the management judgement** Local authorities are normally required each year to set aside some of their revenues as provision for debt in respect of capital expenditure financed by borrowing or long term credit arrangements, by reference to the prior year's closing Capital Financing Requirement. The amount to be set aside each year is not prescribed although an overarching principle of prudency is expected to be adopted. This is supported by statutory guidance as to how this could be achieved and the Council is required to have regard to this in setting its MRP policy. Management judgement is therefore exercised is determining the level of its prudent provision.
	How we addressed this judgement We addressed this judgement by: • reviewing the Council's MRP policy to ensure that it continues to have been developed with regard to the statutory guidance; • assessing whether the provision had been calculated and recorded in accordance with the Council's policy; and • assessing whether the amount provided for the period is appropriate, taking into account the Council's Capital Financing Requirement.
	Audit conclusion Our audit procedures have not identified any material errors or uncertainties in the 2019/20 financial statements in relation to the Council's MRP.

Management judgement SinFin Waste Recycling	**Description of the management judgement** The long-term waste management contract between Derbyshire County Council, Derby City Council and Resource Recovery Solutions came to an end in 2019. Work is underway to determine the condition and capability of the currently non-operational treatment facility. The Council's management will need to make a judgement on how to account for the impact in 2019/20.
	How our audit addressed this area of management judgement We evaluated the basis of the accounting judgement and the impact on the financial statements for 2019/20 including the adequacy of the related disclosures.
	Audit conclusion The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures. We have provided feedback on the draft financial statements and agreed amendments in any areas where disclosures could be strengthened. We are satisfied that the final statements comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances. The national timetable for the accounts completion and audit this year was changed in response to the COVD-19 pandemic. The draft Statement of Accounts, including the Council's draft financial statements, were received on 8 June 2020, well ahead of the 31 August 2020 deadline, and were of a good quality.

Significant matters discussed with management

Significant matters discussed with management during our audit and which had implications for out audit testing and reporting included:

- The impact of COVID-19 on the Council's business, including any potential impact on risks of material misstatement. This included the disclosures made regarding the key sources of estimation uncertainty that management has made in preparing the Statement of Accounts. The Council's valuers have followed RICS guidance and as expected their valuation report concludes that, due the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This is expected to extend to property assets held by the Pension Fund. This been disclosed in the notes to the Council's Financial Statements.
- The Council's adoption of the 'going concern' principle in preparing the Financial Statements. The 'going concern' status is confirmed through the 2019/20 local government accounting code, and must also follow International Accounting Standard (IAS) 1: Presentation of Financial Statements. We must comply with a revised ISA (UK) 570 Going Concern, effective for periods commencing on or after 15 December 2019. The above, combined with the impact of COVID-19, meant an additional level of scrutiny was required over the going concern assertion in 2019/20 before a positive conclusion was reached.
- The Council's response to relevant legal cases which impact on the valuation of certain pension liabilities. These included:
  - The proposed remedy for the 'McCloud' case (which emerged initially in 2018/19 and was reported on in our previous Audit Completion Report) which is likely to have led to an overstatement of the original estimate of the Council's pension fund liability as at 31 March 2020. Management requested an updated IAS19 valuation report from the Council's actuary for this matter and the impact is not regarded by management as material.
  - The 'Goodwin' case brought against the Secretary of State for Education earlier this year regarding discrimination owing to sexual orientation in the Teachers' Pension Scheme. The factors underpinning this case are likely to apply to the Local Government Pension Scheme and employers are being asked to determine whether there is a risk that their liabilities are materially misstated. Management has sought advice from its actuary in relation to this matter and concluded that the impact on this accounting estimate is not material and need not be included in the Council's pension liability estimates.
- Impact of changes in audit scope on the external audit fee. We have provided management with a fee estimate and final fees will be agreed with management prior to inclusion and cover the following matters identified to date:
  - As explained in our Audit Strategy Memorandum, we continually strive to maintain high standards of audit quality. One mechanism for doing this is to consider the outcome of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers. In particular, we have increased the level of work we do on defined benefit pension schemes and valuation of property, plant and equipment. Alongside this, as the Council is designated as a 'Major Local Audit', we have also needed to include additional levels of supervision and review to meet regulators' expectations. We expect these factor to lead to a permanent uplift to the audit fee and have provided management with an estimate, to be confirmed on completion of our work, of between £11,500 and £14,000.
  - Additional audit risks arising from COVID-19. We have discussed with management the additional audit testing and audit work required relating to pension assets and liabilities as well as adjustments for 'McCloud'; uncertainty in the valuation of land and buildings; going concern; and other areas. Our fee estimate given to management is between £6,750 and £10,000.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management. Officers have been very helpful and responsive in addressing our audit queries. The changes to the Council's and Mazars' working arrangements' in response to COVID-19 and other pressures across the sector has lead to a number of challenges during the year-end accounts closedown and audit process. There have understandably been some difficulties in carrying out our normal audit procedures and obtaining the audit evidence required. We are grateful for the co-operation and support provided.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have not received any questions or objections.

