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PUBLIC

To: Members of Audit Committee

Monday, 29 November 2021

Dear Councillor,

Please attend a meeting of the **Audit Committee** to be held at **2.00 pm** on **Tuesday, 7 December 2021** in the Council Chamber, County Hall, Matlock, the agenda for which is set out below.

Yours faithfully,

Helen E. Barrington

Helen Barrington
Director of Legal and Democratic Services

A G E N D A

1. Apologies for absence

2. To receive declarations of interest (if any)

3. To confirm the minutes of the meeting held on 21 September 2021 (Pages 1 - 8)

4. Adult Social Care & Health Risk Register - Helen Jones - Executive Director

5. Corporate Risk Register Quarterly Report (To Follow)

PUBLIC

MINUTES of a meeting of the **AUDIT COMMITTEE** held on 21 September 2021 at County Hall, Matlock.

PRESENT

Councillor G Musson (in the Chair)

Councillors N Atkin, A Griffiths (substitute Member), R Mihaly and R Parkinson

Officers in attendance – D Ashcroft, H Barrington, D Downs, P Handford, E Scriven and P Spencer (representing Derbyshire County Council); and J Pressley (representing Mazars).

Apologies for absence were received on behalf of Councillors N Gourlay and J Nelson

Declarations of Interest

There were no declarations of interest

32/21 **ASSISTANT DIRECTOR OF FINANCE – AUDIT** The Chairman welcomed Dianne Downs to her first meeting of the Audit Committee since she joined the Council in a role which now encompasses both the Audit and Insurance and Risk Management functions.

33/21 **MINUTES** **RESOLVED** that the minutes of the meeting held on 20 July 2021 be confirmed as a correct record and signed by the Chairman.

34/21 **PRESENTATION ON FINAL ACCOUNTS 2020-21** The Director of Finance & ICT presented the pre-audit Statement of Accounts 2020-21 to the Committee.

The certified pre-audit Statement of Accounts had been submitted to the Council's external auditors, Mazars and were in the process of being audited. The external auditor's opinion was expected in November.

Mr Handford, Director of Finance & ICT provided an update on the impact that Covid-19 had had on the financial statements and in particular the implications relating to the Pension Fund and property valuations.

To date, no adjustments had been made to the numbers in the core financial statements presented in the pre-audit Statement of Accounts. It was anticipated that approval of the post-audit Statement of Accounts would be sought at the Audit Committee meeting on 7 December 2021. Should further adjustments be identified during the course of the continuing external audit, these would be included in the report presented at that meeting. A copy of the pre-audit Statement of Accounts had been circulated to the Committee.

Eleanor Scriven, Finance Manager, went through the detail of the accounts with the Members and responded to their questions and points requiring clarification. Members were recommended to refer to the narrative report contained in the Accounts as this provided an ideal summary and overview.

On behalf of the Committee, the Chairman thanked Mr Handford and Ms Scriven for their very informative presentation and wished to thank all finance officers for the work they had undertaken, particularly under difficult circumstances, in the production of the accounts.

RESOLVED that the Committee notes the content of the pre-audit Statement of Accounts 2020-21 prior to approval of the post-audit accounts at the Audit Committee meeting on 7 December 2021.

35/21 PERFORMANCE MONITORING AND BUDGET MONITORING/FORECAST OUTTURN REPORT – 2021-22 AS AT QUARTER 1 (JUNE 2021) The report presented both Council Plan performance and financial budget monitoring and forecast outturn data. The Performance Summary set out the progress the Council was making on delivering the Council Plan with a focus on the achievement of the Council Plan priorities. The Revenue Budget Position and Financial Summary provided an overview of the Council's overall budget position and forecast outturn as at 30 June 2021.

The new Council Plan for 2021-25, which outlined the Council's priorities, key deliverables and performance measures, had been developed and approved by Council in March 2021. The performance report for Quarter 1 2021-22, set out the progress the Council had made over the last quarter on each of the deliverables and key measures set out in the Council Plan. The Council was performing well in delivering the new Council Plan, with 88% of the 63 deliverables in the Plan that had commenced showing good or strong progress. Only 10% had been rated as "Requiring Review" and one deliverable had been rated as "Requiring Action". One deliverable had been awaiting information to enable the rating.

The Council's forecast outturn for 2021-22 as at Quarter 1 (30 June 2021), compared to controllable budget had been summarised within the report. The forecast outturn table showed the position net of the impact of the ringfenced Dedicated Schools Grant (DSG) of £378.684m and Public Health grant of £42.607m, other ring-fenced grants and income from other third parties and their associated spend. There had been a forecast underspend on the Risk Management Budget of £10.476m in 2021-22.

A summary of the achievement of budget savings targets had been provided. The budget savings target for 2021-22 was £13.291m, with a further £12.768m target brought forward from previous years. The savings initiatives identified to meet this target fell short by £9.604m, therefore further proposals would need to be brought forward to ensure the Council continued to balance its budget. Of this total target of £26.059m, £9.777m was forecast to be achieved by the end of the financial year. Therefore, there was a £16.282m forecast shortfall in achievement of budget savings.

RESOLVED to (1) note the update of Council Plan performance and the Revenue Budget position/forecast outturn for 2021-22 as at 30 June 2021 (Quarter 1); and (2) note the position on General and Earmarked Reserves.

36/21 **FINANCIAL MANAGEMENT CODE** The Committee were provided with an update of the Council's progress towards complying with the Financial Management Code standards.

The first full year of compliance will be 2021-22. This recognised that organisations would require time to reflect on the contents of the FM Code and allowed them to use 2020-21 financial year to demonstrate how they were working towards compliance. However, in February 2021, the Chartered Institute of Public Finance & Accountancy had issued clarification on compliance with the FM Code to reflect Covid pressures. It concluded that whilst the first full year of compliance will remain at 2021-22, it can do so within a more flexible framework where a proportionate approach was encouraged. In practice this was likely to mean that adherence to some parts of the FM Code would demonstrate a direction of travel. The Council considered that it had strong levels of compliance and this was further enforced by addressing the areas where further work had previously been identified.

The FM Code required the completion of a financial resilience assessment which had been completed as part of the Council's submission of its pre-audit Statement of Accounts 2020-21 to the external auditor, Mazars, for consideration. This comprised of a short report to support External Audit in arriving at their Value for Money (VfM) opinion.

Actions had been taken to address the areas where there was a need for improvement which were reported to Audit Committee on 8 December 2020, which reinforced the Council's strong financial management. However, the Council must not become complacent and would continually monitor its financial management practices. The recent Accountancy and Budgetary Control and Financial Resilience Audit Services Review had concluded with an audit opinion of substantial assurance, underpinning robust financial procedures that were embedded across the Council.

RESOLVED to note progress against the requirements of the Financial Management Code

37/21 **<u>REVIEW OF EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROLS</u>** The Audit Committee was responsible for reviewing the Annual Governance Statement, reviewing, and approving other aspects of the Council's governance framework and for approving, monitoring and reviewing the outcome of audit activity throughout the Authority. It was, therefore, the appropriate Committee of the County Council to consider the outcomes of this review of the effectiveness of the system of internal control.

The Council must take two actions as part of the requirement to review the internal control system, they were:

(i) conduct a review of the effectiveness of the system of internal control; and
(ii) prepare an annual governance statement.

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.

As reported to the Committee in December 2019, a review of the Audit Services Unit had been undertaken by C.Co, part of the Chartered Institute of Public Finance & Accountancy. The Public Sector Internal Audit Standards required an external review to be conducted at least once every five years. C.Co had provided a positive view of the Unit's effectiveness and compliance with the PSIAS. Additionally, the External Auditor had 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.

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

38/21 **<u>REDMOND REVIEW</u>** On 8 December 2020 the Committee had considered a report setting out details of the Redmond Review (the Review). The Review was published in September 2020 and in December 2020, the Government had delivered its response to the Redmond Review. That report set out the planned response to the 23 recommendations made by Sir Tony and grouped them under 5 themes:

- Action to support immediate market stability
- Consideration of system leadership options
- Enhancing the functioning of local audit, and the governance for responding to its findings
- Improving transparency of local authorities' accounts to the public
- Action to further consider the functioning of local audit for smaller bodies

The Committee were updated on the details and progress against each theme.

The Government would work closely with stakeholders, including local bodies and audit firms, to refine its proposals for implementing its commitments around system leadership, as well as the range of other commitments it had made in response to the Redmond Review, ahead of publishing a public consultation on the proposals in advance of summer recess. It was highlighted that some of these changes would require primary legislation, and so the Government would look to introduce them, subject to public consultation, as part of broader draft legislation with the Department for Business, Energy and Industrial Strategy to implement the Government's broader corporate audit reforms when Parliamentary time allowed.

RESOLVED to note the Government's response to the Redmond Review and details of the next steps.

39/21 **WHISTLEBLOWING POLICY** The Committee was asked to consider the draft Whistleblowing Policy and refer it to Cabinet for formal approval.

The Council currently had in place the Confidential Reporting Code which was approved in November 2016. It had been reviewed to ensure that it was up to date and fit for purpose. When conducting the review, the Guidance for Employers and Code of Practice issued by the Department for Business Innovation & Skills had been taken into account. The guidance made it clear there was no one-size-fits-all whistleblowing policy, however provided some tips about what a policy should include. It recognised policies would vary depending on the size and nature of the organisation, but should be clear, simple and easily understood.

In light of the guidance, the Confidential Reporting Code had been renamed Whistleblowing Policy as it was considered the purpose of the document would be more clearly understood. The document had also been re-drafted so that it was easier to read. The draft Policy set out how the Council would handle and respond to any whistleblowing allegations.

It was proposed that the Audit Committee considered the draft Policy, made comments and referred it to Cabinet for formal approval. Once the Policy had been approved, the Council would ensure it was publicised via the intranet and the employee newsletter and training was provided. It would also be published on the internet. This would ensure that individuals were aware of the policy and how to make a disclosure.

RESOLVED that the Committee approves the draft Whistleblowing Policy attached at Appendix 3 to the report and refers it to Cabinet for formal approval.

40/21 AUDIT SERVICES UNIT – PROGRESS AGAINST AUDIT PLAN 2021-22 The Committee was informed of the progress against the approved Audit Services Plan for 2021-22 as at 31 August 2021.

Whilst the majority of national Covid-19 restrictions had been lifted and elements of normal life had returned, significant aspects of the Council's operations were still encountering resource challenges and subject to local risk assessments for on-site visitors. The initial phases of the Modern Ways of Working (MWoW) project were progressing in terms of County Hall and other administrative accommodation, although the majority of staff who worked from home in 2020, would continue to do so over the next few months. Auditing remotely had increased the time required to complete the review and limited the opportunity to assess local risk factors such as health and safety and information security, especially as the audit was restricted to what could be seen on a screen.

Progress had been made in commencing and delivering reviews within the 2021-22 approved Audit Plan, discussed and agreed with Senior Management, prior to its approval on 23 March 2021. This included the delivery of operational projects within certain Departments (i.e. Children's Services) and elements of the core finance reviews within Corporate Finance. However, as the halfway point in the year approached, there were areas where limited audit activity had taken place in either 2020-21 or the current year's Plan. Whilst Audit would continue to deliver the range of reviews within the Plan including establishment and school visits, where possible, the support of senior management to provide resources to complete certain reviews was an ongoing challenge.

Unfortunately, as reported in previous progress updates, the ability to attract professional audit staff remained an ever-present challenge. Colleagues across the County Council Chief Internal Auditors network had reported similar problems in the successful recruitment and retention of suitably experience professionals.

Since the issue of the Annual Audit Report, a Principal Auditor had commenced maternity leave with another submitting their notice to leave the Council at the end of October 2021. Due to the existing Principal Auditor vacancy within the Audit structure, this would place additional pressures at this critical operational level within the Unit. Steps had been taken to seek replacements for the Audit staff and increase resources at this level. On a more positive note Dianne Downs had now started with the Council on 6 September 2021 as the new Head of Audit, Insurance and Risk Management, following the retirement of Carl Hardman in March 2021.

At 31 August 2021, a total of 983 productive days had been delivered against the pro-rata target of 1,134 days (total planned days for 2021-22 was 2,723).

RESOLVED that the Committee note the performance of the Audit Services Unit during this period.

41/21 **AUDIT PROGRESS REPORT – DERBYSHIRE PENSION FUND – YEAR ENDED MARCH 2021** John Pressley from Mazars, attended the meeting to update the Committee on the progress made in relation to the audit of the Derbyshire Pension Fund.

The report set out their conclusions and significant findings from the audit work carried put to date. The conclusions so far on the audit risks and areas of management judgement in the Audit Strategy Memorandum included:

- Management override of controls; and
- Valuation of investments within level 3 of the fair value hierarchy.

Based on the audit work that had been completed to date there were no identified significant control deficiencies and no unadjusted misstatements envisaged that would be required to be reported to the Committee.

It was reported that to date, a substantial proportion of the fieldwork on the financial statements for the year ended 31 March 2021 had been completed. Mazars envisaged giving their opinion in November 2021 in line with the proposed timeframe for issuing their report on the County Council's financial statements.

On behalf of the Committee, the Chairman thanked Mr Pressley for his attendance and progress update for the Members.

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Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

7 December 2021

Report of the Director of Finance & ICT

Assessment of Going Concern Status

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is not a Key Decision.

3. Purpose

3.1 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 2020-21.

4. Information and Analysis

4.1 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 Government has actually offered support to a number of local authorities over the last year.

4.2 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.

4.3 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.

4.4 Given the significant reduction in funding for local government in recent years and the continuing threat that Covid-19 poses to the ongoing viability of one or more councils as a consequence, last year external auditors placed a greater emphasis on local authorities undertaking and formalising an assessment of the going concern basis on which they prepare their financial statements.

4.5 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 2020-21 (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.

4.6 The main factors which underpin a going concern assessment are the:

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

4.7 Each of these factors is considered in more detail below.

Year-End Financial Position

4.8 The following review is based on the Council's pre-audit Statement of Accounts published in July 2021.

Revenue

4.9 The 2020-21 revenue outturn position was a net underspend of £27.630m (4.76% of net budget). This result must be viewed in context that this was an unusual year during which the Council received nearly £14m of government funding to meet the cost of all hospital discharges for periods during the Covid-19 pandemic; costs which would ordinarily have been met from the Council's own budget. There is also some evidence to suggest that demand for placements for children who are in care slowed during the early periods of lockdown, dampening associated increases in costs. Several amounts of contingency funding and one-off funding remained unused as planned initiatives could not proceed due to the pandemic, however, the ability to achieve some planned savings was also curtailed. By comparison, the 2019-20 revenue outturn position was a net underspend of £3.857m (0.71% of net budget). As at 31 March 2021 the Council's General Reserve balance was £77.665m (£53.547m at 31 March 2020) and its earmarked reserves balance was £260.503m (£229.135m at 31 March 2020).

4.10 At its meeting of 29 July 2021, Cabinet agreed to make the following allocations from the £27.630m 2020-21 underspend:

- £14.000m to an earmarked reserve as a contingency against potential funding losses during the Covid-19 recovery period, to support the Council in the short and medium-term in responding to unforeseen costs resulting from the Covid-19 pandemic.
- £9.000m to the Budget Management earmarked reserve to support the Council in setting a balanced budget in future years, through the use of one-off funding to support services.
- £2.246m to provide for specific commitments and to provide portfolios with flexibility in meeting budget pressures and reduction targets.

4.11 After the allocations above, this leaves the balance on the General Reserve at £52.419m. This balance is 9.5% of the Council's net expenditure (£553.375m) in 2020-21. 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.

4.12 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

4.13 Capital expenditure in 2020-21 was £91.062m (£103.249m in 2019-20). 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 2021 the Council's Loans Capital Financing Requirement was £461.134m (£456.291m at 31 March 2020) of which £360.899m was funded from external sources (£329.974m at 31 March 2020) and £100.235m utilised available cash balances (£126.317m at 31 March 2020), 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 20 £m	**31 Mar 21 £m**
General Fund CFR	525.169	525.679
Less: Other debt liabilities*	(68.878)	(64.545)
Loans CFR	**456.291**	**461.134**
Less: External borrowing**	(329.974)	(360.899)
Internal borrowing	**126.317**	**100.235**
Less: Usable reserves***	(305.525)	(395.100)
Less: Working capital	(47.672)	(43.421)
New borrowing (or Treasury investments)	**(226.880)**	**(338.286)**

*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

4.14 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 20 £m	31 Mar 21 £m
Non-Current Assets	1,890.095	1,794.658
Net Current Assets (e.g. debtors, inventories and cash, short term creditors and liabilities)	34.671	75.772
Pensions Liabilities	(706.324)	(1,084.181)
Other Long-Term Liabilities and Provisions	(319.192)	(319.067)
Net Assets	**899.250**	**467.182**
Usable Reserves	331.648	420.353
Unusable Reserves	567.602	46.829
Total Reserves	**899.250**	**467.182**

4.15 The following trends are reflected in the Balance Sheet from the position as at 31 March 2020 to the position as at 31 March 2021:

- net assets have decreased from £899.250m to £467.182m (a year-on-year decrease of £432.068m);
- non-currents assets have decreased from £1,890.095m to £1,794.658m (a year-on-year decrease of £95.437m);
- non-current liabilities have increased from £1,025.516m to £1,403.248m (a year-on-year increase of £377.732m);
- the debt ratio has increased from 0.58 to 0.78.

4.16 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 0.78, the Council's debt ratio remains below 1 and is therefore not a cause for concern.

4.17 The large increase in non-current liabilities and corresponding decrease in net assets on 2020-21 is due to a change in the financial assumptions used to estimate the net pension liability. These assumptions include:

- The pension increase rate (CPI) increasing to 2.85% at 31 March 2021 (1.90% at 31 March 2020).
- The salary increase rate increasing to 3.55% at 31 March 2021 (2.60% at 31 March 2020).

- The discount (investment return) rate decreasing to 2.00% at 31 March 2021 (2.30% at 31 March 2020).

4.18 The net pension liability reported from one financial year to the next can be volatile and is extremely sensitive to changes in the underlying assumptions. The implications of changes in this amount can only be properly considered in the medium to long-term. As a participating employer in the Derbyshire Pension Fund, the Council reviews and adjusts its employer contributions every three years under advice from the actuary. This provides confidence that the Council's obligations remain sustainable by ensuring that rates are adequate to meet the cost of future service of active Fund members and that additional cash amounts address past service deficit.

4.19 The Council's balance sheet at 31 March 2021 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.

4.20 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

4.21 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 2021, the Council had external borrowing commitments of £360.899m (£329.974m at 31 March 2020) and held £338.286m in treasury investments and cash (£226.880m at 31 March 2020).

Projected Financial Position

Covid-19 Costs and Grant Compensation

4.22 The forecast cost to the Council of Covid-19 is around £15m for 2021-22, which includes the impact of planned savings for the year being 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. Covid-19 emergency grant funding of £15.337m has been received from the Government in 2021-22 and £11.248m of funding from these grants received in 2020-21 has been brought forwards in an earmarked reserve. Therefore, the Council anticipates that it has sufficient funding to meet the expenditure incurred based on its current forecasts.

4.23 The estimated gross loss of sales, fees and charges income is estimated to be £4m in 2021-22. 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 announced it will cover 75p for every pound of irrecoverable losses for the period 1 April 2021 to 30 June 2021. Therefore, up to £2.7m of grant could be claimable under this scheme, although the actual amount is likely to be lower because compensation is based on a net loss, i.e. it is only the residual loss where related expenditure has also reduced.

Social Care Costs

4.24 Pressures across both Children's and Adult Social Care (ASC) continue to far outstrip increases in additional funding announced in the Spending Review (SR) 2019 and SR 2020 and costs are likely to continue to increase significantly.

4.25 Forecasts as at Quarter 2 (September 2021) suggest there may be overspends across the two social care portfolios of around £12m in 2021-22. These are offset by around £8m set-aside in the Council's Contingency and Risk Management budgets and £4m of additional non-ring-fenced grants announced after the budget was set (former Independent Living Fund and Extended Rights to Home to School Transport grants).

Council Tax and Business Rates Income

4.26 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. The impacts of Covid-19 have resulted in large collection fund deficits in 2020-21; the Council's share of these deficits for 2020-21 was around £7.1m for Business Rates and £2.4m 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 to ease immediate pressures on budgets. The phasing of the Business Rates collection fund deficit was £6.9m in 2021-22 and will be £0.1m in each of 2022-23 and 2023-24 (most billing authority Business Rates deficits were not spread). The phasing of the Council

Tax collection fund deficit was £0.2m in 2021-22 (net of two billing authorities' collection fund surpluses) and will be £1.1m in each of 2022-23 and 2023-24.

4.27 Council Tax income is expected to be affected negatively by the pandemic. The taxbase increased by only 0.36% in 2021-22, impacted by an increase in the number of residents claiming Council Tax benefits. Previous years have seen increases in the taxbase of 1.71%, 1.17% and 1.47%. A gradual recovery of taxbase increases is now anticipated, with a current forecast increase of 1.00% in 2022-23 and annual increases of 1.50% thereafter.

4.28 It is clear that Government has a definite expectation that part of the additional pressures in adult care will be funded by levying additional ASC Precept. Therefore, the Council has accepted the need to levy the ASC Precept at 1% for 2021-22 and also to increase basic Council Tax by 1.5%, in recognition of ASC pressures and the significant increase in general budget pressures the Council is experiencing. This then gives the Council the option of levying the remaining 2% ASC Precept in 2022-23, in addition to any increases permitted by the 2022-23 Referendum Principles, in the expectation that the worst effects of the Covid-19 pandemic will be over and recovery will have begun. The Spending Review 2021 announcement on 27 October 2021 assumes that over the three year period of the Spending Review, from 2022-23 on, there is a 2% per year Council Tax general increase, with a further 1% per year of Adult Social Care precept for social care authorities, on top of any Adult Social Care Precept carried forward from 2021-22 to 2022-23.

4.29 The Council is being supported in 2021-22 with £6m of funding from the Local Council Tax Support scheme which is a non-ring-fenced grant aimed to compensate for lower than expected taxbase increases. In addition to this the Local Tax Income Guarantee Scheme promises to guarantee that the Council will be compensated for 75% of losses in Council Tax and Business Rates income which prove irrecoverable.

Five Year Financial Plan

4.30 The Council's Five Year Financial Plan (FYFP) 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.

4.31 The Council's Plan for the period 2021-22 to 2025-26 was last updated in and reported to Council as part of the Revenue Budget Report in

February 2021. 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.

4.32 The latest forecast assumes that around £16.136m of one-off funding from reserves will be required to support the 2021-22 revenue budget. However, this is reliant on £13.291m of budget savings being achieved. As the response to Covid-19 has impacted on the ability to implement savings plans, the delivery of some savings is subject to significant slippage. Around £10m of savings are expected to be achieved in the year. All savings which are delayed or not delivered increases the pressure on the Council's reserves, or require alternate savings to be found by services. Furthermore, an additional £60m of savings are expected to be required between 2022-23 and 2025-26.

Governance Arrangements

4.33 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.

4.34 An overview of this governance framework is provided within the Annual Governance Statement (AGS) which is included in the 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.

4.35 The impact of Covid-19 is having an effect on financial sustainability and this 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 its going concern status.

4.36 The Council is working with the Local Resilience Forum and a range of partners locally and regionally on a Covid-19 recovery programme.

External Regulatory and Control Environment

4.37 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.

4.38 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.

4.39 Given the severity of this pandemic on the country's finances, it would be complacent to rely on Government intervention. However, the Department of Housing, Levelling Up and Communities (DHLUC) has urged any authority that is left with unmanageable pressures and may be concerned about their future financial position to contact DHLUC with immediate effect.

4.40 The Council has deployable resources and assets at its disposal in the short to medium term. The greatest risk to its financial sustainability in the longer term is from not achieving substantial budget savings, demand pressures on looked after children, the effect of demographic growth on Adult Social Care costs and concern over inflation. The Covid-19 pandemic has delivered a significant economic shock. In October 2021 annual UK Consumer Price Inflation (CPI) reached 4.2%, largely due to surging demand and supply chain problems. However, labour market data shows that in the three months to September 2021 the unemployment rate fell to 4.3%. Growth in average regular pay was 4.9% over the period July to September 2021. The robust growth figures are partially due to measurement against a low base, following on from a decline in average pay in Spring 2020 associated with the furlough scheme. Furthermore, the Spending Review 2021 indicates that there will be support for local government over the next three years, with some level of certainty being given.

4.41 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. There is no intention at this time to issue a Section 114 notice.

Conclusions

4.42 The Council set a balanced budget for 2021-22 and over the FYFP period in February 2021. Although Covid-19 has impacted significantly on the Council's activity and finances, it expects to have sufficient funding from specific and non-ring-fenced grants to offset any additional costs in the near term and therefore the pandemic is not expected to pose a significant risk to the Council's financial resilience in the year to 31 March 2022. Additional funding announced at the Spending Review 2021, on 27 October 2021, will help to support a balanced budget, with the caveat that the final detail will not be known until the Provisional Settlement, expected in mid-December 2021.

4.43 Although a funding shortfall is not anticipated, the Council has sufficient further reserves it can deploy in 2021-22 should it be required to do so. Any use of reserves for this purpose does, however, 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

4.44 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 2020-21 have been prepared on this basis.

5 Consultation

5.1 No consultation is required.

6 Alternative Options Considered

6.1 N/A – this report 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 2020-21.

7 Implications

7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

8 Background Papers

8.1 The following previously published documents:

- Pre-Audit Statement of Accounts 2020-21 – Audit Committee 21 September 2021
- Revenue Budget Report 2021-22 – Council 3 February 2021
- Q1 2021-22 Budget Monitoring Report – Cabinet 9 September 2021

9 Appendices

9.1 Appendix 1 – Implications.

10 Recommendation

That Audit Committee:

10.1 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 2020-21.

11 Reasons for Recommendation

11.1 A formal Assessment of the Council's Going Concern Status is required to allow the Statement of Accounts to be signed.

Report Author:	**Contact details:**
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Eleanor Scriven	Eleanor.Scriven@derbyshire.gov.uk

This report has been approved by the following officers:

On behalf of: Director of Legal Services and Monitoring Officer Director of Finance and ICT	

Appendix 1

Implications

Financial

1.1 As outlined in the body of the report.

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

7 December 2021

Report of the Director of Finance & ICT

Statement of Accounts 2020-21

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is not a Key Decision.

3. Purpose

3.1 To seek approval from Audit Committee for the Statement of Accounts 2020-21.

4. Information and Analysis

4.1 In response to the Covid-19 pandemic, the Ministry of Housing, Communities and Local Government (predecessor of the Department for Levelling Up, Housing and Communities) has issued revised regulations to extend statutory deadlines in respect of 2020-21 local authority accounts. The requirement for the public inspection period to include the first ten working days of June has been removed. Instead, for 2020-21, the unaudited accounts of local authorities must be certified by the Director of Finance & ICT and published no later than 31 July 2021, with the public inspection period commencing on or before the first working day of August 2021. The publication date for 2020-21 audited accounts, approved by the Audit Committee, has moved from 31 July to 30 September 2021 for all local authority bodies.

4.2 The Council published its certified pre-audit Statement of Accounts 2020-21 on 30 July 2021, before the statutory deadline, and submitted them to the Council's external auditor, Mazars, on the same day.

4.3 The public inspection period commenced at 9am on 2 August 2021 (the first working day of August 2021) and concluded at 4pm on 13 September 2021. No queries were received.

4.4 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

4.5 At Audit Committee on 21 September 2021, 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.

4.6 The Council published notices of delay in publishing its audited 2020-21 Statement of Accounts on 30 September 2021, due to external audit staff resource constraints. The Council has continued to work closely with the external auditor to ensure the required work is completed as soon as possible. The final audited Statement of Accounts for the year ended 31 March 2021 will be published as soon as the audit is formally concluded, and the external audit opinions issued.

4.7 The approved Statement of Accounts will be reported to full Council in February 2022.

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

4.9 A copy of the audited Statement of Accounts is appended to this report at Appendix 3. The audit opinions have yet to be inserted but will be included in the Audit Completion Reports of the external auditor presented to Audit Committee. The Annual Governance Statement is included in the Statement of Accounts at Appendix 3. Audit Committee approved the Annual Governance Statement for inclusion in the Council's Statement of Accounts 2020-21 at its meeting on 20 July 2021. The Action Plan of the Annual Governance Statement has been finalised since that meeting and the final version is included in the Statement of Accounts.

4.10 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 will be provided in respect of the Council's Accounts and the Pension Fund Accounts. These letters are still to be finalised with the external auditor but will be included in the Audit Completion Reports of the external auditor presented to Audit Committee.

5 Consultation

5.1 No consultation is required.

6 Alternative Options Considered

6.1 This report seeks approval from the Audit Committee for the Statement of Accounts 2020-21. If the accounts are not approved by Audit Committee, the audit opinions cannot be issued by the external auditor and the final accounts cannot be published.

7 Implications

7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

8 Background Papers

8.1 Papers held electronically by Financial Strategy Section, Finance & ICT Division, County Hall.

9 Appendices

9.1 Appendix 1 – Implications.

10 Recommendation

That Audit Committee:

10.1 Approves the Statement of Accounts 2020-21.

11 Reasons for Recommendation

11.1 Audit Committee is required to approve the annual Statement of Accounts before the external auditor can issue its audit opinions, and the final accounts can be published.

Report Author: Eleanor Scriven

Contact details: eleanor.scriven@derbyshire.gov.uk

This report has been approved by the following officers:

On behalf of: Director of Legal Services and Monitoring Officer Director of Finance and ICT	

Appendix One

Implications

Financial

1.1 As outlined in the body of the report.

Legal

2.1 The Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 require local authorities to publish draft Statement of Accounts, certified by the Director of Finance & ICT and subject to audit, on or before 31 July 2021.

2.2 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 (Amendment) Regulations 2021, the Council's accounts for the year ended 31 March 2021 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts) must be made available for public inspection, with the public inspection period commencing on or before the first working day of August 2021.

2.3 The audited Statement of Accounts must be approved by the Audit Committee by 30 September 2021 in accordance with the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Amendment) Regulations 2021.

2.4 A notice of delay in publishing audited Statement of Accounts by 30 September 2021 is allowed for by Regulation 10, paragraph (2) of the Accounts and Audit Regulations 2015 (SI 2015/234), as amended by the Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263). This notification explains, in Regulation 10 (2) (a), that an authority is not yet able to publish its audited 2020-21 Statement of Accounts in line with publication date of 30 September 2021, as set out in Regulation 10 (1).

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

Schedule of Changes to the Statement of Accounts

	Accounts Reference (Note references refer to the Statement of Accounts at Appendix Two)	**Issue**
	Council Accounts	Only changes are to disclosures.
1	Balance Sheet/Note 27	Non-Current Liabilities split into two lines, to disclose Non-Current Pensions Liabilities on a separate line to other Non-Current Liabilities (total is the same).
2	Balance Sheet/Note 26	Non-Current Provisions disclosure split into two lines, to separately disclose an immaterial Current Provisions balance (total is the same).
3	Note 2 Critical Judgements	New Waste Treatment Facility accounting treatment disclosure updated to clarify the accounting treatment in the pre-audit accounts (no change).
4	Note 5 Assumptions Made and Other Estimation Uncertainty	Sentence inserted to the disclosure to clarify that there is no Material Valuation Uncertainty in the Council's valuation certificate in respect of PPE.
5	Note 35 Pooled Budgets	Comparative figures inserted in respect of the Better Care Fund pool.
6	Note 14 PPE	The table showing the movement in PPE assets during the year updated to correct the split of movements (totals the same) between the following categories: Additions, Transfers to Heritage Assets and Transfers Within PPE.
7	Note 14 PPE	Valuation years updated in the table showing valuations over the last five years (no change to figures) and table updated to show only PPE valuations.
8	Note 15 Heritage Assets	The table showing the movement in Heritage Assets during the year updated to correct the split of movements (totals the same) between the following categories: Transfers from PPE and Transfers Within Heritage Assets and to disclose a trivial depreciation charge and disposal with a net nil impact.
9	Note 15 Heritage Assets	Paragraph inserted with regard to the accounting treatment of Buxton Crescent.
10	Note 17 Capital Expenditure and Capital Financing	Split of capital expenditure removed as not required and split corrected between Revenue Expenditure Funded from Capital Under Statute and Capital Additions (total is the same).
11	Note 51 Contingent Liabilities	Contingent Liabilities note added in respect of the New Waste Treatment Facility.

	Pension Fund Accounts	
1	Throughout	Statement of Accounts and Notes updated to adjust for unquoted investment valuations received after the deadline for publishing the pre-audit accounts. This adjustment was proactively instigated by the Council and was not as a result of an audit request.
2	Note 10 Management Expenses	Disclosure of fees chargeable by external audit for assurance work at the request of employer auditors.
3	Note 13 Investment Assets and Liabilities	Disclosure analysis of Pooled Investment Vehicles updated. List of Pooled Investment Vehicles Fund Managers registered outside the UK removed as not required.
4	Note 21 Financial Instruments	Interest rate risk table added and disclosure updated. Comparatives included in tables for price risk and currency risk.
5	Note 23 Participating Employers	Tables giving details of contributions of all participating employers removed as not required.

DERBYSHIRE
County Council

Statement of Accounts 2020-21

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

Version History			
Version	**Date**	**Detail**	**Author**
1.2	26.11.21	Post-audit accounts for signature and publication with audit updates	E Scriven S Holmes

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 2021. 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, local authorities and other admitted bodies.

Basis of Preparation and Presentation

When preparing the accounts, an authority need not comply with the Code 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 2020-21 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 breakdown of services within the CIES based on how an authority is organised and funded. The Council has, therefore, 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 up until May 2021 reported through seven Cabinet Member Portfolios. These portfolios were Adult Care, Clean Growth and Regeneration, Corporate Services, Health and Communities, Highways, Transport and Infrastructure, Strategic Leadership, Culture and Tourism and Young People. After May 2021, the portfolio structure changed, and the seven Cabinet Member Portfolios were increased to nine Cabinet Member portfolios. These portfolios, from May 2021 on, are Adult Care, Children's Services and Safeguarding, Clean Growth and Regeneration, Corporate Services and Budget, Education, Highways Assets and Transport, Infrastructure and Environment and Strategic Leadership, Culture, Tourism and Climate Change.

Revenue Expenditure

The Council set its net budget requirement for 2020-21 on 5 February 2020 and originally planned to spend £560.211m, with funding coming in the form of Government non-ring-fenced grants of £182.665m, Council Tax of £342.663m, business rates collected locally of £20.067m and the use of Earmarked Reserves of £14.816m.

In 2020-21 the Council has spent £553.375m, against a final net budget of £581.005m. The increase in net budget is because of additional general grant income of £60m, the majority of which relates to general Covid-19 grants, additional Business Rates Relief Grant £2.661m and Independent Living Fund Grant £2.534m, and £4m additional business rates income, less additional net transfers to Earmarked and General Reserves of £43m.

Of the £43m net transfer to Earmarked and General Reserves in 2020-21, the main reserves movements were transfers to reserves of £17.289m of revenue contributions to capital, where borrowing and available capital receipts were used instead; £15.000m to establish a fund to support the Council's and wider County recovery from the impacts of the Covid-19 pandemic; £11.248m to carry forward the unspent balance of the Council's general Covid-19 emergency funding for Local Government at 31 March 2021; £11.028m to increase schools' reserves, especially for primary schools, funded from the Dedicated Schools Grant, and a transfer from reserves of £13.897m to fund the refurbishment of homes for older people.

The table below summarises the Council's revenue outturn for 2020-21, compared to controllable budget, highlighting the Cabinet Member Portfolio and Corporate net underspends. The overall Council underspend for 2020-21 is £27.630m, after accounting for use of £33.565m of the £45.037m of Ministry of Housing Communities & Local Government (MHCLG) Covid-19 pandemic emergency grant funding awarded, and £2.349m of compensation for lost sales, fees and charges income claimable under the Government scheme announced on 2 July 2020. An additional £0.224m from this grant funding has been contributed to the General Reserve to reimburse Covid-19 impacts experienced in 2019-20.

Spending on schools is funded by the Dedicated Schools Grant (DSG), from Government. The Council received £361.664m in 2020-21. Note 38 sets out the DSG grant in more detail. The Council also has responsibility for Public Health funding. A total of £42.175m was received in 2020-21, in the form of a ring-fenced grant from Government, to pay for Public Health services. There was an underspend against the balance of the grant of £1.107m. 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	273.759	257.889	(15.870)
Corporate Services	49.080	49.314	0.234
Clean Growth and Regeneration	1.328	1.181	(0.147)
Health and Communities	5.291	4.307	(0.984)
Highways, Transport and Infrastructure	80.632	80.769	0.137
Strategic Leadership, Culture and Tourism	14.283	13.576	(0.707)
Young People	126.475	129.864	3.389
Portfolio Outturn	**550.848**	**536.900**	**(13.948)**
Risk Management	9.442	0.000	(9.442)
Debt Charges	34.965	31.713	(3.252)
Interest and Dividends Receivable	(5.822)	(6.146)	(0.324)
Levies and Precepts	0.343	0.339	(0.004)
Corporate Adjustments	(8.771)	(9.431)	(0.660)
Total Outturn Position	**581.005**	**553.375**	**(27.630)**
Transfers to / from reserves:			
RCCO - Capital Funded from Revenue	0.000	0.000	0.000
Transfer to Earmarked Reserves	133.374	133.374	0.000
Transfer from Earmarked Reserves	(102.006)	(102.006)	0.000
Use of General Reserves	(14.692)	(14.692)	0.000
Contribution into General Reserve	11.180	38.810	27.630
	608.861	**608.861**	**0.000**
Financed By:			
Council Tax	(342.663)	(342.663)	0.000
Revenue Support Grant	(13.738)	(13.738)	0.000
Business Rates	(23.704)	(23.704)	0.000
Business Rates Top-up	(94.892)	(94.892)	0.000
Business Rates Relief Grant	(7.185)	(7.185)	0.000
New Homes Bonus	(2.326)	(2.326)	0.000
Other General Revenue Grants	(113.849)	(113.849)	0.000
PFI Grant	(10.504)	(10.504)	0.000
	(608.861)	**(608.861)**	**0.000**

Of the £13.948m portfolio underspend in 2020-21, the significant variances were an underspend of £15.870m on the Adult Care portfolio and a £3.389m overspend on the Young People portfolio.

The underspend on the Adult Care portfolio is mainly due to Government providing £14.317m of funding to meet the cost of all hospital discharges from March 2020 to September 2020 and up to the first six weeks of packages for all discharges from October 2020. These costs would ordinarily have been met from the portfolio's own budget allocation but additional funding was provided as a Covid-19 response measure, to speed up the discharge of patients from hospital and ensure that the maximum number of beds were available, to meet the pressures arising from the pandemic.

The overspend on the Young People portfolio has resulted primarily from continued high demand for placements for children who are in care, or unable to remain at home. The needs of individual children and the availability of placements has also meant that there are an increased number of children who have been placed in both more expensive fostering arrangements and more expensive residential provision.

The overspends on the Corporate Services, Highways, Transport and Infrastructure and Young People portfolios have been funded from the Council's General Reserve in 2020-21.

There has been an underspend on corporate budgets in 2020-21. The underspend on the Risk Management budget relates to unutilised contingency amounts, additional general grant and business rates income and one-off funding returned from portfolios. An earmarked reserve of £15.000m, to support the Council's and wider County recovery from the impacts of the Covid-19 pandemic, and a contingency balance of £2.500m, to fund any losses which may crystallise on investments in pooled funds, have been established from the Risk Management budget in 2020-21. Lower interest rates and delays to capital expenditure because of Covid-19 restrictions have resulted in an underspend on the Debt Charges budget. The Council utilises a range of investments to maximise its interest and dividend income on balances. Interest income includes interest accrued on the loan advances to Buxton Crescent Ltd. Corporate adjustments were underspent because of a reduction in the Council's provision for exit payments to staff. The total cost of exit packages decreased in 2020-21. In 2019-20 there was an increased number of departures and an increased average cost of pension strain within those packages.

The overall Council underspend results in a £27.630m increase in the Council's General Reserve, to a balance of £77.663m at 31 March 2021. Commitments of £25.246m against this balance are proposed in the Council's Performance Monitoring and Revenue Outturn 2020-21 Report and are detailed below. Further commitments against this balance are referred to in the Council's 2021-22 Revenue Budget Report. The delivery of the Council's Five Year Financial Plan (FYFP) is heavily dependent on an adequate level of General Reserve. 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 balance will be further reduced by the measures required to deliver the Council's FYFP. The adequacy of the Council's General Reserve balance is considered later in the Narrative Report.

At 31 March 2021 there were £0.579m of portfolio ring-fenced commitments. In addition to the ring-fenced commitments, the Council's Performance Monitoring and Revenue Outturn 2020-21 Report proposes to allocate underspends of £1.667m to the Clean Growth and Regeneration, Health and Communities and the Strategic Leadership, Culture and Tourism portfolios (net of these portfolios' commitments of £0.171m separately proposed), to help manage their allocated budget savings in 2021-22 to 2025-26. To provide flexibility in meeting budget pressures and reduction targets, these amounts will be carried forward in departmental earmarked reserves. In addition, the process of detailed review of earmarked reserves will continue and any available balance will be returned to the General Reserve, as appropriate. Any decisions on the use of departmental earmarked reserves containing underspends will continue to be subject to appropriate approvals, either by Executive Director or Cabinet Member. The Council's Performance Monitoring and Revenue Outturn 2020-21 Report also proposes to allocate £9.000m to the Budget Management Earmarked Reserve and £14.000m to a newly established Earmarked Reserve as a contingency against further potential funding losses during the Covid-19 recovery period.

The Comprehensive Income and Expenditure Statement shows a deficit on provision of services of £95.922m. 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 includes fifteen more schools that converted to academies during the year.

Covid-19

The Council has a critical role in helping to lead the local response to the Covid-19 pandemic, both through its own services and via co-ordination with partner bodies such as the Local Resilience Forum (LRF) and others. The aim has been to save lives, protect the NHS, ensure residents are protected wherever possible, and that crucial public services continue to operate in these unprecedented times. Since March 2020 the Council has taken a number of steps to ensure its residents and staff are safe and using its resources as effectively as possible to combat Covid-19. The Council has mobilised its resources and expertise to ensure that accurate and up-to-date information about infection rates across the county, along with intelligence on the wider impact of the pandemic, is provided for decision makers, and worked with partners to advise on how the virus can be most effectively managed for staff, residents and the delivery of essential services. Having undertaken a comprehensive business continuity planning process, the Council was able to suspend certain non-essential services and re-deploy staff into areas and activities that have been critical to the Council's emergency response.

As the county moves into the next phase of living with Covid-19, protecting the health of local people will be critical in managing local outbreaks and reducing the spread of the virus. Effective local testing and contact tracing arrangements have been put in place and the Council is working alongside the NHS to support the rapid roll out of the vaccine programme to protect Derbyshire's communities and those most in need.

In the next year the Council will have carried out the following key actions:

- Supported more Derbyshire people to volunteer to help their communities, learning from and building on the remarkable response to the Covid-19 pandemic.
- Worked with partners and supported individuals, communities and businesses who have been impacted by the pandemic.
- Undertaken local Covid-19 testing and contact tracing activity and provided advice to schools, care homes, businesses and communities to help manage the spread and outbreaks of coronavirus.
- Implemented year 1 of the Covid-19 Economic Recovery Strategy Action Plan, including rolling out a new £1m Business Start-up programme to support business growth and a £2m Green Entrepreneurs scheme to support innovation in low carbon technologies.
- Implemented year 1 of the Covid-19 Employment and Skills Recovery Action Plan including delivery and expansion of a careers hub and development and implementation of a youth hub.
- Worked with schools and other education providers to implement new strategies and support, to enable children and young people to achieve their educational potential and begin to catch up on learning they have missed due to Covid-19 restrictions.

The financial implications of Covid-19 were captured and reported regularly to the Ministry for Housing, Communities and Local Government (MHCLG) during the year. In 2020-21, the gross cost to the Council in respect of the Covid-19 pandemic was £81.428m, before Covid-19 specific recharges and grant income and Covid-19 general grant income. These gross costs of £81.428m have been fully funded in 2020-21, using £47.639m of available Covid-19 specific recharges and grant income, with the balance of £33.789m funded using the Council's general Covid-19 emergency funding for Local Government receivable for 2020-21 of £45.037m. The remaining balance of the Covid-19 general emergency funding at 31 March 2021, amounting to £11.248m, has been carried forward to 2021-22 in an earmarked reserve. A more detailed analysis is available in Note 50 to the Accounts.

Government has supported the Council as it works through the inevitable impact of Covid-19. However, the effects on communities and the local economy could be felt for years and the Council must plan for increased demand and pressure on services. Difficult decisions around additional budget savings over the timeframe of the FYFP will need to be made but the Council will continue to lobby Government for additional resources. With the ongoing pandemic and uncertainty around aspects such as Variants of Concern, the Council will continue to monitor the situation closely. The Council's approach to delivering services remains steadfast, and the Council will continue to support individuals and communities to get on in life and make a difference to where they live, giving them the tools they need to recover, rebuild and thrive.

Capital Expenditure

In 2020-21 the Council's capital expenditure decreased by £12.187m. The Council had planned to spend £155.630m, as set out in the Council's Estimate of Capital Expenditure in the Council's Capital Strategy reported to full Council, however the Covid-19 pandemic impacted on this estimate and actual expenditure was much less.

	2019-20 £m	2020-21 £m
Capital Expenditure	**103.249**	**91.062**
Funded by:		
Grants and Contributions	46.516	74.112
Loans	48.900	14.359
Revenue Contributions	-	-
Capital Receipts	7.833	2.591
Total	**103.249**	**91.062**

Before 2018-19 the Council funded some capital projects using revenue contributions. In 2018-19 the Council changed its approach to allocating funding to capital projects, leading to an increase in the Council's use of available capital receipts and borrowing to replace the revenue contributions no longer being used. This measure was designed to give flexibility to the Council in managing its budget reductions, if required.

LEPs are locally owned partnerships between local authorities and businesses. LEPs play a central role in deciding local economic priorities and undertaking activities to drive economic growth and create jobs. The Council is the Accountable Body for the D2N2 LEP. 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. In 2019-20 the Council repaid the Local Growth Fund balance of £28.972m used in this way. Under the same freedom and flexibilities, in 2020-21 the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme. This has impacted on capital financing in 2019-20 and 2020-21, reducing the grant funding of capital expenditure and increasing borrowing in 2019-20, in respect of the repayment of the utilised Local Growth Fund underspends, and increasing the grant funding of capital expenditure and reducing borrowing in 2020-21, in respect of the utilisation of Getting Building Fund underspends.

Assets and Liabilities

The value of Property, Plant and Equipment Assets (PPE) has decreased by £129.817m 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 increased by £115.717m and Cash and Cash Equivalents have decreased by £2.502m from the previous year.

Current and Non-Current Debtors have increased by £6.104m.

Creditors and Provisions have increased by £14.174m.

Current and Non-Current Borrowing have increased by £32.200m. 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 £5.000m, remaining.

Pension liabilities have increased because of a £377.857m increase 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 2020-21 does not highlight any significant changes, except for additional grant funding received, partly offset by additional operating costs incurred, mainly in respect of the Covid-19 pandemic. There was an associated increase in net investments purchased, as grant funding received but earmarked for future expenditure was invested. Dividends and interest received also decreased as a result of the impact of the Covid-19 pandemic on investment returns.

Cash inflow from Operating Activities increased by £44.116m in 2020-21. An increase in Council Tax of £16.363m and an increase in Other Revenue Grants of £74.263m were partly offset by an increase in Other Operating Payments (non-employee) of £47.678m. Dividends Received decreased by £0.758m and Interest Received decreased by £1.293m in 2020-21.

The net cashflow from Investing Activities changed from an inflow of £4.541m in 2019-20, to an outflow of £88.427m, in 2020-21. Capital Grants received increased by £73.550m and payments for the Purchase of Non-Current Assets decreased by £9.600m in 2020-21 but this was more than offset by an increase in the net payment for the purchase of investments of £176.102m.

Cash inflow from financing activities increased by £13.856m in 2020-21, as the net inflow from new short-term loans increased by £14.079m.

For 2020-21 the Government rolled forward core components of the previous multi-year settlement, which ended on 31 March 2020, with elements of core funding increasing from the 2019-20 Settlement 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 2% in 2020-21 to comply with Government's expectation that part of the additional pressures in adult care would be funded by levying additional Adult Social Care (ASC) Precept. In 2021-22, Council Tax was increased by 2.5%, to levy the ASC Precept at 1% (out of a possible 3% allowed) and also to increase basic Council Tax by 1.5%, in recognition of Adult Social Care pressures and the significant increase in general budget pressures the Council is experiencing. This then gives the Council the option of levying the remaining 2% ASC Precept in 2022-23, in addition to any increases permitted by the 2022-23 Referendum Principles, in the expectation that the worst effects of the Covid-19 pandemic will be over and recovery will have begun. A 2% Council Tax increase is forecast in the Council's FYFP in each year from 2022-23 to 2025-26.

Better Care Fund (BCF) allocations and additional allocations of improved BCF will also continue to 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 continued uncertainty of future 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 (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term 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 modestly. The Council's external treasury management advisor will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2021-22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding, in line with the CIPFA Treasury Management Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity, in order to retain its access to HM Treasury's PWLB lending facility.

Alternatively, the Council may arrange forward starting loans during 2021-22, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow further short-term loans to cover cash flow shortages.

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 Usable Reserves, which include General and Earmarked Revenue Reserves, have increased by £88.705m, to £420.353m.

The General Reserve balance has increased by £24.119m, to £77.665m at 31 March 2021. The majority of chief financial officers consider an acceptable level of generally available reserves to be one that reflects a risk-based approach to potential liabilities. A relatively crude measure is to expect a prudent level of risk-based reserves to be between 3% to 5% of a council's net spending. As at 31 March 2021, after commitments of £25.246m set out earlier in the Narrative Report, the figure for the Council stood at 9%, indicating a robust balance. However, it is necessary to consider this indicator over the medium term to gain a better understanding of its adequacy.

During 2020-21, the Earmarked Reserves balance has increased by £31.366m, to £260.503m. 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 increased by £31.981m, to £73.533m at 31 March 2021. 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 2020-21 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. The majority of the decrease in this reserve in 2019-20 is because of the repayment in that year of this temporary funding provided in previous years. During 2020-21, again under the freedom and flexibilities given to LEP Accountable Bodies, the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme (2019-20: nil).

The Capital Receipts Reserve has increased by £1.238m, to £8.653m at 31 March 2021. This is money set aside to meet capital expenditure and has been used mainly to fund Markham Vale, the Coalite regeneration site and Linden House. The reserve has increased in 2020-21 primarily because of a receipt of £2.650m for a plot of land at Markham Vale.

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 Council in February 2021.

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 2020-21 is £94.490m and for Teachers Pensions is £1.217m. The actual contributions made for the year were £59.314m and £4.272m respectively, resulting in a net adjustment to the revenue position of £32.121m. In addition, there were actuarial losses on both schemes, amounting to £340.130m and £5.606m respectively, resulting in an increase of £377.857m in the total pensions liability of the Council, to £1,084.181m at 31 March 2021.

The return on LGPS scheme assets in 2020-21 has been more than offset by losses 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.

Events After the Balance Sheet Date

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

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, up to May 2021, six Members. From May 2021, following changes to the Council's portfolios set out earlier in the Narrative Report, the composition of the Cabinet changed to the Leader of the Council and eight 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 operated four Improvement and Scrutiny Committees during 2020-21, 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.

From April 2019 the Council became the single accountable body for all D2N2 LEP funds. As Accountable Body, the Council is responsible for overseeing the proper administration of financial affairs within the LEP with regard to public funds.

Over the six years up to 2020-21, the Government allocated the D2N2 LEP £250.7m from the Local Growth Fund. During 2020-21, grants have been allocated to a further thirteen projects in the Derbyshire/ Nottinghamshire region, after successful grant bids were received and approved by the Investment Board.

In July 2020, the Government allocated the D2N2 LEP £44.4m, up until the end of 2021-22, from the Getting Building Fund. During 2020-21, grants have been allocated to seven projects, 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.

Vertas (Derbyshire) Limited, Concertus (Derbyshire) Limited and PSP (Derbyshire) LLP

Vertas (Derbyshire) Limited (VDL) and Concertus (Derbyshire) Limited (CDL) are private limited companies in which the Council has a 49% stake, with the aim of providing cleaning and caretaking services and property design and consultancy, respectively. The transition of the Council's cleaning and caretaking service and design services took place on 1 September 2020. VDL and CDL are run as Joint Venture companies with the other shareholders being part of Suffolk Group Holdings Limited, whose ultimate parent undertaking and controlling party is Suffolk County Council. During 2020-21, income of £0.206m was receivable from VDL, of which £0.066m was outstanding at 31 March 2021 (CDL, nil); expenditure of £7.484m was payable to VDL and £1.261m was payable to CDL, there were no outstanding balances at 31 March 2021.