Delay in Audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts alongside the accounts opinion and value for money conclusion. The NAO issued its Group Instructions for local authority audits on 4 November 2020 with a request for completion by 4 December 2020. We therefore expect to issue the Auditor's Report, but without the Audit Certificate, shortly after the audited Statement of Accounts has been approved by the Audit Committee. We will then issue the Audit Certificate separately as soon as we are able to do so. We will update the Audit Committee when more information is known but at this stage the draft Auditor's Report at Appendix B states that we are unable to issue the Audit Certificate alongside the accounts audit opinion and value for money conclusion.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We assign priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	6

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Current year recommendations on internal control – Level 3

Controls in place in regard to the completeness of related party declarations

During our testing of related parties it was found that a councillor had not declared their membership of another public sector body.

Potential effects

Whilst there were no inherent conflicts of interest involved and it is acknowledged that this may simply have been an oversight, good practice encourages full disclosures to ensure transparency.

Recommendation

The Council should ensure that full disclosures are made and should emphasise the importance of full disclosures.

Management response

Agreed - Related party declarations should be complete and the importance of full disclosures will be emphasised.

Person responsible - Simon Hobbs

Private Finance Initiative (PFI) records

During the course of the audit it became apparent that no original documents had been kept for Phase 1 of the PFI and no financial model was available for Phase 3 of the PFI.

Potential effects

Difficulty in substantiating the validity of PFI payments/costs

Recommendation

The Council should review the availability of supporting information in relation to the PFI

Management response

Agreed - Whilst documents could not be located during the audit in respect of Phase 1 of PFI, this may have been because the relevant officers could not access physical documents located at the Council because of restrictions due to the Covid-19 pandemic. Electronic documents were located in respect of Phase 2 and BSF. The Council will review the availability of supporting information in relation to the PFI and endeavour to locate these physical documents, as soon as restrictions are lifted and officers are able to safely access the Council's buildings.

Person responsible - To be confirmed

Current year recommendations on internal control – Level 3 continued

Extension to a property

In our testing of property valuations, we identified that extensions to buildings were not included in the valuation assessment as at 31 March 2020. Whilst the amount involved was below triviality the Council should have processes in place to identify any extensions and account for them correctly.

Potential effects

Failure to value properties that are extended.

Recommendation

The Council should review its processes to identify any extensions and account for them correctly.

Management response

Rather than relating to extensions to buildings, the Council understands that the difference resulted from minor floor area data differences between the Computer Aided Design (CAD) plans and the Gross Internal Areas (GIAs) in the Asset Management System. There have been no physical changes. The Council (Property) has altered the data to match the CAD plans. In addition, a new Property Notification System is now in place to alert when re-measures are required.

Person responsible - Geraldine Massey

Developer access rights

Users who have the ability to transport SAP changes to live are also involved in development of changes.

Potential effects

Developers could promote changes to the live environment without oversight from senior management or approval from the Council. This could be exploited later in the live environment.

Recommendation

Management should consider implementing and documenting a periodic review covering all users and their access rights within key applications and underlying infrastructure. The review should also include inactive users or those who have not logged on for a period of time (say 90 days), and generic accounts (if any).

Management response

Agreed - There are a limited number of four users who can transport changes to the system, these are Basis staff not developers. Developer staff do not transport changes through the system. The changes they transport are fixes for issues or patches provided by SAP. Any transports implemented by Basis staff are subject to a division of duties to ensure that the change is not undertaken by a single individual. Basis transports are documented and authorised, like any other change that goes through the system. The Council agrees to document the process and undertake periodic reviews.

Person responsible - Wayne Sutton

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Current year recommendations on internal control – Level 3 continued

Response to IT incidents

IT Incidents are not always followed up and resolved in a timely manner.

Potential effects

Unresolved incidents could cause interruptions in the availability of key systems for prolonged periods.