PSP (Derbyshire) LLP (PSPD) is a limited liability partnership (LLP) formed between the Council and PSP Facilitating Limited (PSPF), under the provisions of the Limited Liability Partnership Act 2000, with the aim of improving, rationalising or developing the Council's surplus property. PSPD will help the Council unlock value from its land and property portfolios; facilitate the promotion, development, asset management rationalisation and economic regeneration, on a project by project basis, of Council land; and utilise private sector funding, resources and skills; resourced through the operation of the partnership. There were no transactions with the company during 2020-21.

Strategy and Resource Allocation

The Council Plan 2020-21 set out the 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 opportunities for local people.

- **Great places to live, work and visit** with vibrant schools, diverse cultural opportunities, transport connections that keep things moving and a healthy and sustainable environment for all.
- **High quality public services** that work together and alongside communities to deliver services that meet people's needs.

Performance Overview

The Council Plan 2020-21 identifies a small number of focused priorities to direct effort and resource, supported by "deliverables" under each priority. These set out what the Council aimed to deliver over the year, supported by key measures which enable the Council to monitor the progress made. The Council Plan was refreshed in July 2020 to reflect the impact, opportunities and challenges resulting from the Covid-19 pandemic.

To ensure effective monitoring, and to facilitate appropriate actions, performance is reported in context, with accompanying financial information, on a quarterly basis. New reports were successfully developed during 2020-21, combining performance reporting with existing budget monitoring and forecast outturn reporting, to ensure effective monitoring, and to facilitate appropriate actions. The reports were delivered by portfolio, to individual Cabinet members, and combined, to Cabinet.

Good progress has been made in delivering the Council Plan 2020-21. Of the 51 deliverables against the five key Council priorities in the Council Plan, 41 (80%) have been categorised as strong or good, six as requiring review and one as requiring action as at 31 March 2021. This is an improvement in performance from quarter 3 where 13 deliverables were rated as requiring review or action. Three deliverables have not been given a rating as the data supporting these deliverables continues to be unavailable due to the Covid-19 pandemic.

The graphical representation below gives an overview of the year end performance for each deliverable (outer wheel), by Council Plan priority (inner wheel). The colours in each segment of the wheel show the extent of the Council's achievement in 2020-21. The colour of each priority in the inner wheel reflects the average rating for that priority.

The priority for "A Prosperous and Green Derbyshire" performed well and reflects activity to maximise the opportunities presented by Covid-19 as well as address the challenges. One deliverable is rated as strong, highlighting excellent progress on developing and implementing a Covid-19 economic recovery strategy. A further nine deliverables are rated good and three are requiring review.

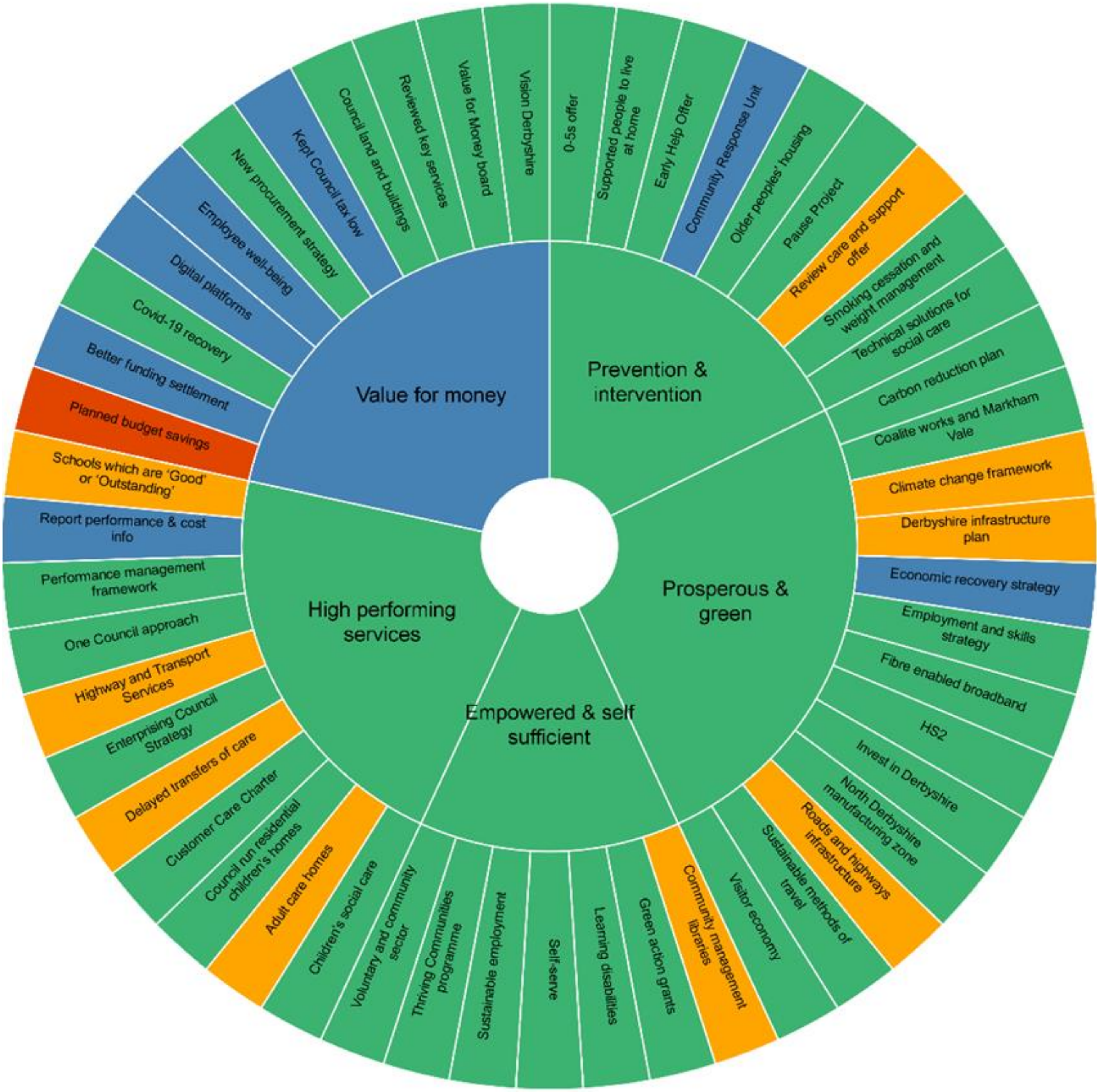
The "Empowered and Self-Sufficient Communities" priority has seen an improvement since quarter 3 with the deliverables rated as good increasing from five to six. In particular, progress has been made towards Phase 2 of the Thriving Communities programme and in supporting people with learning disabilities to move from a short-term residential placement to a supported living long term home within local communities. There is one deliverable rated as requiring review.

Good progress was made in delivering the priority for “A Focus on Prevention and Intervention” with one deliverable being rated as strong and seven deliverables as good. One deliverable has been rated as requiring review. The Community Response Unit continues to support those affected by Covid-19 and good progress has been also made in supporting people to stop smoking, despite the constraints of the pandemic.

Over half of the deliverables in the “High Performing Council services” priority are rated as good or strong, however progress against this priority continues to be affected by the Covid-19 restrictions on Ofsted and Care Quality Commission inspections and the suspension of the national publication of data on delayed transfers of care from hospital. This impacts on the Council’s ability to further improve the key measures relating to these deliverables.

The “Value for Money” priority performed well with four deliverables now rated as strong, and a further six deliverables rated as good. The deliverable to achieve all planned budget savings in the medium term remains the only deliverable within the Plan rated as requiring action and reflects the impact of Covid-19 on the timing of the Council’s achievement of savings. The position has, however, improved from quarter 3 and the following report gives a detailed analysis of progress against savings targets. It must also be recognised that the achievement of planned savings has affected all councils and the in-year shortfall has been substantially met by the receipt of un-ringfenced Covid-19 grant funding from Government. The expectation is that the savings shortfall will be made up in a later year within the medium-term financial plan.

With 80% of deliverables rated as strong or good, there is much to celebrate in the progress the Council has made in delivering the Council Plan.



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

The quarterly breakdown of the deliverables below shows how progress has improved during 2020-21, with 41 (80%) of deliverables rated as either strong or good by March 2021. The Community Response Unit and the Green Action Grants deliverables were first introduced in the first and second quarters of 2020-21, respectively, and so were not reported on until the following quarters.

	Jun 2020	Sep 2020	Dec 2020	Mar 2021
	Deliverables	Deliverables	Deliverables	Deliverables
Strong	1	2	4	7
Good	35	36	32	34
Review	11	11	14	9
Action	2	1	1	1

In support of the deliverables, 29 measures were identified in the Council Plan, with 21 of these rated based on performance against target, as shown in the following diagram. The colours in each segment of the wheel show the Council's success in achieving its performance targets in 2020-21.

Key Strong Good Review Action Data not available/Target not set

Performance measures with a target show some improvement during 2020-21, with eleven (52%) showing strong or good performance, four requiring review (more than 2% variance from target), and six requiring action (more than 10% variance from target).

	Jun 2020	Sep 2020	Dec 2020	Mar 2021
	Measures	Measures	Measures	Measures
Strong	6	5	7	7
Good	6	3	4	4
Review	3	4	4	4
Action	5	8	6	6

Despite the significant impact of Covid-19, there were a number of key areas of success in 2020-21:

- In setting its Council Tax requirement in 2020-21, for 2021-22, the Council set the second lowest Council Tax increase, amongst comparable county councils, of 2.5%, representing the levying of 1% for the adult social care precept to support adult social care funding, and a general increase of 1.5%.
- The “Your Council Your Voice” survey showed 53.4% of residents were satisfied with the Council and 50.5% agreed they were kept informed. Both figures show improvement from 2019-20 and are above target.
- Homeworking and the development of new ways of working is being successfully supported by the ICT service and the roll out of Microsoft 365 licences.
- The average number of sickness days lost per appointment during the year was 8.7 days, a reduction from 10.4 in 2019-20, and well below the target of 10.
- The sale of eleven property assets during the year raised £3.961m.
- Over 3,100 businesses have been supported during 2020-21, with 2,036 businesses supported through a Business Hardship Fund, delivering webinars and advice to business start-ups.
- The online platform ‘Shopappy’ has been launched across Derbyshire, with national press coverage, to provide all retailers and businesses in 27 market towns with a digital presence to support e-commerce.
- Contract 2 for fibre enabled broadband has resulted in 21,000 additional properties being connected. This is in addition to 86,000 properties connected during Contract 1. An additional 90,000 premises have been connected as part of the commercial roll out.
- A £40m programme of highways improvements has been developed, representing a significant increase in funding over previous years.
- The Community Response Unit has supported over 4,400 Derbyshire residents through the Covid-19 pandemic over 2020-21, of which over 1,600 were clinically extremely vulnerable.
- In 2020-21, the stop smoking service has supported significantly more people to stop smoking, with an end of year forecast of 1,529 people compared to 1,159 people in 2019-20.

- Progress is being made, despite the Covid-19 pandemic, to support people with a learning disability to move from a short-term residential placement, to a supported living long-term home within local communities.
- The new national approach to discharge from hospital has continued and progress has continued to ensure people do return to their own homes.
- Children’s social care services have continued to be responsive and are delivering improved performance through a strong and resilient workforce.
- The newly designed Early Help offer continues to be embedded with teams continuing to develop and use creative approaches for engaging with individual children and families, for group work and for advice and support.

Key areas for consideration are:

The Covid-19 pandemic has significantly impacted on the timing of the Council’s achievement of savings, with only 49% of the Council’s 2020-21 budget savings achieved by 31 March 2021. As noted above, it must be recognised that the achievement of planned savings has affected all councils and the in-year shortfall has been substantially met by the receipt of un-ringfenced Covid-19 grant funding from Government. The expectation is that the savings shortfall will be made up in a later year within the FYFP.

- The Council attracted £15.6m of external funding in 2020-21 to support recovery and to help drive continued economic growth. Whilst this funding level is below the target of £20m, it represents a substantial increase over 2019-20. The total value of investment linked to this external funding is considerably higher and is likely to be in excess of £23m.
- A total of 71% of all highway defects were completed within target during 2020-21, compared with 77% for 2019-20. Work is behind programme because of adverse weather conditions, the Covid-19 pandemic and the impact of previous years’ back logs.
- A significant amount of the £40m programme of highways improvement schemes will be targeted at repairs resulting from the floods that hit the county in late 2019 and early 2020. The floods left behind damaged carriageways and structures and caused two major landslips that washed away roads. These issues are currently being addressed. A programme, to tackle drainage and surface deterioration and to prevent potholes, is also in progress, which will help with improving customer satisfaction levels with the condition of the roads.
- The Covid-19 pandemic has impacted on the performance of the Council’s weight management service in 2020-21. Service delivery was suspended in March 2020 and did not resume until August 2020. The prolonged nature of the pandemic has impacted upon people’s motivation to lose weight and there is evidence that the anxiety and stress arising from lockdowns has led to people gaining weight due to 'comfort eating'. In addition, Health Improvement Advisors have focused more over the past year on people's wellbeing and supporting clients generally.

Outlook, Risks and Opportunities

Funding

The local government sector is seeking a multi-year settlement, beyond 2021-22, to provide funding certainty and stability, similar to the four-year offer made by Government in 2015.

The Spending Review 2020 (SR 2020) set out public spending totals for one year only, in order to prioritise the Government's response to the Covid-19 pandemic and focus on supporting jobs. It is now hoped that there will be a comprehensive multi-year Spending Review in 2021. The Council will continue to lobby Government by responding to appropriate consultations in support of both a fair funding and multi-year settlement for the Council.

The Council's FYFP is reviewed and updated at least annually. It was last updated during the annual budget setting process for 2021-22, earlier in 2021. A number of risks regarding the assumptions made in developing the FYFP were highlighted in the Revenue Budget Report, these being:

- **Achievement of Savings** – there is a reliance on the achievement of a programme of budget savings. Any delays in implementation result in departmental overspends under normal circumstances, which result in reserves being used to cover the shortfall. Various scenarios for reserves have been modelled and the pessimistic General Reserve forecast results in a balance which is just 1.6% of forecast FYFP spending in 2025-26. Other earmarked reserves available for budget management are also forecast to reduce. The General Reserve needs to be preserved across the medium term to maintain financial sustainability, preserve the ability to soft land budget cuts and provide funding for Covid-19 recovery.
- **Service Pressures** – there is a commitment to support budget growth where necessary and in particular within children's social care. However, if current trends continue regarding placements and there is inadequate funding to support this, there will be further pressure on budgets in later years. However, there is analysis underway to consider how to mitigate demand pressures on the number of looked after children, which has the potential to help control some of these financial pressures, but they are unlikely to be effective in the short-term. Demographic growth continues to affect Adult Social Care costs. Predictions show that the Council will experience further annual growth, with significant additional annual costs estimated over the period of the FYFP.
- **Economic Climate** – the Covid-19 pandemic has resulted in a significant economic shock, from which the economy has partly bounced back, but it will take some time to recover Gross Domestic Product to pre-pandemic levels. Higher unemployment increases demand on local authority services, whilst at the same time there is a potential for reductions in income for discretionary services.

- **Spending Reviews** – the Government has issued single year spending reviews for the last two financial years. Councils need a multi-year settlement that supports both financial and service planning. There is also a risk that the Government’s investment in the Covid-19 pandemic may result in further austerity measures in future years, as savings are required to repay the debt incurred by Government.
- **Fair Funding and Business Rates Reviews** – the reviews have been delayed for a number of years and the planned implementation for April 2021 had been postponed again. A transparent, fair funding system is required, which reflects need and ability to fund services locally. The FYFP is predicated on the basis that mainstream funding continues as it is now.
- **Public Health Grant** – the Spending Review, along with the announcements alongside the Provisional Settlement, did not include additional funding for Public Health. This runs contrary to addressing the health inequalities exposed by Covid-19 and levelling up communities. There was confirmation that the grant will continue to be maintained and that the Government will set out further significant action that it is taking to improve the population’s health in the coming months, with no clear indication as to what this means.
- **Devolution** – the expected Devolution White Paper has been further delayed and there are no firm dates as to when the Government will publish it.
- **Brexit** – whilst a deal has been agreed and implemented between the UK and the EU, there remains elements of uncertainty as to how the agreement will work in practice over the medium to long term.
- **Covid-19 Financial Pressures** - the Spending Review and Provisional Settlement confirmed that local authorities would be provided with additional funding in 2021-22. It is hoped that this funding will be sufficient and will be distributed in a manner that reflects the cost pressures faced by individual local authorities. Whilst the roll-out of vaccinations provides hope of a return to some degree of normality, there is the potential for further spikes and subsequent and continuing restrictions as the country moves into and out of winter, particularly in respect of the recently identified and more infectious strains. Doing so may result in additional costs depending on the severity of the restrictions.

Expenditure

By 2025-26, the Council needs to have reduced expenditure by at least a further £72m in real terms, of which measures amounting to £38m have been identified. This is in addition to £304m of budget reductions the Council has already made to services since 2010.

The shortfall between target and identified savings has grown over the course of 2020-21 and now stands at £34m, around £22m higher than reported in 2019-20. Although £4m of additional savings have been identified as part of the budget preparation process for 2021-22, there have been additional forecast pressures on the budget from 2021-22 to 2024-25, which mean that the total shortfall has grown by £8m over these years. In addition, there is now an expectation that budget pressures will continue into 2025-26, which is the final year of the FYFP, when a further £14m of savings are now forecast as being required.

There is a clear and significant challenge to identify savings to bridge the remaining savings gap and plan the best approach to achieving those savings over the next few years, if additional funding is not received over and above that forecast. Additional funding may come from further increasing Council Tax in 2022-23 onwards, over and above the 2% increases forecast, up to referendum limits, further Government grants over and above those predicted or from increased business rates growth.

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 proposals will be subject to consultation and equality analysis processes. Progress against budget savings targets will be closely monitored, however there is a heightened risk of not achieving a balanced budget, because of both cost pressures and savings slippage as a result of the Covid-19 pandemic.

There is a planned use of General and Earmarked Reserves from 2021-22 to 2025-26 in order to achieve a balanced budget.

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 increasing importance of the identification of the nature and size of future budget pressures arising from increased demand for services will require changes to the horizon scanning currently undertaken by the Council's departments, in order to reduce risks inherent in formulating and planning to meet pressures in the FYFP. The Council is working towards agreed methodologies for quantifying the cost implications of the areas of large and consistent budget pressures and ensuring these are adequately reflected in risk registers, alongside suitable mitigations, but there is still more work required in this area.

All other budgetary pressures will need to be contained within departmental budgets. Where departments overspend from 2021-22 onwards, the Council's policy of ensuring that the departmental overspend is met from that department's budget in the following year will be expected after several years of meeting these costs corporately from the General Reserve.

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 2% and 6.25%. For 2021-22, the increase is 2.2%. This directly impacts on the fees the Council pays to the independent sector. If this level of increase is to continue it will cost the Council an additional £13m each year.

The Council, along with many other local authorities in the country, and the Local Government Association, has expressed concern regarding substantial increases in the cost of children's social care, urging Government to provide additional funding for the service.

At the start of the current calendar year, Local Government Association research highlighted that the number of children in care had risen by 28% in the past decade. 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 picture is being reflected in Derbyshire. More children have had to be placed with external provides rather than in-house foster carers.

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. There were overspends in the Council's children's social care budget in each of the four years from 2016-17 and an overspend again in 2020-21, despite local investment in the service. 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 when there is already substantial strain placed on the children's social care budget.

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

Waste

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 remain engaged in a project to develop a New Waste Treatment Facility (NWTF) in Sinfin, Derby, to deal with waste that residents in Derby and Derbyshire do not recycle. The facility, which was due to open in 2017, was being built on the councils' behalf by Resource Recovery Solutions (Derbyshire) Ltd (RRS), which was a partnership between national construction firm Interserve, which was also building the plant, and waste management company Renewi plc. However, 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 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. These services will continue to be run by waste management company Renewi UK Services Ltd, under a two-year contract.

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 has been 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. The councils are in negotiations to pay 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.

Covid-19

The coronavirus Covid-19 pandemic is placing additional strains on budgets and challenging how the Council works and delivers services to local people.

The Council knows that the pandemic has had a significant impact on communities and key sectors of the economy and it is working hard with partners to support economic and community recovery across all areas of the county, ensuring equality of access to opportunities and support, to build a fairer, more inclusive future for the county. As the county moves into the next phase of living with coronavirus, protecting the health of local people will be critical in managing local outbreaks and reducing the spread of the virus. Effective local testing and contact tracing arrangements have been put in place and the Council is working alongside the NHS to support the rapid roll out of the vaccine programme, to protect our communities and those most in need.

The Council has set aside £15m to support Derbyshire communities and businesses to recover from the effects of coronavirus. The fund will focus on creating jobs and growth, supporting the green economy, entrepreneurs and business diversification, as well as apprenticeships and training for young people.

The funding will help to pump prime the Council's recovery strategy, alongside Government funding to support further measures to support the local economy.

Climate Change

The Council has responded to the threat of Climate Change by the issue of a manifesto and the development of measures to address the manifesto's commitments. Funding was made available in the 2020-21 budget to develop a range of measures. Further reports to Cabinet will help set out the steps the Council will take. However, this 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 streetlights has done.

Through the implementation of the Derbyshire Climate Change Framework, the Council is working with partners to reduce emissions and achieve a net zero target by 2050. Over the last ten years the Council has cut its emissions from its own estate and operations by 55% and has an ambitious target to achieve net zero carbon emissions by 2032, through the Carbon Reduction Plan. The Council is currently developing a Climate Change Strategy and Action Plan which will set out how emissions will be further reduced in the future.

Opportunities

The Council's Strategic Approach

The Council's Strategic Approach governs how the Council works, with and for communities, and in collaboration with its partners. Three key areas of activity are taking the approach forward - Enterprising Council, Thriving Communities and Vision Derbyshire.

Together these key areas place the Council in a stronger position to understand, to adapt and to respond to future challenges and to bring about the changes needed to ensure future success.

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.

In responding to the Covid-19 pandemic, the Council has demonstrated how it can do things differently, be more agile and flexible and work closely with its partners, businesses and communities.

Thriving Communities

The Council recognises that it cannot keep up with the increasing demand for its services and needs to change the way it delivers some of its services. Thriving Communities focuses on listening to residents and understanding their needs, so that the Council can offer support which tackles the problems, rather than just the symptoms.

By tackling problems at source, the Council aims to create sustainable support services, which build on the strengths communities already have, to continue far beyond initial funding and Council involvement.

The Thriving Communities approach has been initiated in five areas across the county, which has provided a wealth of insight into the way the system can support people and communities to mobilise and take control of their lives.

Further work is now taking place to roll out the next phase of the Thriving Communities approach and programme work.

Vision Derbyshire

Councils across Derbyshire have been working on the development of a new model of local government and shared leadership. Phase 1 saw all ten Councils in Derbyshire – the County Council, City Council and eight District and Borough Councils – working together to identify shared priorities and outcomes and agree to strategically collaborate on the improvement of outcomes for people and places, to speak with one voice as a county and to coordinate resources better and more sustainably.

The programme has been driven forward and involved a significant investment of time, hard work and goodwill from participating councils and their leaders and executive officers. Derby City Council, who participated in Phase 1 of the approach, have not participated in the development of the approach since Phase 2, although the opportunity to work collaboratively on the further development of the approach has remained open.

Phase 2 subsequently resulted in the development of an approach to non-structural reform – Vision Derbyshire - and the development of a case for change and proposition to Government focused around four key ambitions, as follows:

- Seize innovation - pioneering skills and technologies for a sustainable future economy.
- Establish relentless ambition - creating opportunities for everyone in Derbyshire and making these visible.
- Build proactive communities - harnessing the energy in Derbyshire’s communities and empowering people to make change.
- Live and work sustainably - committing to a zero-carbon footprint in our tourism, wider economy, and ways of working.

The approach also identified a number of enablers to support and embed collaboration, such as leadership, culture, technology, workforce, customers, assets and estimated possible organisational and wider system benefits, that could be achieved.

Work has been taking place in Phase 3 to implement the approach, through the development of an accelerated delivery programme and the development of new governance arrangements. New formal arrangements, through a joint committee, have been identified as being crucial in taking the approach forward, which, subject to approval and sign up of participating councils, will be launched in Autumn 2021. Vision Derbyshire provides the opportunity and potential for Councils in Derbyshire to take forward government proposals for Levelling Up and to maximise resources into the county.

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 2021 and of its income and expenditure for the year then ended.

Peter Handford BA(Hons) PGCert FCPFA
Director of Finance & ICT
7 December 2021

The Statement of Accounts were approved by the Audit Committee on 7 December 2021.

Councillor Gary Musson
Chair of the Audit Committee

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		Note	2019-20			2020-21		
			Gross Exp £m	Gross Inc £m	Net Exp £m	Gross Exp £m	Gross Inc £m	Net Exp £m
A	Adult Care		406.098	(127.567)	278.531	456.658	(163.532)	293.126
B	Corporate Services		29.295	(24.647)	4.648	39.208	(24.393)	14.815
C	Clean Growth and Regeneration		6.698	(0.519)	6.179	2.553	(0.589)	1.964
D	Health and Communities		50.655	(44.758)	5.897	55.910	(53.931)	1.979
E	Highways, Transport and Infrastructure		127.893	(20.981)	106.912	132.103	(22.462)	109.641
F	Strategic Leadership, Culture and Tourism		13.710	(1.273)	12.437	14.159	(2.257)	11.902
G	Young People		668.912	(444.324)	224.588	636.164	(442.190)	193.974
A-G	**Net Cost of Services**		**1,303.261**	**(664.069)**	**639.192**	**1,336.755**	**(709.354)**	**627.401**
H	Other Operating Expenditure	6			174.670			146.810
I	Financing and Investment Income and Expenditure	7			47.885			21.701
J	Taxation and Non-Specific Grants	8			(559.115)			(699.990)
A-J	**Deficit on Provision of Services**				**302.632**			**95.922**
	Items that will not be Reclassified to Deficit on Provision of Services							
K	Gain on Revaluation of Non-Current Assets	14			(82.752)			(83.020)
L	Loss on Revaluation of Non-Current Assets	14			33.966			73.431
M	Remeasurement of Net Pension Liability/ (Asset)	48			(300.934)			345.736
K-N	**Other Comprehensive Expenditure/ (Income)**				**(349.720)**			**336.147**
A-N	**Total Comprehensive Expenditure/ (Income)**				**(47.088)**			**432.069**

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

BALANCE SHEET

31 Mar 2020 £m		Note	31 Mar 2021 £m
1,752.894	Property Plant & Equipment	14	1,623.077
49.570	Heritage Assets	15	47.872
1.529	Intangible Assets	18	1.160
85.933	Non-Current Investments	21	122.307
0.169	Non-Current Debtors	20	0.242
1,890.095	**Total Non-Current Assets**		**1,794.658**
81.805	Current Investments	21	161.148
2.341	Assets Held for Sale	19	2.896
1.977	Inventories	22	1.588
76.133	Current Debtors	23	82.164
74.159	Cash and Cash Equivalents	24	71.657
236.415	**Total Current Assets**		**319.453**
(59.007)	Loans and Borrowing	21	(90.058)
(142.737)	Creditors	25	(153.623)
(5.022)	Provisions	26	(6.400)
(201.744)	**Total Current Liabilities**		**(250.081)**
(242.566)	Non-Current Borrowing	21	(243.715)
(7.210)	Provisions	26	(9.120)
(706.324)	Pensions Liabilities	27	(1,084.181)
(64.394)	Other Non-Current Liabilities	27	(59.832)
(1,025.516)	**Total Non-Current Liabilities**		**(1,396.848)**
899.250	**NET ASSETS**		**467.182**
331.648	Usable Reserves	13	420.353
567.602	Unusable Reserves	13	46.829
899.250	**TOTAL RESERVES**		**467.182**

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

I certify that the Balance Sheet position gives a true and fair view of the financial position of Derbyshire County Council as at 31 March 2021.

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

CASH FLOW STATEMENT

2019-20 £m		Note	2020-21 £m
(302.634)	**Net Surplus or (Deficit) on the Provision of Services**		**(95.920)**
150.993	Adjustments for non cash movements	43	98.478
166.854	Adjustments for investing activities	43	56.771
	Net cashflow from:		
15.213	**Operating Activities**	**42**	**59.329**
4.541	Investing Activities	40	(88.426)
12.742	Financing Activities	41	26.598
32.497	**Movement in Cash & Cash Equivalents**		**(2.499)**
41.659	Cash & Cash Equivalents at the start of the year	24	74.156
74.156	**Cash & Cash Equivalents at the end of the year**	**24**	**71.657**

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
2020-21								
Balance at 31 March 2020		**(53.547)**	**(229.135)**	**(41.552)**	**(7.415)**	**(331.647)**	**(567.604)**	**(899.250)**
Movement in reserves during 2020-21								
Total Comprehensive Income and Expenditure	CIES	**95.920**	**0.000**	**0.000**	**0.000**	**95.920**	**336.147**	**432.067**
Adjustments between accounting basis and funding basis under regulations	13	(151.406)	0.000	(31.981)	(1.238)	(184.625)	184.625	0.000
Net Transfer to Reserves		31.368	(31.368)	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2020-21		(24.118)	(31.368)	(31.981)	(1.238)	(88.705)	520.772	432.067
Balance at 31 March 2021 carried forward		**(77.665)**	**(260.503)**	**(73.533)**	**(8.653)**	**(420.352)**	**(46.832)**	**(467.183)**
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)**

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.

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 2020-21 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.

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 entered a second Inter Authority Agreement (IAA) on 10 December 2020 to cover the period of the contract with Renewi UK Services Ltd. As with the previous IAA, this establishes 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 it has been determined that it will be recognised on the balance sheet at 31 March 2021 as an Asset under Construction due to the asset not yet being been brought into service.

Going Concern

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 2020-21 have been prepared on a going concern basis.

The Council will formally document an assessment of its going concern status in a Report to Audit Committee, on or before the publication of the Council's audited Statement of Accounts for 2020-21.

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 IFRS 3 Business Combinations: Definition of a Business. The Council has not participated in any material business combinations and these amendments would not have impacted on the Fund's 2020-21 accounts.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (including Phase 2). The Council does not practice hedge accounting and these amendments would not have impacted on the Council's 2020-21 accounts.

PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments.

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 (MEA). 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 2020-21 would equate to an impairment variation of £0.696m, which would be expensed through the surplus/deficit on the provision of services, whilst a 1% increase would equate to a rise in valuations of £10.758m to the revaluation reserve.

In response to the Covid-19 pandemic, the Royal Institute of Chartered Surveyors (RICS) has set up a Material Valuation Uncertainty Leaders Forum (UK) (MVULF), to consider the unique events relating to the pandemic and its impact on valuation, particularly on the issue of material uncertainty. The MVULF panel reported regularly during 2020, slowly lifting the need for material uncertainty clauses in valuations, where market evidence revealed the pandemic had not negatively impacted comparable evidence. The last output from MVULF, dated 5 January 2021, continues to recommend that material valuation uncertainty declarations are now not generally required, subject to the terms laid down by the panel and in accordance with their stipulated criteria. This recommendation continues to reflect that some assets valued with reference to trading potential remain subject to use of such a declaration and that discretion in all cases remains with the valuer. There is no Material Valuation Uncertainty in the Council's valuation certificate.

Earlier in 2020-21, the Council reviewed its asset valuation strategy in view of the uncertainty caused by the pandemic. The normal practice of valuing 20% of Land and Buildings assets measured at current value at the start of the year (1 April) was reviewed. It was agreed that for 2020-21, the 20% rolling programme list would be reviewed at 31 March 2021, instead of 1 April 2020, updating the land values and gross replacement costs. Additional checks on Land and Buildings values were added to the process. It was agreed that schools MEA adjustments would also be reviewed in the same manner, with material changes being valued as at the date of change, but again reviewed at 31 March 2021. The remaining assets measured at current value, which had not been revalued in this way, were then reviewed, and a further top twenty assets by value were the subject of a desktop exercise, to provide assurances that the remaining assets were not materiality misstated due to the pandemic.

Britain leaving the European Union
Uncertainty around the implementation of the 2016 Brexit referendum result caused volatility in asset prices and bond yields over the last few years. The United Kingdom left the European Union on 31 January 2020, and the transition period ended on 31 December 2020. Whilst the Trade and Co-Operation Agreement (TCA) between the United Kingdom and European Union allows tariff and quota-free trade between countries, it does not cover services, which are a significant component of the United Kingdom's economy.

It is not possible to predict the impact of future Brexit developments with any degree of certainty, particularly against the backdrop of the Covid-19 pandemic, which is continuing to have a significant impact of global economic activity. There is a risk that future Brexit developments will cause further volatility in asset prices and bond yields. However, pronouncements from the US Federal Reserve on the future direction of US interest rates and global developments with respect to the Covid-19 pandemic, together with global politics in general, 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 £333.317m (10% increase in liability).

- A 0.5% increase in the assumed level of pension increases will increase the net pension liability by £295.435m (9% increase in liability).
- A 0.5% increase in the assumed level of salary increases will increase the net pension liability by £30.948m (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.

The Government has consulted on its proposed remedy for the LGPS, which involves the extension of the current underpin protection to all members who meet the criteria for protection, regardless of their age in 2012. It is proposed that underpin protection will apply where a member leaves with either a deferred or an immediate entitlement to a pension. The underpin would give the member the better of the 2014 Scheme CARE or 2008 final salary benefits for the eligible period of service. 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. The Government's response to the consultation and confirmation of the remedy is still awaited.

In addition, HM Treasury confirmed in February 2021 that it was 'un-pausing' the cost cap valuations which will take into account the cost of implementing the McCloud remedy.

Quantifying the impact of the McCloud 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, but made an adjustment to its 2019-20 accounting roll-forward calculation. This adjustment estimated the liabilities for McCloud at 31 March 2020 from the 2019 valuation data, to ensure that the impact continued 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 was 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. At 31 March 2020, the Fund's Actuary 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 applied to the Fund, was 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 for the Council of approximately £12.8m.

At 31 March 2021, the Fund's Actuary has made no explicit additional adjustment for McCloud and has not added to the current service cost for 2020-21, or the projected service cost for 2021-22. However, the previous allowance within the balance sheet at 31 March 2020 has been rolled forward and therefore is included within the closing position at 31 March 2021.

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.

The impact on Fund and employer liability values will depend on how many members reaching State Pension Age after 2016 have GMP benefits. 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). The rolled forward position to 31 March 2021 therefore includes this allowance.

In 2020-21 the High Court ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990, to check if any additional value is due as a result of GMP equalisation. The judgment helps to clarify the position for members who transferred in GMPs from other schemes. It adds a further category of members whose position must be resolved. The Fund's Actuary is of the view that, in general, the historic individual member data required to assess such an impact, at employer level, is not readily available, although it understands that this further ruling is unlikely to be significant in terms of its impact on the pension obligations of a typical employer. As a result, the Fund Actuary has not made any allowance for the ruling on individual transfers in respect of GMP equalisation within its rolled forward position to 31 March 2021.

Financial Instruments Fair Value Estimates

The fair value of the Council's Lender Option Borrower Option (LOBO) loan and other long-term loans of £22.006m (£15.000m nominal) has been determined incorporating option pricing from Bloomberg. The fair value of all short-term investments (under one 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 2021 is a reduction of £41.238m in the net financial liability.

A loss allowance for financial assets has been recognised based on the gross value of trade debtors, excluding Central Government and other local authority debtors, which are more than 30 days past due and which have been, or are expected to be, referred for review, either 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 2021 with the historic default rate based on information collated by rating agency Moody's. Although macroeconomic conditions are forecast to improve in 2021 compared to 2020, it is still anticipated that the Covid-19 pandemic will continue to have effects on the economy, with the 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 £0.030m. A 1% decrease in the expected non-recovery rate would reduce the allowance for credit losses by £0.081m.

Business Rates

Calculations of the Council's business rates collection fund adjustments, involving estimates in relation to business rates arrears, allowance for doubtful debts, business rates overpayments and prepayments and provisions for appeals, have been subject to a greater degree of estimation in 2019-20 and 2020-21 than in other years, as some of Derbyshire's district and borough councils were delayed in completing their estimation processes because of issues caused by the Covid-19 pandemic. Where business rates 2020-21 returns were not received in time, a combination of 2019-20 year-end and preliminary 2021-22 initial returns, finalised in January 2021, have been used to estimate the business rates collection fund adjustment. The business rates collection fund adjustment in the Council's accounts for 2020-21 is £8.389m, a 20% change in the estimated net position could increase the Council's financial liability by approximately £1.678m.

Local authorities are liable for an element of any successful appeal against business rates charged to businesses in 2020-21 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 £3.009m, 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/part quarter three waste contract creditor, in respect of recycling credits, is £1.742m. 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 +/-5% (£0.087m).

Commercial Waste Recharges

The District and Borough councils' quarter four/part quarter three waste contract debtor, in respect of commercial waste recharges, is £0.746m. The estimates are based on tonnages from previous periods, taking into account an increase in waste because of Covid-19. Under/over estimation of commercial waste tonnages could result in a variation of +/-5% (£0.037m).

OTHER OPERATING EXPENDITURE

2019-20		2020-21
£m		**£m**
(1.051)	Trading Operations	(0.823)
0.335	Levies and Precepts	0.339
175.383	Loss on Disposal of Non-Current Assets	147.295
0.003	Other Income and Expenditure	(0.001)
174.670		**146.810**

The surplus for the year from commercial trading operations was achieved with a gross expenditure of £0.763m (2019-20: £0.589m) offset against income of £1.586m (2019-20: £1.640m).

Loss on disposal of non-current assets has reduced significantly in 2020-21 and the main reason for this is a decrease in the number of schools that converted to academies during the year (2020-21, 15; 2019-20, 21).

Movements on non-current assets, including disposals, are shown in Note 14.

1. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2019-20		2020-21
£m		**£m**
18.420	Interest Payable	17.858
(2.355)	Interest Receivable	(3.426)
(3.574)	Dividends Receivable	(2.720)
8.352	Financial Asset Fair Value Losses/(Gains)	(6.386)
4.000	Financial Asset Impairment Losses/(Gains)	(0.062)
23.042	Net Pension Costs	16.437
47.885		**21.701**

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.

2019-20 £m		2020-21 £m
13.791	Interest Payable on Capital Borrowing	13.630
3.384	Interest Payable on PFI	3.187
0.572	Interest Payable on Finance Leases	0.546
0.673	Interest Payable on Other Items	0.495
18.420		**17.858**

Interest receivable has been itemised in the table below.

2019-20 £m		2020-21 £m
(2.182)	Interest Receivable on Investments	(3.409)
(0.009)	Interest Receivable on Transferred Debt	(0.004)
(0.008)	Interest Receivable on Finance Leases	(0.008)
(0.010)	Interest Receivable on Cash & Bank Balances	(0.002)
(0.146)	Interest Receivable on Other Items	(0.003)
(2.355)		**(3.426)**

2. TAXATION AND NON-SPECIFIC GRANT INCOME

2019-20 £m		2020-21 £m
(329.760)	Council Tax	(336.089)
(13.517)	Revenue Support Grant	(13.738)
(23.735)	Business Rates	(15.315)
(93.370)	Business Rates Top-up	(94.892)
(7.603)	Business Rates Relief Grant	(7.185)
(10.504)	Private Finance Initiative Grant	(10.504)
(2.098)	New Homes Bonus	(2.326)
(46.745)	Other General Revenue Grants	(113.848)
(31.783)	Capital Grants	(106.093)
(559.115)		**(699.990)**

3. EXPENDITURE AND FUNDING ANALYSIS

2019-20				2020-21		
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
262.021	(16.510)	278.531	Adult Care	276.393	(16.733)	293.126
(2.895)	(7.543)	4.648	Corporate Services	9.830	(4.985)	14.815
5.704	(0.475)	6.179	Clean Growth and Regeneration	1.022	(0.942)	1.964
4.328	(1.569)	5.897	Health and Communities	0.849	(1.130)	1.979
88.928	(17.984)	106.912	Highways, Transport and Infrastructure	91.412	(18.229)	109.641
6.218	(6.219)	12.437	Strategic Leadership, Culture and Tourism	9.769	(2.133)	11.902
149.732	(74.856)	224.588	Young People	139.116	(54.858)	193.974
514.036	**(125.156)**	**639.192**	**Net Cost of Services**	**528.391**	**(99.010)**	**627.401**
(0.713)	(175.383)	174.670	Other operating expenditure	(0.485)	(147.295)	146.810
26.264	(21.621)	47.885	Financing and investment income and expenditure	26.627	4.926	21.701
(528.561)	30.554	(559.115)	Taxation and non-specific grant income and expenditure	(578.650)	121.340	(699.990)
11.026	**(291.606)**	**302.632**	**Deficit/(Surplus) on Provision of Services**	**(24.117)**	**(120.039)**	**95.922**
64.573			**Opening General Reserve Balance at 1 April**	**53.547**		
(11.026)			Add/(less) Surplus/(Deficit) on General Reserve	24.117		
53.547			**Closing General Reserve Balance at 31 March**	**77.664**		

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Note to the Expenditure and Funding Analysis

2019-20					2020-21			
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
(3.687)	(12.823)	0.000	(16.510)	Adult Care	(6.819)	(9.914)	0.000	(16.733)
(6.824)	(0.719)	0.000	(7.543)	Corporate Services	(4.762)	(0.223)	0.000	(4.985)
(0.019)	(0.456)	0.000	(0.475)	Clean Growth and Regeneration	(0.885)	(0.057)	0.000	(0.942)
(0.009)	(1.560)	0.000	(1.569)	Health and Communities	(0.007)	(1.123)	0.000	(1.130)
(14.032)	(3.952)	0.000	(17.984)	Highways, Transport and Infrastructure	(15.585)	(2.644)	0.000	(18.229)
(1.414)	(4.805)	0.000	(6.219)	Strategic Leadership, Culture and Tourism	(1.013)	(1.120)	0.000	(2.133)
(28.669)	(46.187)	0.000	(74.856)	Young People	(35.957)	(18.901)	0.000	(54.858)
(54.654)	**(70.502)**	**0.000**	**(125.156)**	**Net Cost of Services**	**(65.028)**	**(33.982)**	**0.000**	**(99.010)**
(175.383)	0.000	0.000	(175.383)	Other Operating Expenditure	(147.295)	0.000	0.000	(147.295)
(12.374)	0.000	(9.247)	(21.621)	Financing and investment income and expenditure	(1.714)	0.000	6.640	4.926
31.783	0.000	(1.229)	30.554	Taxation and non-specific grant income and expenditure	106.093	0.000	15.247	121.340
(210.628)	**(70.502)**	**(10.476)**	**(291.606)**	**Deficit on Provision of Services**	**(107.944)**	**(33.982)**	**21.887**	**(120.039)**

a - Adjustments for Capital Funding 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.

4. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2019-20 £m	2020-21 £m
Expenditure		
Employee expenses	602.551	560.698
Premises	29.210	29.626
Transport	29.259	27.620
Supplies and services	564.348	638.215
Capital depreciation, amortisation, impairment	77.899	80.597
Interest payments, loan modification, financial asset impairment and fair value changes	53.813	27.846
Precepts and levies	0.335	0.339
Trading operations	(1.051)	(0.823)
Loss on disposal of assets	175.383	147.295
Total Expenditure	**1,531.747**	**1,511.413**
Income		
Fees, charges and other service income	(193.052)	(191.667)
Interest and investment income	(5.929)	(6.146)
Income from Council Tax, business rates	(446.866)	(446.296)
Business rates relief grant	(7.603)	(7.185)
Government grants and contributions	(575.665)	(764.197)
Total Income	**(1,229.115)**	**(1,415.491)**
Deficit on the Provision of Services	**(302.632)**	**(95.922)**

5. 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.

2019-20 £m		2020-21 £m
9.487	Payments to Nursing Care Providers	4.981
(9.947)	Recharge to CCGs	(4.020)
(0.091)	Admin Charge to CCGs	(0.038)
(0.551)		**0.923**

6. 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 £0.075m. 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 £0.004m.

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 2020-21 the Council received no dividends 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 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 was 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%.

Derbyshire Learning and Community Partnerships Ltd is a private company limited by 16,000 ordinary shares, all of which are held by the Council. The Council has one director on the company board. There were no transactions with the company during the financial year.

Joint Venture Companies

Vertas (Derbyshire) Limited (VDL) and Concertus (Derbyshire) Limited (CDL) are private limited companies in which the Council has a 49% stake, with the aim of providing cleaning and caretaking services and property design and consultancy, respectively. VDL and CDL are run as Joint Venture companies with the other shareholders being part of Suffolk Group Holdings Limited, whose ultimate parent undertaking and controlling party is Suffolk County Council. The Council has Board representation at VDL and CDL with two directors on the board of each company. Vertas Group Limited (Vertas) and Concertus Design and Property Consultants Limited (Concertus), subsidiary undertakings of Suffolk Group Holdings Limited, have day to day financial control of VDL and CDL, respectively. Financial Governance is maintained via the production of monthly Management Accounts information, which is supplied to Board members and to Finance Officers of the Council. VDL and CDL are assessable to Corporation Tax and VAT in accordance with current legislation. All taxation related matters of VDL and CDL, including Corporation Tax, VAT and Income Tax are managed by Vertas and Concertus. During 2020-21, income of £0.206m was receivable from VDL, of which £0.066m was outstanding at 31 March 2021 (CDL, nil); expenditure of £7.484m was payable to VDL and £1.261m was payable to CDL, there were no outstanding balances at the year end.

PSP (Derbyshire) LLP (PSPD) is a limited liability partnership (LLP) formed between the Council and PSP Facilitating Limited (PSPF), under the provisions of the Limited Liability Partnership Act 2000. PSPD will help the Council unlock value from its land and property portfolios; facilitate the promotion, development, asset management rationalisation and economic regeneration, on a project by project basis, of Council land; and utilise private sector funding, resources and skills; resourced through the operation of the partnership. As PSPD is an LLP, rather than a company, the parties to the Joint Venture are called Partners and their representatives are called ‘Corporate Representatives’, rather than Directors. Each Partner has up to six Corporate Representatives. However, each Partner has only one vote, and therefore PSPD decision making, ownership and profit share are 50/50. Financial Governance is maintained via a Members Agreement and a Procedure Agreement. All financial activities of PSPD are conducted by PSPF, including statutory compliance, audit, bank account management, VAT and other taxation matters, and all liaison with HMRC and other Government bodies. There were no transactions with the company during the financial year.

Derbyco Project SPV Limited is a dormant private limited company with an issued share capital of 100 £0.01 ordinary shares, which was formed in respect of the treatment and disposal of non-hazardous waste. The shareholding is split 50/50 between the Council and Derby City Council. The Council has one director on the company board. There were no transactions with the company during the financial year.

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 £14.561m, of these, £14.530m were with academy schools. Expenditure transactions totalled £193.358m and included the following significant transactions:

Inland Revenue	£99.190m
Teachers' Pensions	£43.393m
Public Works Loan Board	£16.361m

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 £29.943m and included significant transactions with Derby City Council totalling £17.396m. Expenditure transactions totalled £35.701m 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 £93.919m and included significant transactions with NHS Derby and Derbyshire CCG of £89.414m. Expenditure transactions totalled £27.976m and included transactions with Derbyshire Community Health Services NHS Foundation Trust of £24.509m.

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 2020-21 is shown in Note 32. Income transactions in which Members and/or Senior Officers had an interest totalled £94.846m, of which £89.414m 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 2020-21 works and services to the value of £10.612m, of which £7.484m is in respect of VDL, were commissioned from companies in which Members and/or Senior Officers had an interest on behalf of the Council. There were no material outstanding balances at year end. Contracts were entered into in full compliance with the Council's Standing Orders.

During 2020-21 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 2020-21 are charges from the Council of £2.888m (2019-20, £2.510m) 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 2021 the Fund owed the Council £4.169m (31 March 2020, the Fund owed the Council £1.056m).

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 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. On 9 October 2019 it was agreed that the Council's Director of Finance & ICT, or their nominee, would represent the Council on the LGPS Central Shareholders' Forum, with delegated authority to make decisions on any matters which require a decision by the shareholders of LGPS Central Limited. All decisions made by the Director of Finance & ICT or their nominee, using delegated powers, are reported to the next meeting of the Pensions and Investments Committee.

The Fund had £1.315m invested in share capital and £0.685m in a loan to LGPSC at 31 March 2021 (31 March 2020, £1.315m and £0.685m, respectively) and was owed interest of £0.031m on the loan to LGPSC on the same date (2020-21, £0.036m).

The Fund incurred costs of £0.013m associated with LGPSC's Investment Grade Credit sub-fund in 2020-21 (2019-20, £0.004m), of which £0.005m was payable to LGPSC at 31 March 2021 (31 March 2020, £0.004m). The charge excludes fees paid to the underlying investment managers of £0.338m in 2020-21 (2019-20, £0.040m).

LGPSC also provided advisory management services in respect of the Fund's Japanese Equities and Asia Pacific Ex-Japanese Equities in the year. The advisory management services mandate was terminated on 17 January 2021, resulting from changes to the Fund's strategic asset allocation benchmark. The charge in respect of these services was £0.073m in 2020-21 (2019-20, £0.551m, which included the part year charges for mandates to manage the Fund's UK Equity portfolio, terminated on 14 November 2019, and Emerging Market Equities portfolio, terminated on 15 June 2019), of which £nil was payable to LGPSC at 31 March 2021 (31 March 2020, £0.065m).

The Fund incurred £0.988m in respect of Governance, Operator Running and Product Development costs in connection with LGPSC in 2020-21 (2019-20, £0.813m), of which £0.226m was payable to LGPSC at 31 March 2021 (31 March 2020, £0.213m).

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 2020-21 amounted to £0.015m (2019-20, £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 2020-21 the Council received £27.413m from the D2N2 LEP, of which £27.323m was given as grants and £0.090m as non-grants. Works and services to the value of £0.115m were commissioned from the Council by the D2N2 LEP. There were no material outstanding balances at 31 March 2021.

7. 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.