Recommendation

The Council should ensure that IT incidents are followed up in a timely manner

Management response

Agreed - The Council is in the final stages of procurement of new IT Service Management Software. It is expected that this will be implemented in the first quarter of 2021. This software will create better visibility of all incidents and problems for key stakeholders and resolution owners, enabling them to be clearly identified and reported on. New operating procedures will also be introduced to enable key performance indicators (incident service level management and unresolved issues) to be reviewed and acted upon by the Service Desk Team. This should ensure that no incidents are left open for an unreasonable amount of time and that the assigned incident resolution team is clearly identifiable and accountable for each and every incident. The Council expects this work strand to be completed by April 2021 at the latest.

Person responsible - Rob Pearson

User access reviews

User access reviews including reviews of user access rights were not performed for SAP.

Potential effects

User access rights may not be up to date for all users.

Recommendation

Management should consider implementing and documenting a periodic review covering all users and their access rights within key applications and underlying infrastructure. The review should also include inactive users or those who have not logged on for a period of time (say 90 days), and generic accounts (if any).

Management response

Agreed - Reviews of user access are carried out approximately every four months. This includes inactive users, users that have not logged in, leavers and access to specific transactions. SAP access is assigned via position in the organisational ("org") structure. When a member of staff leaves a post or has an end date input, they immediately lose their access. The Council agrees to document the process and to ensure that when reviews are undertaken they are recorded.

Person responsible: Wayne Sutton

4. SUMMARY OF MISSTATEMENTS

No material misstatements have been identified during our audit work to date.

Unadjusted misstatements

The unadjusted misstatements identified during the course of the audit work completed so far above the trivial reporting threshold of £920k are summarised below. Any unadjusted misstatements above the trivial threshold need to be included in the Management Letter of Representation (Appendix A).

		Draft Statements April 2020 IAS19 Report £000s	August 2020 IAS19 Report £000s	Difference £000s
1	Comprehensive Income and Expenditure Statement – Other Comprehensive Income and Expenditure (Remeasurement of the Net Defined Benefit Liability/(Asset)	294,190	301,669	7,479
	Comprehensive Income and Expenditure Statement – Total Comprehensive Income and Expenditure	177,695	179,175	1,480
	Balance Sheet – Net Pension Liability	651,284	643,805	7,479
	Balance Sheet - Pension Reserve	(651,284)	(643,805)	7,479

The draft Financial Statements were prepared on the basis of the IAS19 actuarial valuation report received in May 2020. The Council obtained an updated actuarial valuation in August 2020 to take account of the impact of the McCloud judgement.

The table above summarises the impact of differences between the two reports on the financial statements (for ease of presentation it does not identify all areas and notes affected). Management do not propose to amend the Financial Statements for these differences on the grounds of materiality.

	Comprehensive Income and Expenditure Statement and MIRS		Balance sheet	
	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
2. CR Revaluation Reserve				(11,583)
DR Property			11,583	
Being the adjustment to index property values upward to the balance sheet date of 31 March 2020 (work is ongoing to validate the extent of this unadjusted item and we will provide an update once the full impact is known)				

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Disclosure amendments

During our review of the financial statements the following amendments to disclosures were identified. These disclosure issues were corrected by the Council in the final version of its financial statements for 2019/20.

1 The Council identified the requirement to adjust Note 15 for the split of purchased built / PFI assets in relation to Tupton Hall School Academy where the disposal was adjusted from purchased built not the PFI asset line in the PPE table as the Fixed Asset Register was incorrectly updated. The Council has corrected this matter in the final version of its financial statements for 2019/20.

2 The Council identified the requirement for a minor disclosure update to Note 51 in relation to the credit risks arising from financial instruments. The figures in the disclosure narrative and tables had not been updated for an adjustment to trade debtors. In order to address this issue management has made a correction in the final version of its financial statements for 2019/20.

3 During our review of accounting policies it was identified that the following sentence was left in from the prior year accounts, in error "The Council has updated its accounting policies to reflect IFRS 15 and IFRS 9". In order to address this issue management has made a correction in the final version of its financial statements for 2019/20.

4 During our review of accounting policies the need to include the following text was identified in respect of the valuation of Heritage Assets "Where a valuation has been applied to this class of assets, other than a historic valuation, a range of valuation bases have been used which include external valuations, curatorial valuations and a limited number of cases of insurance valuations. Where a curatorial valuation has been applied the valuation is dependent upon the experience and knowledge of the Derbyshire Museums Manager". Management has added this text in the final version of its financial statements for 2019/20.

5 We highlighted the requirement to update Note 16 to show heritage assets by separate classes this year and last, with movements, and explanation of the different classes added. In order to address this issue management has made a correction in the final version of its financial statements for 2019/20.

6 We highlighted the need for additional text in Note 51. Management has added text indicating "The Council's maximum exposure to credit risk is deemed to be the gross carrying amount of the financial assets held." and addressed this.

7 We highlighted the need for additional text and lines in in Note 22. These sentences were added: "The Council's pooled investment funds are traded on active markets, for which the Council can access the measurement data. The fair values of these funds are determined by the closing bid prices at 31 March 2020. The fair values of the Council's deposits and the loans it has made are determined with reference to the principal, term, rate and timing of the interest and the borrower's credit rating". Extra lines were added to split out non-current investments in the 'Non-Current Financial Assets' table to separately disclose the Pooled Investment Funds (at FV hierarchy level 1) and the loan for Buxton Crescent (at FV hierarchy level 3).

8 We highlighted the need for a change to Note 34 to reflect the accrued holiday paid when the relevant employee left.

9 We highlighted a disclosure requirement in the Code for information on the timing of revaluations for material balance sheet categories which had not been complied with by the Council. The Council has updated the note and narrative to aid the reader of the accounts understanding of the Council's approach to keeping its valuations up to date. The format and content will be reviewed further for 2020/21.

During our review of the financial statements we also identified some minor amendments to disclosures. These disclosure issues have also been corrected by the Council in the final version of its financial statements for 2019/20.

Introduction

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Our approach

Our overall approach is set out in our Audit Strategy Memorandum and involves a detailed risk assessment at the planning stage to identify whether or not a Value for Money (VFM) risk exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As set out in our Audit Strategy Memorandum, for the 2019/20 financial year, we identified one significant audit risk.

Our detailed findings regarding this matter are set out below. Based on the work performed, we are satisfied that the Authority's arrangements are adequate.

Risk	Work undertaken	Conclusion
SinFin Waste Recycling – The long-term waste management contract between Derbyshire County Council, Derby City Council and Resource Recovery Solutions came to an end in 2019. The facility was due to be operational in 2017, however this did not happen as intended. Following a sustained period of the Councils asking the funding banks to step-in and get the Waste Recycling facility fully operational, the banks issued a legal notice (called a "No Liquid Market" notice) that brought the contract to an end and the councils did not dispute the notice. Work is underway to determine the condition and capability of the currently non-operational treatment facility.	We reviewed the governance and decision making in respect of this project before offering our 2019/20 VFM conclusion. In undertaking this work we considered the timeline of key decisions made by the Council and the reports issued in support of those decisions.	We obtained sufficient assurance to conclude that the Council has appropriate arrangements in place.

Before drawing our conclusion we have:

- Reviewed the 2019/20 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements.
- Reviewed the 2020/21:
  - Revenue and Capital budgets and Medium Term Financial Plan
  - Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies
- Considered the Council's latest financial monitoring information and its updated medium term outlook

5. VALUE FOR MONEY CONCLUSION

- Updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports;
- Reviewed the Council's Annual Governance Statement for any significant issues; and
- Considered the general findings from our audit work in other areas

From the work performed, no new significant VFM risks were identified and we have no additional matters to report.

In April 2020 NAO issued an update to its VFM guidance to auditors which set out how local auditors should approach considering the impact of COVID-19 on their 2019/20 VFM arrangements conclusion risk assessment. The guidance states that auditors should generally consider local bodies' arrangements and their response to the pandemic as part of their 2020/21 work on VFM arrangements, and that only where there is a clear indication of a significant failure of arrangements during the 2019/20 financial year as a result of COVID-19 would it be appropriate to raise a 2019/20 significant risk. We have not identified any significant failures in the Council's arrangements during 2019/20 and are satisfied that no additional significant VFM risks have been identified in relation to these matters.

The COVID-19 lockdown occurred in the final two weeks of the Council's financial year and the impact on the 2019/20 financial outturn was not significant. The Council reported a £3.9m underspend on its 2019/20 budgets which was similar to earlier forecasts. The main areas of underspend was on the Risk Management budget and this has been used to meet budget pressures in 2020/21. In early April 2020, the Council made an initial estimate of the cost pressures, including loss of income, for the period April to June 2020. The costs at that time were estimated to be in excess of £30m. In addition to the additional costs, there is also expected to be some slippage on the Council's savings programme as the Council has refocused its priorities during the response to the pandemic.