Narrative	Note	Usable reserves					
		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 2020		**(53.547)**	**(229.135)**	**(41.552)**	**(7.415)**	**(567.601)**	**(899.250)**
Comprehensive Income & Expenditure		**95.920**	**0.000**	**0.000**	**0.000**	**336.147**	**432.067**
Adjustments between accounting basis and funding basis							
Depreciation of Non-Current Assets	14	(40.937)	0.000	0.000	0.000	40.937	0.000
Impairment of Non-Current Assets	14	(24.091)	0.000	0.000	0.000	24.091	0.000
Application of Capital Grants credited to the CIES	39	106.093	0.000	(106.093)	0.000	0.000	0.000
Disposal of Non-Current Assets	14	(147.295)	0.000	0.000	(4.017)	151.312	0.000
Revenue Expenditure Funded from Capital Under Statute		(15.569)	0.000	0.000	0.000	15.569	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		(1.861)	0.000	0.000	0.000	1.861	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		(14.963)	0.000	0.000	0.000	14.963	0.000

Reversal of items relating to retirement benefits debited or credited to the CIES	48	(95.707)	0.000	0.000	0.000	95.707	0.000
Statutory provision for the financing of capital investment		13.849	0.000	0.000	0.000	(13.849)	0.000
Principal repayments of transferred debt		0.006	0.000	0.000	0.000	(0.006)	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	6.373	0.000	0.000	0.000	(6.373)	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	0.267	0.000	0.000	0.000	(0.267)	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	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	63.586	0.000	0.000	0.000	(63.586)	0.000
Capital receipts from Finance Lease Debtors	45	0.000	0.000	0.000	(0.006)	0.006	0.000
Dedicated Schools Grant (DSG) closing deficit balance	38	(1.157)	0.000	0.000	0.000	1.157	0.000
Financing of capital expenditure	17	0.000	0.000	74.112	2.785	(76.897)	0.000
Adjustments between accounting basis and funding basis		**(151.406)**	**0.000**	**(31.981)**	**(1.238)**	**184.625**	**0.000**
Reserves movements							
Transfer to Earmarked Reserves	29	133.374	(133.374)	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	29	(102.006)	102.006	0.000	0.000	0.000	0.000
Total movements		**(120.038)**	**(31.368)**	**(31.981)**	**(1.238)**	**184.625**	**0.000**
BALANCE AT 31 MARCH 2021		**(77.665)**	**(260.503)**	**(73.533)**	**(8.653)**	**(46.829)**	**(467.183)**

		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	45	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)**

8. 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 2020		**1,349.334**	**69.169**	**451.001**	**4.502**	**9.420**	**70.337**	**1,953.763**
Additions		14.266	2.870	29.129	0.222	0.005	27.985	**74.477**
Disposals		(98.482)	(5.104)	0.000	(0.098)	(0.664)	0.000	**(104.348)**
Disposals derecognition		(1.398)	0.000	(20.578)	(0.074)	0.000	0.000	**(22.050)**
Revaluation Gains to RR*	CIES	28.468	0.000	0.000	0.000	6.170	0.000	**34.638**
Revaluation Losses to RR	CIES	(67.771)	0.000	0.000	0.000	(5.644)	0.000	**(73.415)**
Revaluation Losses to CIES		(15.723)	0.000	0.000	0.000	(7.681)	0.000	**(23.404)**
Transfers within PPE		(1.193)	(1.499)	6.983	0.089	16.804	(21.184)	**0.000**
Transfers to Heritage		0.000	0.000	0.000	0.000	0.000	(35.290)	**(35.290)**
Transfers to Held for Sale		0.000	0.000	0.000	0.000	(0.594)	0.000	**(0.594)**
At 31 March 2021		**1,207.501**	**65.436**	**466.535**	**4.641**	**17.816**	**41.848**	**1,803.777**
DEPRECIATION								
At 1 April 2020		**(36.572)**	**(55.225)**	**(108.758)**	**(0.033)**	**(0.281)**	**0.000**	**(200.869)**
Charge for year		(24.787)	(2.642)	(12.489)	(0.004)	(0.037)	0.000	**(39.959)**
Revaluations to RR	CIES	47.444	0.000	0.000	0.000	0.687	0.000	**48.131**
Impairment to CIES		(0.879)	0.000	0.000	(0.081)	0.000	0.000	**(0.960)**
Disposals		4.720	3.876	0.000	0.081	0.087	0.000	**8.764**
Disposals derecognition		0.152	0.000	4.041	0.000	0.000	0.000	**4.193**
Transfer within PPE		0.654	1.527	0.000	0.000	(2.181)	0.000	**0.000**
Transfer to Held for Sale		0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
At 31 March 2021		**(9.268)**	**(52.464)**	**(117.206)**	**(0.037)**	**(1.725)**	**0.000**	**(180.700)**
OPENING VALUE		1,312.762	13.944	342.243	4.469	9.139	70.337	1,752.894
CLOSING VALUE		**1,198.233**	**12.972**	**349.329**	**4.604**	**16.091**	**41.848**	**1,623.077**
NATURE OF ASSET HOLDING								
Purchased / Built		1,170.138	12.972	349.329	4.604	16.091	41.848	**1,594.982**
Finance Lease		6.926	0.000	0.000	0.000	0.000	0.000	**6.926**
Private Finance Initiative		21.169	0.000	0.000	0.000	0.000	0.000	**21.169**
		1,198.233	**12.972**	**349.329**	**4.604**	**16.091**	**41.848**	**1,623.077**

*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	8.142	7.114	15.256
Buildings	0.000	0.263	0.572	0.835
	0.000	**8.405**	**7.686**	**16.091**

The 2019-20 position was:

	Note/ Statement	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Property Plant & Equipment
		£m	£m	£m	£m	£m	£m	£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

Under IFRS13, the Council is required to provide a summary of the fair value measurement for Surplus Assets. The 2019-20 position was:

	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**

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 2021 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 under the Council's five year rolling programme of physical revaluation. In addition to this physical formal revaluation programme, school assets are revalued each year based on a desk top review. The value of schools revalued in this way in 2021 is £582.817m.

	Land & Buildings	**Vehicles, Plant & Equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Property Plant & Equipment**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
VALUATION							
At 31 March 2021	287.499	0.000	0.000	0.000	16.091	0.000	303.590
At 31 March 2020	215.864	0.000	0.000	0.000	0.000	0.000	215.864
At 31 March 2019	262.793	0.000	0.000	0.000	0.000	0.000	262.793
At 31 March 2018	264.678	0.000	0.000	0.000	0.000	0.000	264.678
At 31 March 2017	167.399	0.000	0.000	0.000	0.000	0.000	167.399
	1,198.233	**0.000**	**0.000**	**0.000**	**16.091**	**0.000**	**1,214.324**
HISTORIC COST	**0.000**	**12.972**	**349.329**	**4.604**	**0.000**	**41.848**	**408.753**
CLOSING VALUE							
At 31 March 2021	**1,198.233**	**12.972**	**349.329**	**4.604**	**16.091**	**41.848**	**1,623.077**

9. NATURE AND SCALE OF HERITAGE ASSETS

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 2020	**40.389**	**0.312**	**5.250**	**3.619**	**49.570**
Additions	1.015	0.000	0.000	0.000	**1.015**
Disposals	(35.984)	(0.258)	(0.813)	(1.060)	**(38.115)**
Revaluations	0.000	0.004	0.000	0.218	**0.222**
Transfers from PPE	35.290	0.000	0.000	0.000	**35.290**
Transfers within Heritage Assets	0.000	0.000	(0.187)	0.187	**0.000**
Derecognition	(0.110)	0.000	0.000	0.000	**(0.110)**
At 31 March 2021	**40.600**	**0.058**	**4.250**	**2.964**	**47.872**
DEPRECIATION					
At 1 April 2020	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Depreciation Charge	(0.086)	0.000	0.000	0.000	**(0.086)**
Disposals	0.086	0.000	0.000	0.000	**0.086**
At 31 March 2021	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
OPENING VALUE	40.389	0.312	5.250	3.619	49.570
CLOSING VALUE	**40.600**	**0.058**	**4.250**	**2.964**	**47.872**
NATURE OF ASSET HOLDING					
Purchased / Built	40.600	0.058	4.250	2.039	46.947
Donated	0.000	0.000	0.000	0.925	0.925
	40.600	**0.058**	**4.250**	**2.964**	**47.872**

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.

Buxton Crescent has been classified as an Asset Under Construction for several years whilst the capital project was progressing. The expenditure, which represents several years accumulation of the Asset Under Construction balance has been capitalised in 2020-21 due to the asset becoming operational on 1 October 2020. Based upon a judgement of the substance of the transaction over its legal form, the Council has determined that the asset should be removed from the Balance Sheet to reflect the transfer of responsibility over the asset. This has led to the value of expenditure being treated as a disposal within the year.

County Buildings – various heritage assets are held at County Buildings. These include pieces of silverware from the former Judges' lodgings and 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 Derbyshire's only place of deposit.

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 2019-20 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 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**

10. 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

11. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2019-20		2020-21
£m		£m
79.994	Capital Additions	75.493
23.255	Revenue Expenditure Funded from Capital Under Statute	15.569
103.249	**Capital Expenditure**	**91.062**
48.900	Loans	14.359
7.833	Capital Receipts	2.591
46.516	Grants and Contributions	74.112
103.249	**Capital Financing**	**91.062**

2019-20		2020-21
£m		£m
487.215	**Opening Capital Financing Requirement (CFR)**	**525.169**
	Capital Investment	
75.973	Property, Plant and Equipment	75.295
0.039	Intangible Assets	0.198
23.255	Revenue Expenditure Funded from Capital under Statute	15.569
3.982	Loan Buxton Crescent	0.000
	Sources of Finance	
(7.833)	Capital Receipts	(2.591)
(46.515)	Government Grants and other Contributions	(74.112)
(10.947)	Statutory Minimum Revenue Provision	(13.849)
525.169	**Closing Capital Financing Requirement (CFR)**	**525.679**
37.954	**Movement in Year**	**0.510**
	Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	

12. INTANGIBLE ASSETS

Intangible assets relate to the purchase of software licences:

	2019-20 £m	2020-21 £m
COST OR VALUATION		
At 1st April	**8.781**	**8.602**
Additions	0.038	0.198
Disposals	(0.217)	0.000
At 31st March	**8.602**	**8.800**
DEPRECIATION		
At 1st April	**(6.532)**	**(7.073)**
Charge for year	(0.758)	(0.567)
Disposals	0.217	0.000
At 31st March	**(7.073)**	**(7.640)**
OPENING VALUE	2.249	1.529
CLOSING VALUE	**1.529**	**1.160**

13. ASSETS HELD FOR SALE

2019-20					2020-21			
Carrying Value			RR		Carrying Value			RR
GBV £m	Dpn £m	NBV £m	£m		GBV £m	Dpn £m	NBV £m	£m
2.173	**(0.220)**	**1.953**	**0.590**	**At 1 April**	**2.342**	**0.000**	**2.342**	**1.038**
(0.791)	0.056	(0.735)	(0.393)	Sales	0.000	0.000	0.000	0.000
0.286	0.013	0.299	0.016	Transfers	0.594	0.000	0.594	0.594
0.674	0.151	0.825	0.825	Other Movements	(0.040)	0.000	(0.040)	0.013
2.342	**0.000**	**2.342**	**1.038**	**At 31 March**	**2.896**	**0.000**	**2.896**	**1.645**

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

14. NON-CURRENT DEBTORS

31 Mar 2020 £m		Note	31 Mar 2021 £m
0.040	Transferred Debt	21	0.038
0.129	Other Long Term Debtors	21	0.204
0.169	**Total Non Current Debtors**		**0.242**

15. 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 2020 £m	31 Mar 2021 £m	31 Mar 2020 £m	31 Mar 2021 £m
Current Investments	81.805	161.148	81.805	161.148
Cash and Cash Equivalents	74.159	71.657	74.159	71.657
Trade Debtors	25.621	25.538	25.621	25.538
Current Financial Assets	**181.585**	**258.343**	**181.585**	**258.343**

Non-Current Financial Assets

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2020 £m	31 Mar 2021 £m	31 Mar 2020 £m	31 Mar 2021 £m
Non-Current Transferred Debt	20	2	0.040	0.038	0.040	0.038
Pooled Investment Funds		1	59.892	66.264	59.892	66.264
Loan to Buxton Crescent Ltd		3	10.163	11.093	12.697	12.325
Loan to Chesterfield FC Community Trust		3	0.000	0.450	0.000	0.500
Other Non-Current Investments		2	15.877	44.500	15.151	44.853
Non-Current Trade Debtors	20	*	0.129	0.204	0.129	0.204
Non-Current Financial Assets			**86.101**	**122.549**	**87.909**	**124.184**

* 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		Fair Value	
	31 Mar 2020 £m	31 Mar 2021 £m	31 Mar 2020 £m	31 Mar 2021 £m
Amortised Costs	207.794	314.628	209.602	316.263
Fair Value through Profit or Loss	59.892	66.264	59.892	66.264
Total Financial Assets	**267.686**	**380.892**	**269.494**	**382.527**

At 31 March 2021 there was two non-current investments in the balance sheet with a carrying value in excess of £15.000m:

- CCLA Mutual Investment Trust Property Fund, with a carrying value equal to fair value at 31 March 2021 of £23.078m (original investment £25.000m). This investment is open ended but can be realised with 90 days' notice.
- Rotherham Metropolitan Borough Council, two loans with a combined carrying value at 31 March 2021 of £30.000m. These investments were made for a fixed term of two years and will mature on 31 October 2022.

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 2021. 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		Fair Value	
	31 Mar 2020 £m	31 Mar 2021 £m	31 Mar 2020 £m	31 Mar 2021 £m
Aegon* - Diversified Income Fund	8.519	10.127	8.519	10.127
CCLA - LA Property Fund	23.243	23.078	23.243	23.078
CCLA Diversified Income Fund	4.523	4.903	4.523	4.903
Investec Diversified Income Fund	8.905	9.790	8.905	9.790
M&G - Optimal Income Fund	4.435	4.963	4.435	4.963
M&G - Global Dividend Fund	3.990	5.684	3.990	5.684
Schroder - Income Maximiser Fund	6.277	7.719	6.277	7.719
Total	**59.892**	**66.264**	**59.892**	**66.264**

*Previously Kames

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 2021.

Dividend Income

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

	2019-20 £m	2020-21 £m
From Investments Derecognised	**0.000**	**0.000**
Aegon - Diversified Income Fund	0.500	0.431
CCLA - LA Property Fund	1.042	1.008
CCLA Diversified Income Fund	0.169	0.156
Investec Diversified Income Fund	0.440	0.366
M&G - Global Dividend Fund	0.169	0.170
M&G - Optimal Income Fund	0.136	0.112
Schroder - Income Maximiser Fund	0.717	0.477
Scape Group Limited shares	0.400	0.000
From Investments Held at Year End	**3.573**	**2.720**
Total Dividends Received	**3.573**	**2.720**

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 2020 £m	31 Mar 2021 £m	31 Mar 2020 £m	31 Mar 2021 £m
Transferred Debt	(0.006)	(0.006)	(0.006)	(0.006)
Public Works Loan Board	(4.575)	0.000	(4.575)	0.000
Temporary Loans	(52.500)	(88.000)	(52.500)	(88.000)
Accrued Interest	(1.926)	(2.052)	(1.926)	(2.052)
Current Loans and Borrowing	**(59.007)**	**(90.058)**	**(59.007)**	**(90.058)**
Trade Creditors	(78.804)	(86.351)	(78.804)	(86.351)
PFI liability	(3.956)	(4.166)	(6.988)	(7.121)
Finance lease liability	(0.369)	(0.394)	(0.369)	(0.394)
Current Financial Liabilities	**(142.136)**	**(180.969)**	**(145.168)**	**(183.924)**

Non-Current Financial Liabilities

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2020 £m	31 Mar 2021 £m	31 Mar 2020 £m	31 Mar 2021 £m
Transferred Debt		2	(0.155)	(0.149)	(0.155)	(0.149)
Public Works Loan Board		2	(226.847)	(228.013)	(347.472)	(346.332)
Other Long Term Loans		2	(15.563)	(15.554)	(21.985)	(22.006)
Non-Current Borrowing			**(242.565)**	**(243.716)**	**(369.612)**	**(368.487)**
PFI liability	27	3	(59.753)	(55.587)	(66.179)	(65.695)
Finance lease liability	27	*	(4.640)	(4.245)	(4.640)	(4.245)
Non-Current Financial Liabilities			**(306.958)**	**(303.548)**	**(440.431)**	**(438.427)**

* Fair value disclosure not required

Financial Liabilities by Measurement Classification

	Carrying Value		Fair Value	
	31 Mar 2020 £m	31 Mar 2021 £m	31 Mar 2020 £m	31 Mar 2021 £m
Amortised Costs	(449.094)	(484.517)	(585.599)	(622.351)
Fair Value through Profit or Loss	0.000	0.000	0.000	0.000
Total Financial Liabilities	**(449.094)**	**(484.517)**	**(585.599)**	**(622.351)**

The Council has 49 loans with the Public Works Loan Board (PWLB) at 31 March 2021. The start date of the earliest of these PWLB loans was June 1997. This loan is for a period of 25 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 4.50%. The average discount rate is 1.77%.

At 31 March 2021 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 £7.117m, using a discount rate of 1.816%.
- £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 2021 is £5.342m and the fair value is £7.610m, using a discount rate of 2.091%.
- £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 2021 is £5.211m and the fair value is £7.279m, using a discount rate of 2.090%.

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 11.03%. 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)	
	2019-20 £m	2020-21 £m
Interest Income	2.356	3.426
Interest Expense	(18.420)	(17.858)
Net Interest Income/(Expense)	**(16.064)**	**(14.432)**

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:

Financial Assets	Net (Losses)/Gains 2019-20 £m	Net (Losses)/Gains 2020-21 £m
Amortised Costs	(3.999)	0.062
Fair Value through Profit or Loss	(8.352)	6.386
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 (Losses)/Gains	**(12.351)**	**6.448**

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 Ltd (formerly 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.

	2019-20		2020-21	
	Gains £m	(Losses) £m	Gains £m	(Losses) £m
Loan to Buxton Crescent Ltd	0.000	0.000	0.000	(0.566)
Loan to Derbyshire Developments Ltd	0.000	(0.515)	0.000	0.000
Gains/(Losses) on Derecognition	**0.000**	**(0.515)**	**0.000**	**(0.566)**

The Buxton Crescent hotel was scheduled to open in Spring 2020. However, due to the impacts of the Covid-19 pandemic, this opening was delayed until Autumn 2020 and additional closures in line with Government guidance and reduced visitor numbers have not allowed the hotel to generate any significant revenues in 2020-21.

The Council has agreed to write-off the £0.566m of interest accruing on the loan to Buxton Crescent Limited, for the year ended 31 March 2021. This is in recognition of the fact that Buxton Crescent Limited's revenues were significantly lower than anticipated in 2020-21 because of the Covid-19 pandemic, which has impacted on its ability to afford interest payments on the loan. This has been funded by Covid-19 grant funding.

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)	
	2019-20 £m	2020-21 £m
Fees From Instruments not at FVPL	(0.051)	(0.125)
Fees From Investing Activities on Behalf of Other Parties	0.028	0.030
Net Fee Income/(Expense)	**(0.023)**	**(0.095)**

The Council incurred £0.125m 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. £0.030m 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 2021, 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 2021, 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 the LOBO loan has been increased by the value of the embedded options, where a value exists. The lender's options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. The Council's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that the lender will only exercise their option 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.

16. INVENTORIES

	2019-20		2020-21	
	Highways	Other	Highways	Other
	£m	£m	£m	£m
1 April	**1.009**	**1.203**	**0.681**	**1.296**
Purchase of new stock	1.058	2.459	0.696	2.536
Stock issued	(1.386)	(2.357)	(0.944)	(2.651)
Stock written off	0.000	(0.009)	(0.024)	(0.002)
31 March	**0.681**	**1.296**	**0.409**	**1.179**
Total		**1.977**		**1.588**

17. CURRENT DEBTORS

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

31 Mar 2020 £m		31 Mar 2021 £m
10.468	From Other Local Authorities	17.671
5.160	From NHS Bodies	4.223
9.842	From Government Departments	9.795
1.056	From DCC Pension Fund	4.169
47.091	From Other Sundry Debtors	44.595
73.617	**Total amount owed to the Council**	**80.453**
0.042	To Other Local Authorities	0.123
0.029	To Government Departments	0.092
7.610	To Other Sundry Debtors	5.692
7.681	**Total paid in advance by the Council**	**5.907**
81.298	**Total Current Debtors**	**86.360**
(5.165)	Less Allowance for Bad Debts	(4.196)
76.133	**Carrying Value of Current Debtors**	**82.164**

18. CASH AND CASH EQUIVALENTS

31 Mar 2020 £m		31 Mar 2021 £m
1.387	County Fund Bank Account Balance	21.522
1.387	**Cash Book for County Fund Account**	**21.522**
0.545	Schools Cash Income Account Balance	0.300
0.545	**Cash Book for Schools Cash Account**	**0.300**
1.932	**Total Cash Book Balance**	**21.822**
2.808	Amounts held by Bank Account Schools	3.139
0.512	Amounts held in Petty Cash Tins	0.324
0.390	Amounts held in Imprest Bank Accounts	0.392
0.000	Amounts held in Other Bank Accounts	(0.005)
5.642	**Total Cash Balance**	**25.672**
1.003	Bank instant-access deposit accounts	1.000
17.502	Money Market Funds	0.000
50.014	Short-term deposits	45.004
(0.002)	Cash investment loss allowance	(0.019)
74.159	**Total Cash and Cash Equivalents**	**71.657**

19. CREDITORS

The creditor balance can be analysed into the following categories:

31 Mar 2020 £m		31 Mar 2021 £m
(7.026)	To Other Local Authorities	(7.302)
(3.583)	To NHS Bodies	(3.297)
(18.357)	To Government Departments	(13.679)
0.000	To Inter-Group Organisations	0.000
(74.028)	To Other Sundry Creditors	(93.825)
(102.994)	**Amounts Owing by the Council**	**(118.103)**
(0.807)	From Other Local Authorities	(0.462)
(1.836)	From NHS Bodies	(4.685)
(32.081)	From Government Departments	(23.060)
(5.019)	From Other Sundry Creditors	(7.313)
(39.743)	**Income in Advance to the Council**	**(35.520)**
(142.737)	**Carrying Value of Creditors**	**(153.623)**

20. PROVISIONS

Total Provisions

	Insurance Fund	Exit Packages	Other	Total
	£m	£m	£m	£m
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)
1 April 2020	**7.210**	**1.841**	**3.181**	**12.232**
New Provisions	4.319	0.037	5.711	10.067
Utilisation of Provision	(2.409)	(0.944)	(3.097)	(6.450)
Reversal of Provision	0.000	(0.309)	(0.020)	(0.329)
31 March 2021	**9.120**	**0.625**	**5.775**	**15.520**

Maturity Profile of Provisions

	Insurance Fund	Exit Packages	Other	Total
	£m	**£m**	**£m**	**£m**
Current Provisions	0.000	1.841	3.181	5.022
Non-Current Provisions	7.210	0.000	0.000	7.210
31 March 2020	**7.210**	**1.841**	**3.181**	**12.232**
Current Provisions	0.000	0.625	5.775	6.400
Non-Current Provisions	9.120	0.000	0.000	9.120
31 March 2021	**9.120**	**0.625**	**5.775**	**15.520**

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 £0.628m in 2021-22. There are expected to be no cash outflows in 2022-23 and 2023-24.

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 £26.225m (31 March 2020: £27.295m). The provision of £9.120m represents obligations as at 31 March as a result of past claims. The reserve balance of £17.105m 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 2021 £4.284m was provided for a refund expected to be payable to the NHS for income recognised relating to Continuing Healthcare and £0.722m 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 2021.

21. NON-CURRENT LIABILITIES

Pensions Liabilities

31 Mar 2020 £m		31 Mar 2021 £m
(651.283)	Pensions Liability - LGPS	(1,026.589)
(55.041)	Pensions Liability - Teachers	(57.592)
(706.324)		**(1,084.181)**

Other Non-Current Liabilities

31 Mar 2020 £m		31 Mar 2021 £m
(14.782)	PFI Phase 1	(13.356)
(19.542)	PFI Phase 2	(18.241)
(25.430)	PFI - BSF	(23.990)
(2.887)	Finance Lease - Joint Service Centre	(2.822)
(1.753)	Finance Lease - Other Leases	(1.423)
(64.394)		**(59.832)**

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

22. 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.

TRANSFERS TO / FROM EARMARKED RESERVES

	1 Apr 2019 £m	Transfers In £m	Transfers Out £m	31 Mar 2020 £m	Transfers In £m	Transfers Out £m	31 Mar 2021 £m
Adult Care							
Older People's Housing Strategy	(22.676)	(7.324)	0.000	(30.000)	0.000	13.897	(16.103)
Telecare	0.000	0.000	0.000	0.000	(1.500)	0.000	(1.500)
Other reserves	(0.282)	(5.983)	2.412	(3.853)	(0.158)	3.972	(0.039)
Sub Total	**(22.958)**	**(13.307)**	**2.412**	**(33.853)**	**(1.658)**	**17.869**	**(17.642)**
Clean Growth and Regeneration							
Markham Environment Centre	(0.114)	0.000	0.000	(0.114)	0.000	0.000	(0.114)
Skills Training	(0.101)	0.000	0.009	(0.092)	(0.050)	0.031	(0.111)
D2 Growth Fund	(0.200)	0.000	0.000	(0.200)	0.000	0.100	(0.100)
Other reserves	(0.318)	(0.013)	0.041	(0.290)	(0.013)	0.008	(0.295)
Sub Total	**(0.733)**	**(0.013)**	**0.050**	**(0.696)**	**(0.063)**	**0.139**	**(0.620)**
Corporate Services							
Revenue Contributions to Capital	(17.081)	(11.703)	0.489	(28.295)	(18.901)	2.612	(44.584)
Loan Modification Gains	(28.440)	0.000	2.316	(26.124)	0.000	0.870	(25.254)
Insurance and Risk Management	(20.069)	(0.144)	0.128	(20.085)	(0.026)	3.006	(17.105)
Covid-19 Recovery Fund	0.000	0.000	0.000	0.000	(15.000)	0.000	(15.000)
Budget Management	(30.793)	(0.187)	14.549	(16.431)	(9.302)	13.816	(11.917)
Covid Emergency and SFC Losses Grants	0.000	0.000	0.000	0.000	(47.387)	36.139	(11.248)
Planned Building Maintenance	(6.283)	(1.008)	2.016	(5.275)	(2.148)	0.870	(6.553)
Business Rates Pool	(4.716)	0.000	0.044	(4.672)	(1.629)	0.000	(6.301)
Property Insurance Maintenance Pool	(2.837)	(1.552)	1.676	(2.713)	(1.509)	1.225	(2.997)
Prior Year Underspends	(0.521)	(4.035)	0.570	(3.986)	(2.009)	3.117	(2.878)
Computer Purchasing	(3.215)	(0.570)	0.957	(2.828)	(0.056)	0.034	(2.850)
Investment Losses Contingency	0.000	0.000	0.000	0.000	(2.500)	0.000	(2.500)
Business Rates Strategic Investment Fund	(4.889)	(0.961)	4.837	(1.013)	(0.975)	0.000	(1.988)
PFI Reserves	(1.981)	(0.421)	0.061	(2.341)	(0.146)	0.507	(1.980)
Property DLO	(1.701)	(2.324)	1.915	(2.110)	(0.358)	1.044	(1.424)
Covid Tax Income Guarantee Grant	0.000	0.000	0.000	0.000	(1.267)	0.000	(1.267)
Change Management	(2.379)	0.000	0.572	(1.807)	0.000	0.644	(1.163)
Other reserves	(10.218)	(7.795)	3.878	(14.135)	(1.792)	10.614	(5.313)
Sub Total	**(135.123)**	**(30.700)**	**34.008**	**(131.815)**	**(105.005)**	**74.498**	**(162.322)**

	1 Apr 2019	Transfers In	Transfers Out	31 Mar 2020	Transfers In	Transfers Out	31 Mar 2021
	£m	£m	£m	£m	£m	£m	£m
Health and Communities							
Public Health Grant	(7.600)	0.000	0.176	(7.424)	(1.108)	0.000	(8.532)
Covid Test and Trace Grant	0.000	0.000	0.000	0.000	(3.385)	0.000	(3.385)
Domestic Abuse	(2.000)	(0.142)	0.000	(2.142)	0.000	0.520	(1.622)
Trusted Trader	(0.071)	(0.030)	0.000	(0.101)	0.000	0.000	(0.101)
CEV Individuals Support Grant	0.000	0.000	0.000	0.000	(0.698)	0.000	(0.698)
Mass Community Testing Grant	0.000	0.000	0.000	0.000	(0.771)	0.000	(0.771)
Public Health S256/External Funds	0.000	0.000	0.000	0.000	(0.244)	0.004	(0.240)
Proceeds of Crime	(0.074)	(0.075)	0.014	(0.135)	(0.007)	0.006	(0.136)
Other reserves	(0.531)	0.000	0.069	(0.462)	0.198	0.000	(0.264)
Sub total	**(10.276)**	**(0.247)**	**0.259**	**(10.264)**	**(6.015)**	**0.530**	**(15.749)**
Highways, Transport and Infrastructure							
Prior Year Underspends	(9.287)	(1.453)	0.930	(9.810)	(1.756)	0.264	(11.302)
Winter Maintenance	(2.000)	0.000	0.000	(2.000)	0.000	0.000	(2.000)
Commuted Highways Maintenance	(0.121)	(1.016)	0.000	(1.137)	(0.573)	0.000	(1.710)
Road Safety Public Service Agreement (PSA)	(1.181)	0.000	0.102	(1.079)	0.000	0.227	(0.852)
Derby and Derbyshire Road Safety Partnership Reserve	(0.585)	(0.132)	0.085	(0.632)	(0.003)	0.018	(0.617)
Waste Recycling Initiatives	(0.391)	(0.207)	0.000	(0.598)	0.000	0.000	(0.598)
Other reserves	(6.167)	(0.234)	4.418	(1.983)	(0.327)	0.493	(1.817)
Sub Total	**(19.732)**	**(3.042)**	**5.535**	**(17.239)**	**(2.659)**	**1.002**	**(18.896)**
Strategic Leadership, Culture and Tourism							
Derwent Valley Mills World Heritage Site	(0.192)	(0.016)	0.032	(0.176)	(0.035)	0.022	(0.189)
Channel Shift	(0.100)	0.000	0.100	0.000	(1.054)	0.609	(0.445)
Library Restructure	(0.429)	0.000	0.000	(0.429)	0.000	0.000	(0.429)
Community Managed Libraries	0.000	(0.742)	0.000	(0.742)	0.000	0.000	(0.742)
Policy and Research	(1.054)	0.000	0.339	(0.715)	0.000	0.055	(0.660)
Derbyshire Challenge Fund	(0.567)	(0.084)	0.120	(0.531)	(0.155)	0.328	(0.358)
Other reserves	(1.508)	(0.030)	0.968	(0.570)	(0.091)	0.101	(0.560)
Sub Total	**(3.850)**	**(0.872)**	**1.559**	**(3.163)**	**(1.335)**	**1.115**	**(3.383)**
Young People							
Schools Balances	(26.044)	(5.595)	7.742	(23.897)	(12.781)	1.753	(34.925)
Tackling Troubled Families	(4.082)	(1.960)	2.148	(3.894)	(1.755)	1.831	(3.818)
Childrens Services IT Systems	(0.746)	0.000	0.040	(0.706)	0.000	0.049	(0.657)
Primary Teacher Pooled	(0.496)	(0.465)	0.496	(0.465)	(0.652)	0.464	(0.653)
Prior Year Underspends/Commitments	(0.242)	0.000	0.013	(0.229)	(0.302)	0.077	(0.454)
COVID Winter Grant Scheme	0.000	0.000	0.000	0.000	(0.253)	0.000	(0.253)
QA Elective Home Education	0.000	0.000	0.000	0.000	(0.233)	0.000	(0.233)
Home to School Transport Covid Grant	0.000	0.000	0.000	0.000	(0.230)	0.000	(0.230)
Dedicated Schools Grant (DSG)	(5.602)	(1.943)	7.358	(0.187)	(0.075)	0.262	0.000
Other reserves	(3.567)	(0.423)	1.259	(2.731)	(0.359)	2.418	(0.672)
Sub Total	**(40.779)**	**(10.386)**	**19.056**	**(32.109)**	**(16.640)**	**6.854**	**(41.895)**
Overall Totals	**(233.451)**	**(58.567)**	**62.879**	**(229.139)**	**(133.375)**	**102.007**	**(260.507)**

23. 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 2020 £m		31 Mar 2021 £m
767.817	Revaluation Reserve	712.056
521.130	Capital Adjustment Account	445.055
(5.107)	Financial Instruments Adjustment Account	(4.840)
(10.108)	Pooled Investments Adjustment Account	(3.736)
0.824	Deferred Capital Receipts Reserve	1.087
(706.324)	Pensions Reserve	(1,084.181)
5.822	Collection Fund Adjustment Account	(9.142)
0.000	DSG Adjustment Account	(1.157)
(6.452)	Accumulated Absences Account	(8.313)
567.602	**Balance at 31 March**	**46.829**

The movements in unusable reserves in 2020-21 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**	**DSG Adjustment Account £m**	**Pensions Reserve £m**	**Total Unusable Reserves £m**
BALANCE AT 31 MARCH 2020		**(0.824)**	**(767.817)**	**(521.132)**	**10.108**	**5.107**	**6.454**	**(5.821)**	**0.000**	**706.324**	**(567.601)**
Comprehensive Income & Expenditure		**0.000**	**(9.589)**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**345.736**	**336.147**
Adjustments between accounting basis and funding basis											
Depreciation of Non-Current Assets	14	0.000	13.701	27.236	0.000	0.000	0.000	0.000	0.000	0.000	40.937
Impairment of Non-Current Assets	14	0.000	0.000	24.091	0.000	0.000	0.000	0.000	0.000	0.000	24.091
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	0.000
Disposal of Non-Current Assets	14	(0.269)	51.649	99.932	0.000	0.000	0.000	0.000	0.000	0.000	151.312
Revenue Expenditure Funded from Capital Under Statute		0.000	0.000	15.569	0.000	0.000	0.000	0.000	0.000	0.000	15.569
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	1.861	0.000	0.000	0.000	1.861
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	14.963	0.000	0.000	14.963

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	0.000	95.707	95.707
Statutory provision for the financing of capital investment		0.000	0.000	(13.849)	0.000	0.000	0.000	0.000	0.000	0.000	(13.849)
Principal repayments of transferred debt		0.000	0.000	(0.006)	0.000	0.000	0.000	0.000	0.000	0.000	(0.006)
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	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	21	0.000	0.000	0.000	(6.373)	0.000	0.000	0.000	0.000	0.000	(6.373)
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	(0.267)	0.000	0.000	0.000	0.000	(0.267)
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	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	0.000	(63.586)	(63.586)
Capital receipts from Finance Lease Debtors	45	0.006	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.006
Dedicated Schools Grant (DSG) closing deficit balance	38	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.157	0.000	1.157
Financing of capital expenditure	17	0.000	0.000	(76.897)	0.000	0.000	0.000	0.000	0.000	0.000	(76.897)
Adjustments between accounting basis and funding basis		**(0.263)**	**65.350**	**76.076**	**(6.373)**	**(0.267)**	**1.861**	**14.963**	**1.157**	**32.121**	**184.625**
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	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	0.000
Total movements		**(0.263)**	**65.350**	**76.076**	**(6.373)**	**(0.267)**	**1.861**	**14.963**	**1.157**	**32.121**	**184.625**
BALANCE AT 31 MARCH 2021		**(1.087)**	**(712.056)**	**(445.056)**	**3.735**	**4.840**	**8.315**	**9.142**	**1.157**	**1,084.181**	**(46.829)**

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	45	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)**

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 2021			
Property, Plant and Equipment	14	1,623.077	667.114
Heritage Assets	15	47.872	43.297
Assets Held for Sale	19	2.896	1.645
		1,673.845	**712.056**
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**

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.

Dedicated Schools Grant (DSG) Adjustment Account

The Dedicated Schools Grant (DSG) Adjustment Account separates schools' budget deficits from the General Reserve Balance for a period of three financial years from 2020-21. Deficits arise where schools' budget expenditure exceeds that of available funding provided through the DSG. Where a local authority has a closing deficit balance on its schools' budget at 31 March 2021, 31 March 2022 or 31 March 2023, it must not charge the amount of that deficit to a revenue account. The local authority must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its schools' budget. The DSG Adjustment Account carries forward the deficit to be funded from future DSG income.

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.

24. EXTERNAL AUDIT COSTS

2019-20 £m		2020-21 £m
	Audit Fees	
0.097	External Audit Fees	0.097
0.002	External Audit Fees - Additional Fees for Prior Year	0.018
(0.012)	Public Sector Audit Appointments Rebate	0.000
0.004	External Audit Fees - Teachers' Pension Scheme	0.004
0.091		**0.119**

25. MEMBERS' ALLOWANCES

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

2019-20 £m		2020-21 £m
1.042	Allowances	1.074
0.039	Expenses	0.002
1.081		**1.076**

26. 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 2019-20 and 2020-21 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.
- The Acting Executive Director of Adult Care was appointed on 21 January 2019 and returned to their substantive role on 2 September 2019.
- The Executive Director of Commissioning, Communities and Policy became the Managing Executive Director, Commissioning, Communities and Policy on 1 January 2021.
- The Interim Director of Economy, Transport & Environment was appointed on 3 August 2020.

- The former Executive Director of Economy, Transport & Environment left the Council on 31 August 2020.
- The former Director of Legal and Democratic Services left the Council on 5 November 2019.
- The Acting Director of Legal and Democratic Services was appointed on 27 November 2019 and left the Council on 31 December 2020.
- The Director of Legal and Democratic Services was appointed on 7 December 2020.

2019-20 Restated*					2020-21			
Salary	Employer's Pension Contributions	Compensation for Loss of Employment	**Total Remuneration 2019-20**		Salary	Employer's Pension Contributions	Compensation for Loss of Employment	**Total Remuneration 2020-21**
£	£	£	**£**		£	£	£	**£**
102,142	23,236	0	**125,378**	Executive Director of Adult Social Care and Health	122,574	25,397	0	**147,971**
47,798	9,560	0	**57,357**	Acting Executive Director of Adult Care	0	0	0	**0**
123,681	24,736	0	**148,417**	Executive Director of Children's Services	129,655	25,931	0	**155,586**
126,185	25,237	0	**151,422**	Managing Executive Director, Commissioning, Communities and Policy	134,880	27,947	0	**162,827**
126,185	0	0	**126,185**	Executive Director of Economy, Transport & Environment	54,147	0	0	**54,147**
0	0	0	**0**	Interim Director of Economy, Transport & Environment	82,903	0	0	**82,903**
98,924	19,785	0	**118,709**	Director of Finance and ICT	101,644	21,061	0	**122,705**
95,926	19,837	0	**115,763**	Director of Public Health	100,874	20,861	0	**121,735**
86,337	17,267	0	**103,604**	Director of Community Services	88,711	18,381	0	**107,092**
60,343	10,948	30,727	**102,019**	Director of Legal and Democratic Services	29,310	6,073	0	**35,383**
30,016	6,003	0	**36,019**	Acting Director of Legal and Democratic Services	69,520	14,404	0	**83,924**
92,656	18,531	0	**111,187**	Director of Organisation, Development and Policy	97,515	20,205	0	**117,720**
94,284	18,857	0	**113,141**	Director of Property	99,186	20,551	0	**119,738**

*The Director of Public Health's employer pension contributions have been restated to include contributions funded by the Department of Health and Social Care and contributions collected from the Council by NHS invoice.

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:

2019-20 No of Employees				2020-21 No of Employees		
School Staff	Other	Total	Remuneration Between:	School Staff	Other	Total
127	97	**224**	£50,000 and £54,999	152	93	**245**
99	59	**158**	£55,000 and £59,999	95	71	**166**
91	15	**106**	£60,000 and £64,999	77	19	**96**
32	19	**51**	£65,000 and £69,999	54	23	**77**
21	2	**23**	£70,000 and £74,999	23	4	**27**
5	2	**7**	£75,000 and £79,999	6	1	**7**
8	1	**9**	£80,000 and £84,999	6	2	**8**
1	6	**7**	£85,000 and £89,999	5	7	**12**
2	1	**3**	£90,000 and £94,999	2	2	**4**
2	1	**3**	£95,000 and £99,999	2	1	**3**
1	0	**1**	£100,000 and £104,999	0	1	**1**
0	0	**0**	£105,000 and £109,999	1	0	**1**
0	0	**0**	£115,000 and £119,999	1	0	**1**
1	1	**2**	£135,000 and £139,999	0	0	**0**
390	**204**	**594**		**424**	**224**	**648**

Remuneration includes gross income and compensation for loss of employment.

27. TERMINATION BENEFITS

The Council has terminated the contracts of a number of employees in 2020-21, incurring liabilities of £0.944m (2019-20: £3.612m). The total cost of exit packages has decreased in 2020-21. In 2019-20 there was an increased number of departures and an increased average cost of pension strain within those packages.

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	
	2019-20 actual	2020-21 actual	2019-20 actual	2020-21 actual	2019-20 actual	2020-21 actual	2019-20* actual	2020-21 actual
							£m	£m
£0-£20k	79	33	105	27	184	60	1.064	0.257
£20k-£40k	5	0	22	4	27	4	0.767	0.108
£40k-£60k	3	3	8	1	11	4	0.509	0.227
£60k-£80k	3	0	2	0	5	0	0.355	0.000
£80k - £100k	5	0	0	1	5	1	0.438	0.090
£100k-£150k	1	0	0	2	1	2	0.100	0.262
£150k-£200k	0	0	1	0	1	0	0.156	0.000
£200k-£250k	1	0	0	0	1	0	0.223	0.000
	97	**36**	**138**	**35**	**235**	**71**	**3.612**	**0.944**

*The 2019-20 disclosures have been restated to increase one under-accrued benefit by £0.002m, which has caused the benefit to move band from £0.020m-£0.040m to £0.040m-£0.060m.

28. 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 £103.917m (2019-20, £101.476m). Derbyshire County Council's contribution towards the pool is £44.227m, which represents 42.56% of the total contributions (2019-20, £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 £m	Pool Share %	Income	2020-21 £m	Pool Share %
43.209	42.58	Derbyshire County Council	44.227	42.56
55.878	55.07	Derby and Derbyshire CCG	57.189	55.03
2.389	2.35	NHS Tameside and Glossop CCG	2.501	2.41
101.476	**100.00**		**103.917**	**100.00**

2019-20 £m	Expenditure	2020-21 £m
23.076	CCG schemes for community health services	22.611
6.961	Disabled Facilities Grant	7.898
6.022	Equipment	6.380
4.591	Reablement	4.859
8.066	Joint working	8.465
0.407	Administration	0.428
2.149	Care Bill	2.259
2.048	Carers	2.154
1.023	Mental health	1.062
12.451	Support for people to remain out of hospital	13.104
31.055	Improved Better Care Fund	31.055
3.627	Winter Pressures	3.627
101.476	**Total Expenditure**	**103.902**
0.000	**Net position for Pool**	**0.015**

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 2020 £m		31 Mar 2021 £m
	Funding provided to the pooled budget:	
(4.806)	The Council	(4.740)
(2.367)	Derby and Derbyshire CCG	(2.335)
	Expenditure met by the pooled budget	
4.806	The Council	4.740
2.367	Derby and Derbyshire CCG	2.335
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.

2019-20		2020-21		
Total £m		Trust Funds £m	Other Funds £m	Total £m
4.303	Opening Balance	1.471	3.868	5.339
1.066	Add Income	0.038	0.926	0.964
(0.030)	Less Expenditure	(0.298)	(0.132)	(0.430)
5.339	**Closing Balance**	**1.211**	**4.662**	**5.873**
	The funds are represented by:			
0.046	Investments	0.023	0.000	0.023
5.293	Cash & temporary loans	1.188	4.662	5.850
5.339	**Total Assets**	**1.211**	**4.662**	**5.873**
66	No of Funds (actual not £m)	11	8	19

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. 44 of these funds were transferred in 2020-21. The value of the funds transferred was £0.295m. The total value of the remaining funds that are to be transferred was £1.062m at 31 March 2021.

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.

Highways, Transport and Infrastructure portfolio income from contracts with service recipients in 2019-20 has been restated to include income from commercial waste disposal.

	Income	
Type of Goods/Service	**Restated 2019-20 £m**	**2020-21 £m**
Adult Care		
Residential Care Homes	29.842	27.884
Nursing Homes	10.136	9.348
Co-funding Charge	9.016	8.648
Shared Lives	0.521	0.538
Direct Care Trading	0.723	0.285
Other	0.192	0.199
Sub Total	**50.430**	**46.902**
Corporate Services		
Property Repairs, Maintenance, Cleaning and Facilities Management	4.042	2.478
PFI Services to Academies	3.697	4.893
Pension Fund Administration	2.334	2.837
Registrar Services	1.550	0.858
Legal Services	1.060	0.221
Human Resource Services	0.489	0.585
Recruitment and Payroll Services	0.222	0.317
Other	0.830	0.627
Sub Total	**14.224**	**12.816**
Clean Growth and Regeneration		
Other	0.009	0.156
Sub Total	**0.009**	**0.156**
Health and Communities		
Other	0.125	0.051
Sub Total	**0.125**	**0.051**

	Income	
Type of Goods/Service	Restated 2019-20 £m	2020-21 £m
Highways, Transport and Infrastructure		
Inspection Fees (S38/S278 Highways Act)	2.542	2.977
Commercial Waste Disposal	2.063	1.760
Vehicle Maintenance	1.534	1.710
New Roads and Street Works Act Fees	1.304	0.943
Pay and Display Parking	0.614	0.901
Countryside Shop Merchandise	0.317	0.766
Licence Fees (e.g. skip/scaffold permits)	0.170	0.598
Cross Boundary Bus Services	0.285	0.303
Land Searches	0.237	0.197
Highways & Lighting Works	0.237	0.115
Sale of Obsolete Vehicles	0.314	0.087
Highways Maintenance and Design	0.604	0.066
Other	0.008	0.432
Sub Total	**10.229**	**10.855**
Strategic Leadership, Culture and Tourism		
Other	0.302	(0.015)
Sub Total	**0.302**	**(0.015)**
Young People		
Catering	8.287	6.453
School Food and Meals	5.385	2.429
Extended School Services	1.389	0.773
Sport/Outdoor Education	1.621	0.129
Behaviour Support	0.299	0.091
Adult Education	0.449	0.070
Training/Advice to Educational Entities	0.669	0.000
Early Intervention	0.378	0.000
Services for Teenagers	0.222	0.000
Other	1.884	1.909
Sub Total	**20.583**	**11.854**
Overall Total	**95.902**	**82.619**

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

31 Mar 2020 £m		31 Mar 2021 £m
7.600	Receivables	8.530
0.298	Contract Assets	0.271
(1.629)	Contract Liabilities	(2.461)
6.269	**Total Included in Net Assets**	**6.340**

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:

2019-20			2020-21	
Contract Assets £m	Contract Liabilities £m		Contract Assets £m	Contract Liabilities £m
0.000	(1.629)	Cash received before obligations fulfilled	0.000	(2.461)
0.000	1.427	Obligations relating to contract liabilities at the start of the year fulfilled	0.000	1.629
0.298	0.000	Obligations fulfilled before payment is due	0.271	0.000
(0.892)	0.000	Transfers from Contract Assets to Receivables as payment became due	(0.298)	0.000
(0.594)	**(0.202)**	**Movement in Contract Assets and Liabilities**	**(0.027)**	**(0.832)**
0.892	(1.427)	Contract Assets and Liabilities at the start of the year	0.298	(1.629)
0.298	**(1.629)**	**Contract Assets and Liabilities at the end of the year**	**0.271**	**(2.461)**

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 2021.

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:

- Commercial Waste Disposal

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 volume of waste processed which fulfils the terms of these contracts.

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 and School Food and Meals

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) Regulations 2020.

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 2020-21 grant receipts for Early Years provision during 2019-20, following final calculation of the amount due from the Department for Education.

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 2020-21 are as follows:

	2020-21			
	Central Expenditure £m	Individual Schools Budget £m	Total £m	DSG Reserves £m
DSG Reserves brought forward from 2019-20			0.188	**0.188**
Carry forward to 2021-22 agreed in advance			(0.127)	
Planned use of reserves			**0.061**	**(0.061)**
Final DSG for 2020-21 before Academy Recoupment			592.787	
Less Academy Recoupment for 2020-21			(231.123)	
Total DSG after Academy Recoupment for 2020-21			**361.664**	
Agreed initial budgeted distribution	**71.713**	**290.012**	**361.725**	
In year adjustments - Early Years receipt relating to 2019-20	0.147	0.000	0.147	
Final budgeted distribution for 2020-21	**71.860**	**290.012**	**361.872**	
Less actual Central Expenditure	(72.599)		(72.599)	
Less actual ISB deployed to Private, Voluntary and Independent Settings for Nursery Education		(30.840)	(30.840)	
Less actual ISB Deployed to Schools		(259.717)	(259.717)	
2020-21 in-year position	**(0.739)**	**(0.545)**	**(1.284)**	**(1.284)**
Carry forward to 2020-21*				**(1.157)**

*The School and Early Years Finance (England) Regulations 2020 and Regulation 30L of The Local Authorities (Capital Finance and Accounting) require that the Council's closing deficit balance of DSG Reserves at 31 March 2021 is held within a new statutorily ring-fenced unusable reserve – the DSG Adjustment Account. For further details refer to Note 30.

DSG grant income in Note 39 below is the sum of 'Total DSG after Academy Recoupment for 2020-21 and the £0.147m 'In-year Adjustment' in the table above.

39. GRANT INCOME

Revenue Grants		Income Restated* 2019-20 £m	Income 2020-21 £m
Dedicated Schools Grant (DSG)	ESFA	359.020	361.811
Public Health Grant	DHSC	39.477	42.175
Pupil Premium Grant	ESFA	19.318	18.812
Teachers' Pension Grant	ESFA	6.546	10.645
Covid-19 Infection Control Fund	DHSC	0.000	9.517
Covid-19 Infection Control Fund Round 2	DHSC	0.000	8.774
Disabled Facilities Grant	MHCLG	6.961	7.898
EFA Post 16	ESFA	6.825	6.174
Universal Free School Meals for Infant Pupils	ESFA	6.503	5.713
DACES SFA	ESFA	4.884	4.878
PE and Sport Grant	ESFA	4.812	4.627
Covid-19 Test & Trace	DHSC	0.000	3.859
Teachers' Pay Grant	DfE	3.180	3.440
Covid-19 Winter Grant	DWP	0.000	2.939
Covid-19 Catch Up	ESFA	0.000	2.520
Supported Bus Services*	DfT	0.897	2.483
Covid-19 Mass Community Testing	DHSC	0.000	2.467
Covid-19 Rapid Testing	DHSC	0.000	2.427
Covid-19 Worforce Capacity	DHSC	0.000	1.814
Troubled Families	MHCLG	1.960	1.756
Asylum Seeker Grant	HO	1.613	1.526
Music Service Grant	Arts	1.415	1.419
Covid-19 Outbreak Management Fund	DHSC	0.000	1.124
School Improvement Grant	ESFA	0.458	0.000
Other Grants	Various	7.146	8.887
Total Departmental Income		**471.016**	**517.686**

*Restated 2019-20 to separately disclose Supported Bus Services grant.

Revenue Grants		Income Restated* 2019-20 £m	Income 2020-21 £m
Covid-19 LA Support Grant	MHCLG	0.000	45.038
Improved Better Care Fund	MHCLG	31.055	34.682
Adult Social Care Grant	DHSC	6.197	21.941
Revenue Support Grant	MHCLG	13.517	13.738
Private Finance Initiative	ESFA	10.504	10.504
Business Rates Relief Grant	MHCLG	7.603	7.185
Independent Living Fund	MHCLG	2.534	2.534
Covid-19 Sales, Fees and Charges	MHCLG	0.000	2.349
New Homes Bonus	MHCLG	2.098	2.326
Winter Pressures		3.627	0.000
Levy Fund Surplus		0.379	0.000
Other Grants	Various	2.954	7.305
Total Corporate Income		**80.468**	**147.602**
Total Grants		**551.484**	**665.288**

Capital Grants		Income Restated* 2019-20 £m	Income 2020-21 £m
Getting Building Fund**	MHCLG	0.000	16.241
Pothole Action Fund	DfT	1.015	16.066
Highways Capital Maintenance	DfT	15.273	15.273
School Condition Allowance	EFA	7.682	10.476
Woodville Swadlincote Regeneration Route	D2N2	0.000	6.400
Safer Roads Fund	DfT	0.000	5.619
A61 Corridor	Various	1.519	4.683
Ashbourne Airfield	Various	1.000	4.174
Integrated Transport	DfT	3.644	3.644
Highways Maintenance Incentive Fund	DfT	3.181	3.181
Public Sector Decarbonisation Grant	BEIS	0.000	1.891
Lottery Fund Buxton Crescent		0.000	1.855
Devolved Formula Capital	DFE	1.442	1.547
Active Travel Fund Tranche 2	DFT	0.000	1.347
Basic Need	EFA	2.471	1.099
Local Growth Fund**	MHCLG	(28.972)	0.000
Highways Maintenance Challenge Fund	DfT	4.867	0.000
Ilkeston Station New Station Fund (NSF)		5.884	0.000
Other Capital Grants	Various	12.777	12.597
		31.783	**106.093**

*Restated 2019-20 to separately disclose Ashbourne Airfield grant.

**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. The Council had repaid all the local Growth Fund underspends by 31 March 2020.
- During 2020-21 the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme (2019-20: nil).

40. CASH FLOW – INVESTING ACTIVITIES

2019-20 £m		2020-21 £m
(99.250)	Purchase of Non-Current Assets	(89.650)
(1,036.512)	Purchase of New Investments	(996.800)
3.497	Proceeds from Sale of Non-Current Assets	3.480
32.546	Capital Grants Received	106.096
1,104.261	Investments Redeemed	888.447
4.541		**(88.427)**

41. CASH FLOW – FINANCING ACTIVITIES

2019-20 £m		2020-21 £m
(533.657)	Repay Amounts Borrowed	(459.075)
(4.104)	Principal Repayment on PFI and Leases	(4.327)
550.503	New Short Term Loans	490.000
12.742		**26.598**

42. CASH FLOW – OPERATING ACTIVITIES

2019-20 £m		2020-21 £m
(530.988)	Payments to and on behalf of employees	(531.136)
(640.295)	Other Operating Payments	(687.973)
329.430	Council Tax	345.793
19.484	Business Rates	20.575
13.517	Revenue Support Grant	13.738
559.283	Other Revenue Grants	633.546
275.804	Other Income	276.807
26.236	**Operating Costs of Providing Services**	**71.350**
(13.681)	External Interest Paid	(12.853)
(3.956)	Interest on PFI and Finance Leases	(3.733)
3.046	Interest Received	1.753
3.569	Dividends Received	2.811
15.214		**59.327**

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

2019-20 £m		2020-21 £m
(302.634)	**Surplus/(Deficit) on the Provision of Services**	**(95.920)**
	Non Cash Transactions:	
42.602	Depreciation	40.937
12.055	Impairment	24.091
72.000	Movement in Pension Liability	32.121
(3.081)	Adjustment for Collection Fund	14.963
8.352	Investments Fair Value Movements	(6.373)
(5.016)	Movement in Revenue Debtors	(7.902)
3.203	Movement in Loss Allowances	(0.375)
22.984	Movement in Revenue Creditors	(2.661)
0.235	Movement in Inventories	0.389
(2.341)	Movement in Provisions	3.288
150.992	**Total Non Cash Transactions**	**98.478**
	Items Classified Elsewhere	
175.383	Net charge for Disposal of Non-Current Assets	147.295
23.254	Revenue Expenditure Funded from Capital Under Statute	15.569
(31.783)	Capital Grants	(106.093)
15.212		**59.329**

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

	31 Mar 2020 £m	Cash Flows £m	Non-Cash Changes £m	31 Mar 2021 £m
Current Borrowing	59.007	31.045	0.006	90.058
Non Current Borrowing	242.566	(0.122)	1.271	243.715
PFI and Finance Lease Liabilities	64.394	(4.327)	(0.235)	59.832
	365.967	**26.596**	**1.042**	**393.605**

Non-cash changes to the Council's liabilities include an increase of £0.006m 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 £1.277m was accrued in the year which increased the carrying value of liabilities. The remaining non-cash transactions represent a reduction in carrying value of £0.235m because of a movement between these liabilities and short-term creditors and debtors.