The full financial impact of COVID-19 is not yet certain and we recognise the Council is working through the implications and considerations through business planning and financial planning updates. In response to the financial pressures faced by local government, the Government has provided additional funding to support local authorities, which is welcome, however, there are concerns that it may not be sufficient. As the challenges of COVID-19 continue it is too early to understand the true extent of the financial impact, but management is carefully tracking and challenging budget variances and the demands being placed on the COVID-19 grants and is providing reports to its Corporate Management Team and Members as part of its budget monitoring process. The Council's General and Earmarked Reserves currently remain at robust, risk assessed levels.

The COVID-19 outbreak has impacted on the Council's ability to enact its original 2020/21 plans, including income generation and expenditure reductions and other developments. The Council is continuing to evaluate this impact and taking steps to update and revise its arrangements to ensure it has plans in place to secure the Council's financial resilience over the medium term.

The Council's response to the pandemic will be a major focus of our 2020/21 audit and value for money assessment under the new Code of Audit Practice framework and supporting NAO guidance. We will continue to liaise with management and update our understanding of the Council's arrangements as part of risk assessment and reporting in the new financial year.

Overall Conclusion

Based on the work performed to date, and subject to our completion and review procedures, there are no matters arising that would prevent us from issuing an unqualified Value for Money conclusion for the 2019/20 financial year in line with the indicative wording included at Appendix B.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER

Mark Surridge

Mazars LLP

45 Church Street
Birmingham
B3 2RT

xx November 2020

Dear Sirs

Derbyshire County Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Derbyshire County Council (the Council) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance & ICT that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Material Valuation Uncertainty

The outbreak of COVID-19, has impacted global financial markets and as such identified that less weight can be attached to the previous market evidence for comparison purposes and to inform opinions of value. The current response to COVID-19 has resulted in an unprecedented set of circumstances on which to base judgement, resulting in the valuations recognised within the Statement of Accounts being reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Given the unknown future impact that COVID-19 might have on the real estate market. I am satisfied that sufficient and appropriate disclosures have been made in the Statement of Accounts to reflect the impact of 'material valuation uncertainty' on the Council's assets.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date. There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Finance & ICT for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the to you the requirements of the Code and applicable law. I have disclosed the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment Review

To the best of my knowledge there is nothing to indicate that there is a permanent reduction in the recoverable amount of the plant, property, equipment and investment property balances below their carrying value at the balance sheet date.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2019/20 in relation to the Council or the Council's PFI schemes that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Other matters

I can confirm in relation to the following matters that:

- Brexit - we have assessed the potential impact of the United Kingdom leaving the European Union and that the disclosure in the Narrative Report and note 3 to the Statement of Accounts fairly reflects that assessment.
- COVID-19 - we have assessed the potential impact of the COVID-19 Virus pandemic on the Authority and the Statement of Accounts, including the impact of mitigation measures and uncertainties, and are satisfied that the Statement of Accounts and supporting notes fairly reflect that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts. I have updated our going concern assessment in light of the Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements

Unadjusted misstatements

I confirm that the effects of any uncorrected misstatements (including those identified at the appendix to this letter – *delete if not required*) are immaterial, both individually and in aggregate, to the financial statements as a whole.

This letter was tabled and agreed at the meeting of the Audit Committee on 24 November 2020.

Yours faithfully

Director of Finance & ICT

APPENDIX B
DRAFT AUDITOR'S REPORT

TO BE UPDATED FOLLOWING CONSULTATION

Independent auditor's report to the members of Derbyshire County Council
Report on the financial statements

Opinion

We have audited the financial statements of Derbyshire County Council for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:
- give a true and fair view of the financial position of Derbyshire County Council as at 31st March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land, buildings and investment properties
We draw attention to Note 3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land, buildings and investment properties and the valuation of the Council's share of Derbyshire Pension Fund's property assets. As disclosed in Note 3 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their reports as a result of the Covid-19 pandemic creating a shortage of relevant market evidence on which to base their judgements. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Director of Finance & ICT's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance & ICT has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance & ICT is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance & ICT for the financial statements

As explained more fully in the Statement of Responsibilities, the Director of Finance & ICT is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Director of Finance & ICT is also responsible for such internal control as the Director of Finance & ICT determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance & ICT is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance & ICT is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

APPENDIX B
DRAFT AUDITOR'S REPORT

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Derbyshire County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Derbyshire County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

APPENDIX B
DRAFT AUDITOR'S REPORT

Use of the audit report
This report is made solely to the members of Derbyshire County Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit
We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mark Surridge
For and on behalf of Mazars LLP
45 Church Street
Birmingham
B3 2RT

Date

APPENDIX C
INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

CONTACT

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