	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**

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:

2019-20 £m				2020-21 £m		
Interest	**Liability**	**MLP**		**Interest**	**Liability**	**MLP**
0.546	**0.369**	**0.915**	**Within 1 year**	**0.518**	**0.394**	**0.912**
1.884	1.596	3.480	1 to 5 years	1.758	1.474	3.232
3.198	3.044	6.242	More than 5 years	2.807	2.771	5.578
5.082	**4.640**	**9.722**	**Total Non-Current**	**4.565**	**4.245**	**8.810**
5.628	**5.009**	**10.637**		**5.083**	**4.639**	**9.722**

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 2021 (2019-20: none).

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

2019-20 £m		2020-21 £m
PPE		PPE
0.736	Within 1 year	0.942
2.879	1 to 5 years	3.194
3.970	More than 5 years	3.579
7.585		**7.715**

A small number of properties were sub-let in 2020-21. The rental expenditure that was charged to the Net Cost of Services in relation to these assets was:

2019-20 £m		2020-21 £m
0.002	Minimum Lease Payment	0.007
(0.006)	Less: sub-lease income	(0.006)
(0.004)		**0.001**

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 for a one-off payment of £300,000.

The Council also leases out the first-floor offices of Ripley Library to Derbyshire Healthcare NHS Foundation Trust for £14,000 each year and the Nursery School on Windermere Road, Newbold to Kidz Planet Limited for £12,000 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:

2019-20 £m					2020-21 £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**	0.007	Within 1 year	0.022	0.000	**0.022**	0.014
0.056	0.000	**0.056**	0.026	1 to 5 years	0.090	0.000	**0.090**	0.049
0.056	0.062	**0.118**	0.019	More than 5 years	0.084	0.119	**0.203**	0.039
0.126	**0.062**	**0.188**	**0.052**		**0.196**	**0.119**	**0.315**	**0.102**

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:

2019-20 £m				2020-21 £m		
Vehicles	Land & Building	Total		Vehicles	Land & Building	Total
0.000	0.845	0.845	Within 1 year	0.000	0.717	0.717
0.000	2.031	2.031	1 to 5 years	0.000	1.705	1.705
0.000	4.714	4.714	More than 5 years	0.000	4.505	4.505
0.000	**7.590**	**7.590**		**0.000**	**6.927**	**6.927**

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 secondary 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.

	2019-20			2020-21		
	Ph 1	Ph 2	BSF	Ph 1	Ph 2	BSF
	£m	£m	£m	£m	£m	£m
Unitary Charge Paid						
Delivery of services	2.539	2.935	3.934	2.794	2.891	4.117
Interest Payment	1.208	1.399	0.778	1.121	1.325	0.741
Reduction to Liability	1.246	1.149	1.364	1.333	1.222	1.401
Unitary Charge Paid	**4.993**	**5.482**	**6.076**	**5.248**	**5.439**	**6.258**
Loan Liability B Fwd	(17.360)	(21.913)	(28.193)	(16.114)	(20.764)	(26.830)
Reduction to Liability	1.246	1.149	1.364	1.333	1.222	1.401
Loan Liability C Fwd	**(16.114)**	**(20.764)**	**(26.830)**	**(14.781)**	**(19.542)**	**(25.428)**
Liability in Creditors	(1.333)	(1.222)	(1.401)	(1.426)	(1.300)	(1.440)
Non Current Liabilities	(14.781)	(19.542)	(25.428)	(13.355)	(18.241)	(23.988)
Loan Liability C Fwd	**(16.114)**	**(20.764)**	**(26.830)**	**(14.781)**	**(19.542)**	**(25.428)**

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

	2019-20			2020-21		
	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	1.121	1.325	0.741	1.028	1.247	0.702
Repayment of liability	1.333	1.222	1.401	1.426	1.300	1.440
Two to five years:						
Service charge	9.747	8.930	13.266	9.747	8.930	13.266
Interest element	3.490	4.470	2.565	3.050	4.104	2.399
Repayment of liability	6.326	5.720	6.003	6.767	6.085	6.168
Six to ten years:						
Service charge	9.945	11.163	16.583	7.508	11.163	16.583
Interest element	1.538	3.278	2.225	0.950	2.674	1.991
Repayment of liability	8.455	9.459	8.484	6.589	10.063	8.718
Eleven to fifteen years:						
Service charge	0.000	4.201	16.583	0.000	1.968	15.224
Interest element	0.000	0.395	0.988	0.000	0.117	0.706
Repayment of liability	0.000	4.362	9.721	0.000	2.093	9.104
Sixteen to twenty years:						
Service charge	0.000	0.000	1.958	0.000	0.000	0.000
Interest element	0.000	0.000	0.020	0.000	0.000	0.000
Repayment of liability	0.000	0.000	1.223	0.000	0.000	0.000

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 2020-21 the Council paid £43.393m to Teachers' Pensions (2019-20: £40.435m) in respect of teachers' retirement benefits. During 2020-21 the Employer's Contribution rate for the Teachers' Pension Scheme was 23.68% (2019-20: 16.48% until 1 September 2019, when it increased to 23.68%).

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 2020-21 the Council paid £0.625m to the NHS Pension Scheme (2019-20: £0.615m) in respect of the retirement benefits of these Council employees. The Employer's Contribution rate during 2020-21 for the NHS Pension Scheme was 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 (2019-20: 20.68%, with 14.38% 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). 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 pension 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	
		2019-20	**2020-21**	**2019-20**	**2020-21**
		£m	**£m**	**£m**	**£m**
Current service cost		117.012	88.511	0.000	0.000
Net interest cost	7	21.542	15.220	1.500	1.217
Past service costs & curtailments		1.057	0.400	0.000	0.000
Settlements		(8.415)	(9.640)	0.000	0.000
Benefits charged to the CIES		**131.196**	**94.491**	**1.500**	**1.217**
Remeasurement (gain)/loss		(294.190)	340.130	(6.744)	5.606
Total (Gain)/Loss		**(162.994)**	**434.621**	**(5.244)**	**6.823**
Movements in Reserves Statement:					
Reversal of charges made	30	(131.196)	(94.491)	(1.500)	(1.217)
Contributions - unfunded benefits	30	2.446	2.358	0.000	0.000
Employer's contributions payable	30	53.823	56.956	4.427	4.272

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

	Funded liabilities:		Unfunded liabilities:	
	2019-20 £m	2020-21 £m	2019-20 £m	2020-21 £m
Opening balance at 1 April	**3,014.575**	**2,600.059**	**64.712**	**55.041**
Current service cost	117.012	88.511	0.000	0.000
Interest cost	72.817	59.378	1.500	1.217
Contributions by participants	17.853	15.844	0.000	0.000
Remeasurement (gains)/losses	(520.996)	700.108	(6.744)	5.606
Benefits paid	(78.168)	(76.466)	0.000	0.000
Unfunded benefits paid	(2.446)	(2.358)	(4.427)	(4.272)
Effect of settlements	(21.645)	(25.398)	0.000	0.000
Past service costs	1.057	0.400	0.000	0.000
Closing balance at 31 March	**2,600.059**	**3,360.078**	**55.041**	**57.592**

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	
	2019-20 £m	2020-21 £m
Opening balance at 1 April	**(2,144.029)**	**(1,948.776)**
Interest income	(51.275)	(44.159)
Other remeasurement loss/(gain)	226.806	(359.978)
Employer contributions	(53.823)	(56.956)
Contributions by participants	(17.853)	(15.844)
Benefits paid	78.168	76.466
Effect of settlements	13.230	15.758
Closing balance at 31 March	**(1,948.776)**	**(2,333.489)**

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 £1,031.436m 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**
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**
2020-21	3,360.078	57.592	(2,333.489)	1,026.589	57.592	**1,084.181**

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is £55.393m.

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:

	2019-20	**2020-21**
Mortality Assumptions:		
Longevity at 65 (current pensioners):		
-Men	21.6	21.3
-Women	23.7	23.9
Longevity at 65 (future pensioners):		
-Men	22.6	22.5
-Women	25.1	25.8
Inflation Rates:		
Increase in salaries (LGPS only)	2.6%	3.6%
Increase in pensions	1.9%	2.9%
Discounting scheme liabilities	2.3%	2.0%

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 2021:

	Local Government	
	Approximate increase to employer liability %	Approximate monetary amount £m
0.5% decrease in real discount rate	10	333.317
0.5% increase in salary increase rate	1	30.948
0.5% increase in pension increase rate	9	295.435

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 2021 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 2021 is based on actual Fund returns as provided by the Administering Authority. The actual total return for the period from 1 April 2020 to 31 March 2021 is a gain of 20.9% (2019-20: 4.7% loss).

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:

	2019-20 %	2020-21 %
Equity investments	56.0	59.0
Debt instruments:		
Government bonds	10.0	8.0
Other bonds	16.0	15.0
Property	9.0	8.0
Cash and cash equivalents	6.0	6.0
Other assets	3.0	4.0
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
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%)
2020-21	15.43%	20.84%	9.73%

Forecast for next year

	Local Government		Teachers Pensions	
	£m	£m	£m	£m
Projected service cost				
Estimated pay:	257.298		0.000	
Service cost (% of pay)	51.8%		n/a	
Implied service cost next year:		132.173		0.000
Net interest cost		21.282		1.109
Administration expenses		1.029		0.000
Total pension cost recognised		**154.484**		**1.109**
Projected employer contributions				
Normal contributions	(55.417)		(4.272)	
Total employer contributions next year		**(55.417)**		**(4.272)**
Current deficit		1,026.589		57.592
Projected deficit next year		**1,125.656**		**54.429**

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 3 February 2021:
Agenda for Council on Wednesday, 3rd February, 2021, 2.00 pm - Modern Council (derbyshire.gov.uk)

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 £356.420m, all of which is deposited in the UK, except for £35.468m 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 2021 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 £29.976m. These financial assets include trade debtors (£29.454m), transferred debt (£0.038m), contract assets (£0.271m) and lease receivables (£0.213m). The Council recognised an allowance for credit losses which reduced the carrying amount of these financial assets by £4.196m. 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	25.003	46.655	0.000	0.000	0.000	71.658
Investments	0.000	190.520	15.120	0.000	77.815	0.000	283.455
Trade Debtors and Transferred Debt	0.000	0.000	0.000	0.000	0.000	25.780	25.780
Total Net Carrying Amount	**0.000**	**215.523**	**61.775**	**0.000**	**77.815**	**25.780**	**380.893**

	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	61.800	0.000	0.000	0.000	**61.800**
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	0.508	0.000	**0.508**
Financial assets have become credit impaired	0.000	0.000	0.000	0.000	12.325	0.000	**12.325**
Allowed under the simplified approach, i.e. Trade Debtors	0.000	0.000	0.000	0.000	0.000	19.590	**19.590**
No Loss Allowance as relevant statutory provisions prevent default:							
Counterparty is Central Government or another local authority	0.000	215.523	0.000	0.000	0.000	10.386	**225.909**
No Loss Allowance, Other:							
Financial assets measured at Fair Value	0.000	0.000	0.000	0.000	66.264	0.000	**66.264**
Total Gross Carrying Amount	**0.000**	**215.523**	**61.800**	**0.000**	**79.097**	**29.976**	**386.396**
Loss Allowances	0.000	0.000	(0.026)	0.000	(1.283)	(4.196)	**(5.505)**
Total Net Carrying Amount	**0.000**	**215.523**	**61.774**	**0.000**	**77.814**	**25.780**	**380.891**

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

	31 Mar 2020 £m	31 Mar 2021 £m
Less than three months	14.995	17.124
Three to six months	2.401	1.708
Six months to one year	2.796	2.934
More than one year	7.109	7.688
Total	**27.301**	**29.454**

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 2021 £m
Finance Lease Receivables	0.213
Contract Assets	0.271
0 - 30 Days	6.440
Over 30 Days	12.666
Debtors Excluding Other Local Authorities and Government	**19.590**

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 2021 with the historic default rate based on information collated by rating agency Moody's. Although macroeconomic conditions are forecast to improve in 2021, compared to 2020, it is still anticipated that the Covid-19 pandemic will continue have effects on the economy, with the 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	3.843	0.000	0%	131%	0.000	0.000	**0.000**
Adult Care Other - Over 1 Year	2.817	2.817	61%	131%	2.266	0.000	**2.266**
Adult Care Other - 1 Year or Under	2.662	2.662	37%	131%	1.302	0.000	**1.302**
Other	3.345	0.766	37%	131%	0.375	0.255	**0.630**
Total	**12.667**	**6.245**			**3.943**	**0.255**	**4.198**

* 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 2021 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	**0.036**	0.023	(0.029)	0.000	(0.004)	0.000	**0.026**
Measured at lifetime expected credit losses where:							
Credit risk has increased significantly since initial recognition	**1.227**	0.056	0.000	0.000	0.000	(1.233)	**0.050**
Financial assets have become credit impaired	**0.000**	0.000	0.000	0.000	0.000	1.233	**1.233**
Allowed under the simplified approach i.e. Debtors	**5.165**	0.234	0.000	0.000	(1.203)	0.000	**4.196**
Total Loss Allowance	**6.428**	**0.313**	**(0.029)**	**0.000**	**(1.207)**	**0.000**	**5.505**

£1.223m of expected credit losses relate to the loan to Buxton Crescent Limited. The Council agreed to write-off £0.566m of interest accruing on this loan in 2020-21, therefore this financial asset is now deemed to be credit impaired.

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 2021 compared to the historic rate of default collated by rating agency Moody's.
- The expected loss, given default, is assumed to be 56% (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 rating agency Moody's 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 2021 £m
Less than one year	(88.000)
Between one and two years	(7.320)
Between two and five years	(9.081)
Between five and ten years	(35.546)
More than ten years	(191.620)
	(331.567)

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	**329.441**	1.000	272.848	55.593	1.50	1
Financial liabilities	**(331.567)**	0.000	(88.000)	(243.567)	3.47	17

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)	1.390	41.238
Decrease by 1% (100 basis points)	(1.390)	(41.238)

50. COVID-19

In 2020-21, the gross cost to the Council in respect of the Covid-19 pandemic was £81.428m, before Covid-19 specific recharge and grant income and Covid-19 general grant income. The table below details these gross costs, by Service Area and by Council Portfolio. The Council Portfolio abbreviations used are expanded in full in the Comprehensive Income and Expenditure Statement.

	Covid-19 Gross Costs by Portfolio								
Service Area	**AC £m**	**CGR £m**	**CS £m**	**HC £m**	**HTI £m**	**SLCT £m**	**YP £m**	**Corporate Budgets £m**	**TOTAL £m**
Income Losses									
Highways and Transport Sales, Fees & Charges (SFC) - Parking services losses	0.000	0.000	0.000	0.000	0.221	0.000	0.000	0.000	**0.221**
Highways and Transport Sales, Fees & Charges (SFC) losses - other	0.000	0.000	0.000	0.000	0.556	0.000	0.000	0.000	**0.556**
Cultural & Related (SFC) - Recreation and sport losses	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Cultural & Related (SFC) losses - other	0.000	0.000	0.000	0.000	0.000	0.216	0.000	0.000	**0.216**
Planning & Development SFC losses	0.000	0.000	0.000	0.000	0.034	0.000	0.000	0.000	**0.034**
SFC income losses - other	1.115	0.037	1.003	0.800	0.260	0.030	2.405	0.000	**5.650**
Sales, Fees & Charges (SFC) income losses sub-total	**1.115**	**0.037**	**1.003**	**0.800**	**1.071**	**0.246**	**2.405**	**0.000**	**6.677**
Commercial Income losses	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.931	**0.931**
Other income losses	0.000	0.000	0.588	0.000	0.102	0.000	0.000	0.000	**0.690**
Other non-collection fund losses sub-total	**0.000**	**0.000**	**0.588**	**0.000**	**0.102**	**0.000**	**0.000**	**0.931**	**1.621**
Total Income Losses	**1.115**	**0.037**	**1.591**	**0.800**	**1.173**	**0.246**	**2.405**	**0.931**	**8.298**

Service Area	Covid-19 Gross Costs by Portfolio								
	AC £m	CGR £m	CS £m	HC £m	HTI £m	SLCT £m	YP £m	Corporate Budgets £m	TOTAL £m
Costs									
Adult Social Care – additional demand	35.449	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**35.449**
Adult Social Care – supporting the market	4.258	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**4.258**
Adult Social Care – workforce pressures	3.913	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**3.913**
Adult Social Care - Personal protective equipment (PPE)	3.891	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**3.891**
Adult Social Care - other	0.251	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.251**
Adult Social Care sub-total	**47.762**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	47.762
Children's Social Care – workforce pressures	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Children's Social Care - residential care	0.000	0.000	0.000	0.000	0.000	0.000	2.399	0.000	**2.399**
Children's Social Care - care leavers	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Children's Services - other	0.000	0.000	0.000	0.000	0.000	0.000	2.687	0.000	**2.687**
Children's Social Care sub-total	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**5.086**	**0.000**	5.086
Education - SEND	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Education - Home to school transport	0.000	0.000	0.000	0.000	0.000	0.000	0.866	0.000	**0.866**
Education - other	0.000	0.000	0.000	0.000	0.000	0.000	0.375	0.000	**0.375**
Education sub-total	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**1.241**	**0.000**	1.241
Highways and Transport	**0.000**	**0.000**	**0.000**	**0.000**	**1.069**	**0.000**	**0.000**	**0.000**	**1.069**

Service Area	Covid-19 Gross Costs by Portfolio								
	AC £m	CGR £m	CS £m	HC £m	HTI £m	SLCT £m	YP £m	Corporate Budgets £m	TOTAL £m
Costs									
Public Health - Testing, contact tracing and outbreak planning	0.000	0.000	0.000	5.722	0.000	0.000	0.000	0.000	**5.722**
Public Health - Other	0.000	0.000	0.000	1.018	0.000	0.000	0.000	0.000	**1.018**
Public Health sub-total	**0.000**	**0.000**	**0.000**	**6.740**	**0.000**	**0.000**	**0.000**	**0.000**	**6.740**
Housing - homelessness services	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Housing - rough sleeping	0.000	0.000	0.000	0.000	0.000	0.250	0.000	0.000	**0.250**
Housing - other excluding HRA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Housing sub total	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.250**	**0.000**	**0.000**	**0.250**
Cultural & related - Sports, leisure and community facilities	0.000	0.000	0.000	0.000	0.000	0.082	0.000	0.000	**0.082**
Cultural & related - other	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Cultural & related sub-total	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.082**	**0.000**	**0.000**	**0.082**
Environment & regulatory - cremation, cemetery and mortuary services/Excess deaths	0.000	0.000	0.033	0.000	0.000	0.000	0.000	0.000	**0.033**
Environment & regulatory - waste management	0.000	0.000	0.000	0.000	3.563	0.000	0.000	0.000	**3.563**
Environment & regulatory - other	0.000	0.496	0.000	0.031	0.048	0.001	0.000	0.000	**0.576**
Environment & regulatory - sub-total	**0.000**	**0.496**	**0.033**	**0.031**	**3.611**	**0.001**	**0.000**	**0.000**	**4.172**

	Covid-19 Gross Costs by Portfolio								
Service Area	**AC £m**	**CGR £m**	**CS £m**	**HC £m**	**HTI £m**	**SLCT £m**	**YP £m**	**Corporate Budgets £m**	**TOTAL £m**
Costs									
Finance & corporate - ICT & remote working	0.000	0.000	0.112	0.005	0.000	0.000	0.000	0.000	**0.117**
Finance & corporate - Revenue & benefits expansion	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Finance & corporate - other	0.000	0.000	2.323	0.071	0.000	0.196	0.078	0.000	**2.668**
Finance & corporate - sub-total	**0.000**	**0.000**	**2.435**	**0.076**	**0.000**	**0.196**	**0.078**	**0.000**	**2.785**
Other - Shielding	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Other - PPE (non-Adult Social Care and HRA)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Other - unachieved savings/delayed projects	0.662	0.000	0.000	0.000	0.630	0.375	1.210	0.652	**3.529**
Other – lockdown compliance and reopening costs (incl. enforcement)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Other - Domestic Abuse Services	0.000	0.000	0.000	0.190	0.000	0.000	0.000	0.000	**0.190**
Other - Elections	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Other - excluding service areas listed above	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.224	**0.224**
Other - sub-total	**0.662**	**0.000**	**0.000**	**0.190**	**0.630**	**0.375**	**1.210**	**0.876**	**3.943**
Total Costs	**48.424**	**0.496**	**2.468**	**7.037**	**5.310**	**0.904**	**7.615**	**0.876**	**73.130**
A **Total Gross Costs and Income Losses**	**49.539**	**0.533**	**4.059**	**7.837**	**6.483**	**1.150**	**10.020**	**1.807**	**81.428**

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The table below sets out how the Council's Covid-19 pandemic 2020-21 gross costs of £81.428m, by Service Area, have been fully funded, using £47.639m of available Covid-19 specific recharge and grant income, with the balance of £33.789m funded using the Council's general Covid-19 emergency funding for Local Government receivable for 2020-21 of £45.037m. The remaining balance of the Covid-19 general emergency funding at 31 March 2021, amounting to £11.248m, has been carried forward to 2021-22 in an earmarked reserve.

	Covid-19 Costs and Funding					
	Gross Costs	Offsets	Covid-19 Emergency Funding for Local Government			
Service Area	**TOTAL £m**	**Specific Re-charges and Grant Income £m**	**Used in 2020-21 £m**	**Carried Forward to 2021-22 £m**	**TOTAL £m**	**%**
Income Losses						
Highways and Transport Sales, Fees & Charges (SFC) - Parking services	**0.221**	0.000	**0.221**	0.000	**0.221**	0.49%
Highways and Transport Sales, Fees & Charges (SFC) losses - other	**0.556**	0.000	**0.556**	0.000	**0.556**	1.23%
Cultural & Related (SFC) - Recreation and sport losses	**0.000**	0.000	**0.000**	0.000	**0.000**	0.00%
Cultural & Related (SFC) losses - other	**0.216**	0.000	**0.216**	0.000	**0.216**	0.48%
Planning & Development SFC losses	**0.034**	0.000	**0.034**	0.000	**0.034**	0.08%
SFC income losses - other	**5.650**	(2.349)	**3.301**	0.000	**3.301**	7.33%
Sales, Fees & Charges (SFC) income losses sub-total	**6.677**	**(2.349)**	**4.328**	**0.000**	**4.328**	**9.61%**
Commercial Income losses	**0.931**	0.000	**0.931**	0.000	**0.931**	2.07%
Other income losses	**0.690**	0.000	**0.690**	0.000	**0.690**	1.53%
Other non-collection fund losses sub- total	**1.621**	**0.000**	**1.621**	**0.000**	**1.621**	**3.60%**
Total Income Losses	**8.298**	**(2.349)**	**5.949**	**0.000**	**5.949**	**13.21%**

Service Area	Covid-19 Costs and Funding: Gross Costs TOTAL £m	Offsets: Specific Re-charges and Grant Income £m	Covid-19 Emergency Funding for Local Government: Used in 2020-21 £m	Carried Forward to 2021-22 £m	TOTAL £m	%
Costs						
Adult Social Care – additional demand	**35.449**	(32.608)	**2.841**	0.000	**2.841**	6.31%
Adult Social Care – supporting the market	**4.258**	0.000	**4.258**	0.000	**4.258**	9.45%
Adult Social Care – workforce pressures	**3.913**	(1.813)	**2.100**	0.000	**2.100**	4.66%
Adult Social Care - Personal protective equipment (PPE)	**3.891**	0.000	**3.891**	0.000	**3.891**	8.64%
Adult Social Care - other	**0.251**	0.000	**0.251**	0.000	**0.251**	0.56%
Adult Social Care sub-total	**47.762**	**(34.421)**	**13.341**	**0.000**	**13.341**	**29.62%**
Children’s Social Care – workforce pressures	**0.000**	0.000	**0.000**	0.000	**0.000**	0.00%
Children's Social Care - residential care	**2.399**	0.000	**2.399**	0.000	**2.399**	5.33%
Children's Social Care - care leavers	**0.000**	0.000	**0.000**	0.000	**0.000**	0.00%
Children’s Services - other	**2.687**	(2.687)	**0.000**	0.000	**0.000**	0.00%
Children's Social Care sub-total	**5.086**	**(2.687)**	**2.399**	**0.000**	**2.399**	**5.33%**
Education - SEND	**0.000**	0.000	**0.000**	0.000	**0.000**	0.00%
Education - Home to school transport	**0.866**	(0.866)	**0.000**	0.000	**0.000**	0.00%
Education - other	**0.375**	(0.110)	**0.265**	0.000	**0.265**	0.59%
Education sub-total	**1.241**	**(0.976)**	**0.265**	**0.000**	**0.265**	**0.59%**
Highways and Transport	**1.069**	**(0.443)**	**0.626**	**0.000**	**0.626**	**1.39%**
Public Health - Testing, contact tracing and outbreak planning	**5.722**	(5.722)	**0.000**	0.000	**0.000**	0.00%
Public Health - Other	**1.018**	(1.018)	**0.000**	0.000	**0.000**	0.00%
Public Health sub-total	**6.740**	**(6.740)**	**0.000**	**0.000**	**0.000**	**0.00%**
Housing - homelessness services	**0.000**	0.000	**0.000**	0.000	**0.000**	0.00%
Housing - rough sleeping	**0.250**	0.000	**0.250**	0.000	**0.250**	0.56%
Housing - other excluding HRA	**0.000**	0.000	**0.000**	0.000	**0.000**	0.00%
Housing sub-total	**0.250**	**0.000**	**0.250**	**0.000**	**0.250**	**0.56%**

	Covid-19 Costs and Funding					
	Gross Costs	Offsets	Covid-19 Emergency Funding for Local Government			
Service Area	TOTAL £m	Specific Re-charges and Grant Income £m	Used in 2020-21 £m	Carried Forward to 2021-22 £m	TOTAL £m	%
Cultural & related - Sports, leisure and community facilities	**0.082**	(0.023)	**0.059**	0.000	**0.059**	0.13%
Cultural & related - other	**0.000**	0.000	**0.000**	0.000	**0.000**	0.00%
Cultural & related sub-total	**0.082**	**(0.023)**	**0.059**	**0.000**	**0.059**	**0.13%**
Environment & regulatory - cremation, cemetery and mortuary services/Excess deaths	**0.033**	0.000	**0.033**	0.000	**0.033**	0.07%
Environment & regulatory - waste management	**3.563**	0.000	**3.563**	0.000	**3.563**	7.91%
Environment & regulatory - other	**0.576**	0.000	**0.576**	0.000	**0.576**	1.28%
Environment & regulatory - sub-total	**4.172**	**0.000**	**4.172**	**0.000**	**4.172**	**9.26%**
Finance & corporate - ICT & remote working	**0.117**	0.000	**0.117**	0.000	**0.117**	0.26%
Finance & corporate - Revenue & benefits expansion	**0.000**	0.000	**0.000**	0.000	**0.000**	0.00%
Finance & corporate - other	**2.668**	0.000	**2.668**	0.000	**2.668**	5.92%
Finance & corporate - sub-total	**2.785**	**0.000**	**2.785**	**0.000**	**2.785**	**6.18%**
Other - Shielding	**0.000**	0.000	**0.000**	0.000	**0.000**	0.00%
Other - PPE (non-Adult Social Care and HRA)	**0.000**	0.000	**0.000**	0.000	**0.000**	0.00%
Other - unachieved savings/delayed projects	**3.529**	0.000	**3.529**	0.000	**3.529**	7.84%
Other – lockdown compliance and reopening costs (incl. enforcement)	**0.000**	0.000	**0.000**	0.000	**0.000**	0.00%
Other - Domestic Abuse Services	**0.190**	0.000	**0.190**	0.000	**0.190**	0.42%
Other - Elections	**0.000**	0.000	**0.000**	0.000	**0.000**	0.00%
Other - excluding service areas listed above	**0.224**	0.000	**0.224**	11.248	**11.472**	25.47%
Other - sub-total	**3.943**	**0.000**	**3.943**	**11.248**	**15.191**	**33.73%**
Total Costs	**73.130**	**(45.290)**	**27.840**	**11.248**	**39.088**	**86.79%**
A **Total Gross Costs and Income Losses**	**81.428**	**(47.639)**	**33.789**	**11.248**	**45.037**	**100.00%**

The table below gives details of the £47.639m of Covid-19 specific recharges and grant income receivable by the Council in 2020-21, used to partially offset the Council's Covid-19 gross costs in 2020-21 of £81.428m, by Council portfolio. It also shows that the balance of 2020-21 Covid-19 gross costs by Council portfolio, amounting to £33.789m, has been funded using the Council's general Covid-19 emergency funding for Local Government receivable for 2020-21 of £45.037m. The Council portfolio abbreviations used are expanded in full in the Comprehensive Income and Expenditure Statement.

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		Covid-19 Funding by Portfolio								
		AC £m	CGR £m	CS £m	HC £m	HTI £m	SLCT £m	YP £m	Corporate Budgets £m	TOTAL £m
A	**Total Gross Costs and Income Losses**	**49.539**	**0.533**	**4.059**	**7.837**	**6.483**	**1.150**	**10.020**	**1.807**	**81.428**
	Offsets: Specific Recharges and Grant Income									
	Active Travel Fund: Cycle and Pedestrian temporary works	0.000	0.000	0.000	0.000	(0.443)	0.000	0.000	0.000	**(0.443)**
	Additional Care Package Costs (Hospital Discharge) Recharged to Health	(14.317)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**(14.317)**
	Additional School and College Transport Capacity Funding	0.000	0.000	0.000	0.000	0.000	0.000	(0.866)	0.000	**(0.866)**
	Bridging between Two Worlds Museum Grant	0.000	0.000	0.000	0.000	0.000	(0.023)	0.000	0.000	**(0.023)**
	Contain Outbreak Management Fund and Mass Community Testing	0.000	0.000	0.000	(2.820)	0.000	0.000	0.000	0.000	**(2.820)**
	Critically Extremely Vulnerable (CEV) Individuals Support Grant	0.000	0.000	0.000	(0.209)	0.000	0.000	0.000	0.000	**(0.209)**
	Emergency Assistance Grant	0.000	0.000	0.000	(0.809)	0.000	0.000	0.000	0.000	**(0.809)**
	Infection Control Fund	(18.291)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**(18.291)**
	Rapid Testing Fund	0.000	0.000	0.000	(2.426)	0.000	0.000	0.000	0.000	**(2.426)**
	Sales Fees and Charges Compensation	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(2.349)	**(2.349)**
	Test and Trace Grant	0.000	0.000	0.000	(0.476)	0.000	0.000	0.000	0.000	**(0.476)**
	Wellbeing for Education Return Grant	0.000	0.000	0.000	0.000	0.000	0.000	(0.110)	0.000	**(0.110)**
	Winter Grant Scheme	0.000	0.000	0.000	0.000	0.000	0.000	(2.687)	0.000	**(2.687)**
	Workforce Capacity Fund	(1.813)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**(1.813)**
B	**Total Offsets**	**(34.421)**	**0.000**	**0.000**	**(6.740)**	**(0.443)**	**(0.023)**	**(3.663)**	**(2.349)**	**(47.639)**
A + B	**Covid-19 Emergency Funding for Local Government used in 2020-21**	**15.118**	**0.533**	**4.059**	**1.097**	**6.040**	**1.127**	**6.357**	**(0.542)**	**33.789**

51. CONTINGENT LIABILITIES

New Waste Treatment Facility

The Council and Derby City Council remain engaged in a project to develop a New Waste Treatment Facility (NWTF) in Sinfin, Derby, to deal with waste that residents in Derby and Derbyshire do not recycle. The facility, which was due to open in 2017, was being built on the councils' behalf by Resource Recovery Solutions (Derbyshire) Ltd (RRS), which was a partnership between national construction firm Interserve, which was also building the plant, and waste management company Renewi plc. However, 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 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. These services will continue to be run by waste management company Renewi UK Services Ltd, under a two-year contract.

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 has been 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. The councils are in negotiations to pay an "estimated fair value" (EFV) 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. The councils are trying to complete this within as short a time frame as possible, but the councils are not wholly accountable for the actions needed, as third parties have a direct influence on how long the process may actually take.

The financial range of the possible EFV for the plant is significant and constitutes a potential strategic risk to the Council. If an agreed EFV cannot be reached through negotiation, formal dispute resolution and litigation processes would have to be commenced by RRS, and an EFV would be settled through legal processes and ultimately the Courts. At the time of publication of the accounts, an agreed EFV has not been reached. In the event of either a negotiated position, or a Court decision, the payment required from the Council may be for a material amount.

52.SUBSEQUENT EVENTS

There were no 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 2020-21 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 2020-21 (SerCOP).

Where possible the full cost of support services is shared between users in proportion to the benefits received, with the exception of the following, which are included wholly within the Corporate Services portfolio cost of services:

- 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 of, reliable information that:

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

Such errors include the effects of mathematical mistakes, 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 purchasers 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 31 March for the financial year.

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 participant's 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 publicly 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 non-current 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 taxpayer, 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 non-current 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

AUDITOR’S OPINION – DERBYSHIRE COUNTY COUNCIL ACCOUNTS

Audit Opinion to be inserted

Audit Opinion to be inserted

Audit Opinion to be inserted

Public

Statement of Accounts Derbyshire Pension Fund 2020-21

Version History			
Vsn	**Date**	**Detail**	**Author**
1.0	25.08.21	Post-audit DPF accounts for signature and publication	E Scriven R Dosanjh

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 330 participating employers and over 100,000 membership records, relating to approximately 90,000 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 on an annual basis.

During the year, an updated Investment Strategy Statement was approved by the Pensions and Investments Committee, together with an inaugural Responsible Investment Framework and an inaugural Climate Strategy.

At the end of March 2021, the value of the Fund's assets had risen to just over £5.7bn, with the Fund achieving positive investment returns in each quarter of 2020-21. Over the first half of the year, investment returns were helped by the unprecedented levels of monetary and fiscal stimulus announced globally in response to the coronavirus pandemic, despite significant uncertainty about the Covid-19 pandemic's public health and economic implications. In the second half of the year, markets were supported by the successful development of Covid-19 vaccines. Global equity indices achieved successive all-time highs in the third and fourth quarters of 2020-21, as investors forecast that a rapid economic recovery would take hold in 2021. The Fund delivered a positive investment return of 21% for the year ended 31 March 2021.

The Fund continued to work closely with its partners in the LGPS Central Pool, overseeing the development of LGPS Central Limited (LGPSC), the company established to manage investments on behalf of the LGPS Central Pool. LGPSC is currently managing the Fund's investment grade bonds allocation through a pooled product, and subsequent to the year-end, the Fund has begun to transition its legacy emerging market equity portfolio into an LGPSC pooled product. The Fund expects further assets to be transitioned into LGPSC pooled products in 2021-22.

The rollout of the i-Connect system, which enables employers to automate the submission of their data, continued during 2020-21, with over half of the Fund's employers live on the system by the year end. The project to implement My Pension Online, a member self-service system, commenced.

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

The Fund has over 100,000 membership records, relating to approximately 90,000 members, either active contributors, pensioners, or deferred pensioners:

	Actuals		
	31 Mar 2019	**31 Mar 2020**	**31 Mar 2021**
Contributors	41,157	40,125	38,065
Pensioners and Dependants	30,024	31,548	32,463
Deferred Pensioners	31,136	33,164	32,427

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	2020-21	2021-22
Derbyshire County Council	15.5% plus £15.536m	15.5% plus £15.536m
Derby City Council	14.5% plus £6.981m	14.5% plus £6.981m
Amber Valley Borough Council	15.0% plus £1.057m	15.0% plus £1.057m
Bolsover District Council	14.9% plus £0.962m	14.9% plus £0.962m
Chesterfield Borough Council	15.2% plus £1.991m	15.2% plus £1.991m
Derbyshire Dales District Council	14.6% plus £0.561m	14.6% plus £0.561m
Erewash Borough Council	14.1% plus £0.999m	14.1% plus £0.999m
High Peak Borough Council	13.4% plus £1.833m	13.4% plus £1.833m
North East Derbyshire District Council	14.7% plus £1.527m	14.7% plus £1.527m
South Derbyshire District Council	14.8% 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 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 2020-21 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 2021-22.

Investment Policy

During 2020-21, responsibility for policy matters rested with a Pensions and Investments Committee, which was comprised of eight County Councillors, two Derby City Councillors and one non-voting Trade Union representative. 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. The Fund's benchmark asset allocation was changed on 1 January 2021, following changes to the Fund's Investment Strategy Statement approved in November 2020, together with the development of a standalone Responsible Investment Framework and Climate Strategy. The new asset allocation benchmark included a 2% switch from Growth Assets to Income Assets, together with some of the Fund's regional equity allocations being switched into Global Sustainable Equities. Given the size of the changes between the former and new asset allocation benchmark, the transition is split into two phases, through an intermediate asset allocation benchmark, which came into effect on 1 January 2021, and a final asset allocation benchmark, which will come into effect on 1 January 2022, at the latest. 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 2021, compared to those of its strategic benchmark, as well as the impact of inflation on Fund returns.

Periods to 31 Mar 2021	Return		Inflation		Fund Real Return	
	Derbyshire Fund	Benchmark	CPI	RPI	Versus CPI Inflation	Versus RPI Inflation
	% pa	% pa	%	%	%	%
1 Year	21.0	20.6	0.7	1.5	20.3	19.5
3 Years	6.8	6.4	1.4	2.2	5.4	4.6
5 Years	9.0	8.4	1.8	2.6	7.2	6.4
10 Years	8.0	7.6	1.9	2.5	6.1	5.5

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 all time periods, with returns ahead of inflation in each time period.

Markets recovered strongly in 2020-21, following the sharp market sell-off in February and March 2020 in response to the Covid-19 pandemic. Whilst the unprecedented economic impact of the containment measures imposed across the globe had a significant impact on global gross domestic product (GDP), the resultant fiscal and monetary response, from national governments and central banks, supported markets. Markets were further boosted in November 2020, when the first announcements regarding the development of effective Covid-19 vaccines were released, together with the outcome of the US Presidential election. The development of effective vaccines offered hope that a return to normality would be achievable.

The Fund's 2020-21 return of 21.0% compares to a return of -4.7% in 2019-20, reflecting a sharp recovery and a reversal of the Q1 2020 sell-off, when global equities fell by around 16%. In the year to March 2021, equity returns to Sterling investors ranged from 26.3% in Japan, to 44.8% in the Asia Pacific Ex-Japan region. UK equities returned 26.7%. Overseas returns were adversely impacted, on foreign currency translation, by a stronger pound relative to major overseas currencies.

Government bond returns were mixed in 2020-21, as risk appetite increased. Expectations of higher inflation pushed up yields, with UK Gilts returning -5.5% and UK Index-Linked returning 2.3%. The increase in risk appetite led investors to switch from less risky assets (for example, cash and sovereign bonds) into risker assets (for example, investment grade corporate bonds and high-yield bonds). UK investment grade bonds returned 8.9% in 2020-21, whereas Sterling-hedged global high-yield bonds returned 23.3%.

Property (60% direct/30% indirect) returned 2.7% in 2020-21, up from 0.5% in 2019-20. Whilst returns improved in 2020-21, relative to 2019-20, rent collection remained challenging, with many tenants requiring rental assistance, particularly in the retail and leisure sectors.

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

2019-20 £m		Note	2020-21 £m
	Dealings with Members, Employers and Others Directly Involved in the Fund		
160.457	Contributions	6,23	190.806
11.195	Transfers in from Other Pension Funds	7	14.461
171.652			**205.267**
(172.634)	Benefits	8,23	(173.458)
(17.676)	Payments to and on Account of Leavers	9	(10.858)
(190.310)			**(184.316)**
(18.658)	**Net (Withdrawals)/Additions from Dealings with Members, Employers and Others Directly Involved in the Fund**		**20.951**
(30.104)	Management Expenses	10	(30.360)
(48.762)	**Net (Withdrawals) Including Fund Management Expenses**		**(9.409)**
	Return on Investments		
93.983	Investment Income	11	57.404
(0.037)	Taxes on Income	12	(0.236)
(316.288)	Profits and Losses on Disposal of Investments and Changes in Value of Investments	13	1,001.675
(222.342)	**Return on Investments**		**1,058.843**
(271.104)	**Net (Decrease)/Increase in the Net Assets Available for Benefits During the Year**		**1,049.434**
4,928.587	Opening Net Assets of the Fund		4,657.483
4,657.483	**Closing Net Assets of the Fund**		**5,706.917**

NET ASSETS STATEMENT

31 Mar 2020 £m		Note	31 Mar 2021 £m
4,640.864	Investment Assets	13-15	5,670.948
(8.768)	Investment Liabilities	13-15	(4.148)
31.420	Current Assets	17	49.185
(6.033)	Current Liabilities	18	(9.068)
4,657.483	**Net Assets of the Scheme Available to Fund Benefits at the Period End**		**5,706.917**

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 2020-21 ("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. Members' AVCs are disclosed in Note 16 of these accounts.

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. Distributions from pooled investment vehicles are recognised at the date of issue. Distribution income is accounted for on an accruals basis and any outstanding amount is included in the Net Asset Statement as an investment asset.

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 IFRS 3 Business Combinations: Definition of a Business. The Fund has not participated in any business combinations and these amendments would not have impacted on the Fund's 2020-21 accounts.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (including Phase 2). The Fund does not practice hedge accounting and these amendments would not have impacted on the Fund's 2020-21 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, is continuing to have an impact on global financial markets. The majority of the countries in which the Fund invests suffered several 'waves' of Covid-19 in 2020-21 and responded by imposing 'lockdowns' on the movement of populations, with a resultant significant impact on economic activity. These restrictions have led to weaker Gross Domestic Product (GDP) in many of the countries in which the Fund invests. The frequency, timing and duration of these restrictions, varied by country, industry and sector, and continues to do so.

The unprecedented level of fiscal and monetary support provided by national governments and central banks around the world, including those of the United Kingdom, demonstrated the severity of the pandemic and economic downturn. It is not possible to predict the future trajectory of the Covid-19 pandemic, or the post-recovery environment, including the future impact on global financial markets, asset prices and bond yields. Whilst the development of efficient vaccines has been a significant positive step in the right direction, the vaccine roll-out programme is likely to differ significantly from country to country, and the efficiency of the current vaccines against all Covid-19 variants is unknown at this stage.

Whilst global financial markets were initially extremely volatile at the outbreak of the Covid-19 pandemic, the level of fiscal and monetary stimulus by national governments and central banks, together with the development of efficient vaccines, has supported global financial markets, and markets quickly started normalise. 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 and 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 equity index tracking funds, 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 the Fund's external property valuer, 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 2021 Valuation Report, Savills noted that ''the pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, some property markets have started to function again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation will not be reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards''.

The value of the Fund's Level 3 assets at 31 March 2021 was £3,036.440m, accounting for 53.5% of total investment assets. The estimated impact of price risk in respect of Level 3 assets is ±5.8%, equating to £176.738m at 31 March 2021. 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.

The Government has consulted on its proposed remedy for the LGPS which involves the extension of the current underpin protection to all members who meet the criteria for protection, regardless of their age in 2012. It is proposed that underpin protection will apply where a member leaves with either a deferred or an immediate entitlement to a pension. The underpin would give the member the better of the 2014 Scheme CARE or 2008 final salary benefits for the eligible period of service. 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. The Government's response to the consultation and confirmation of the remedy is still awaited.

In addition, HM Treasury confirmed in February 2021 that it was 'un-pausing' the cost cap valuations which will take into account the cost of implementing the McCloud remedy.

Quantifying the impact of the McCloud 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, but made an adjustment to its 2019-20 accounting roll-forward calculation. This adjustment estimated the liabilities for McCloud at 31 March 2020 from the 2019 valuation data, to ensure that the impact continued to be included within the Fund's liabilities within its actuarial present value of promised retirement benefits at 31 March 2020 (in line with the 2019 accounting approach). The impact of this adjustment was included in the Fund's Report of the Actuary at 31 March 2020.

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. At 31 March 2020, the Fund's Actuary adjusted GAD's estimate to better reflect the Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate, as it applied to the Fund, was 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.

At 31 March 2021, the Fund's Actuary has made no explicit additional adjustment for McCloud and has not added to the current service cost for 2020-21, or the projected service cost for 2021-22. However, the previous allowance, within the Fund's actuarial present value of promised retirement benefits at 31 March 2020, has been rolled forward to 31 March 2021. Therefore, the Actuary has made an allowance for this potential increase in liabilities, impacting on the Fund's actuarial present value of promised retirement benefits, in the Fund's Report of the Actuary at 31 March 2021, at Note 22.

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.

The impact on Fund and employer liability values will depend on how many members reaching State Pension Age after 2016 have GMP benefits. 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.

In 2020-21 the High Court ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990, to check if any additional value is due as a result of GMP equalisation. The judgment helps to clarify the position for members who transferred in GMPs from other schemes. It adds a further category of members whose position must be resolved. The Fund's Actuary is of the view that, in general, the historic individual member data required to assess such an impact, at employer level, is not readily available, although it understands that this further ruling is unlikely to be significant in terms of its impact on the pension obligations of a typical employer. As a result, the Fund Actuary has not made any allowance for the ruling on individual transfers in respect of GMP equalisation within its rolled forward position to 31 March 2021.

Britain leaving the European Union

Uncertainty around the implementation of the 2016 Brexit referendum result has caused volatility in asset prices and hence also bond yields over the last few years. The United Kingdom left the European Union on 31 January 2020, and the transition period ended on 31 December 2020. Whilst the Trade and Co-Operation Agreement (TCA) between the United Kingdom and European Union allows tariff and quota-free trade between countries, it does not cover services, which are a significant component of the United Kingdom's economy.

It is not possible to predict the impact of future Brexit developments with any degree of certainty, particularly against the backdrop of the Covid-19 pandemic, which is continuing to have a significant impact of global economic activity. There is a risk that future Brexit developments will cause further volatility in asset prices and bond yields. However, pronouncements from the US Federal Reserve on the future direction of US interest rates and global developments with respect to the Covid-19 pandemic, together with global politics in general, have the potential to cause similar levels of volatility in asset prices and bond yields and to materially impact future actuarial assumptions.

6. Contributions

	2019-20	2020-21
	£m	£m
Employers		
Normal	89.191	110.139
Deficit Funding	29.346	37.637
Members		
Normal	41.920	43.030
	160.457	**190.806**

Employers' contributions rates payable in 2019-20 were set as part of the 2016 valuation which revealed an overall funding level of 87%. Employers' contributions rates payable in 2020-21 were set as part of the 2019 valuation which revealed an overall funding level of 97%.

On 12 June 2018, Derby City Council paid employer contributions of £39.716m to the Fund, for the two-year period, May 2018 to March 2020. Derby City Council's employer contributions relating to 2019-20, received during 2018-19, were accounted for as employer deficit funding contributions in 2018-19. Following this prepayment, no employer normal or deficit contributions were due, or paid, to the Fund from Derby City Council in 2019-20. During 2020-21, employer normal contributions from Derby City Council amounted to £14.754m and employer deficit contributions from Derby City Council amounted to £7.192m. This is the main reason why employers' normal and deficit contributions are lower in 2019-20 than in 2020-21.

On 30 April 2020, Derbyshire County Council paid employer contributions of £56.379m to the Fund, for 2020-21. This advance payment was based on an estimate of pensionable pay. Derbyshire County Council's employer contributions payable for 2020-21, based on actual pensionable pay, are £54.447m, which is £1.932m less than the advance payment. The excess cash payment of £1.932m is included in the Fund's current liabilities at 31 March 2021, within the balance of £4.169m which the Fund owed to Derbyshire County Council. In 2021-22, it was agreed that this excess amount would be retained by the Fund, to be accounted for as employer deficit funding contributions in 2021-22. This agreement has been formalised in the Derbyshire County Council 2021-22 Rates and Adjustments Certificate agreed with the Actuary.

On 15 October 2020, Derby Homes Limited paid employer contributions of £3.535m to the Fund, for an eighteen-month period, October 2020 to March 2022. Of this payment, £2.184m relates to 2021-22, and these contributions are accounted for as employer deficit funding contributions in 2020-21.

An analysis of contributions by participating employer type is disclosed in Note 23 of these accounts.

7. Transfers in from other pension funds

	2019-20	2020-21
	£m	**£m**
Individual transfers in from other pension funds	**11.195**	**14.461**

8. Benefits

	2019-20	2020-21
	£m	**£m**
Pensions	134.375	141.410
Commutation of pensions and lump sum retirement benefits	33.597	28.258
Lump sum death benefits	4.662	3.790
	172.634	**173.458**

An analysis of benefits by participating employer type is disclosed in Note 23 of these accounts

9. Payments to and on account of leavers

	2019-20	2020-21
	£m	**£m**
Refund of contributions to members leaving the Fund	0.383	0.588
Individual transfers out to other pension funds	17.293	10.270
	17.676	**10.858**

Individual transfers out to other pension funds have decreased in 2020-21, from £17.293m to £10.270m. Fewer transfer requests were received in 2020-21 than in 2019-20.

10. Management expenses

Management expenses are analysed in accordance with CIPFA Guidance “Accounting for Local Government Pension Scheme Management Costs (2016)”.

	2019-20	2020-21
	£m	**£m**
Investment management expenses	26.054	25.911
Administrative costs	2.599	2.982
Oversight and governance costs	1.451	1.467
	30.104	**30.360**

Oversight and governance costs remained flat in 2020-21 at £1.467m (2019-20, £1.451m). Oversight and governance costs includes audit fees of £0.028m (2019-20: £0.019m). The statutory audit fee does not include fees chargeable to the Fund for pension assurance work, undertaken at the request of employer auditors, which the Fund recharges to the respective employers. Fees payable for this work in 2020-21 are £0.017m (2019-20: £0.017m).

Administration costs increased by £0.383m in 2020-21, reflecting continuing investment into headcount and systems to support improvements in service delivery to scheme members and employers. Pension administration costs per member were £28.96 in 2020-21 (2019-20: £24.79).

Investment management expenses are analysed below:

	2019-20	2020-21
	£m	£m
Fund value based management fees	25.129	25.040
In house management fees	0.365	0.450
Transaction costs	0.527	0.394
Custody fees	0.033	0.027
	26.054	**25.911**

Fund value-based management fees reduced by £0.089m, to £25.040m in 2020-21. An increase in the average value of underlying investments during the year was more than offset by switches into lower cost products, driven by an increase in the proportion of investments managed on a passive basis and collaborative fee savings with other local government pension funds. Based on average investment assets across the year, management fees as a proportion of average investment assets were 0.48% (2019-20, 0.50%).

Transaction costs relate to the following asset classes:

	2019-20	2020-21
	£m	£m
Equities	**0.527**	**0.394**

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 increased by £0.077m in 2020-21, to £0.378m. Stamp duty decreased by £0.210m in 2020-21, to £0.016m, reflecting the termination of the Fund's discretionary mandate in respect of UK equities in 2019-20 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

	2019-20	2020-21
	£m	£m
Income from equities	46.751	15.332
Income from bonds	10.130	9.270
Net rents from properties	10.230	10.315
Income from pooled investment vehicles	24.236	21.274
Interest on cash deposits	2.636	1.213
	93.983	**57.404**

Income from equities decreased by £31.419m in 2020-21, to £15.332m, principally reflecting a reduction in UK dividend income following the transition, part-way through 2019-20, of the Fund's direct UK equity portfolio into an accumulation unit pooled product, where dividend income is automatically reinvested and not distributed. Furthermore, equity dividend yields were lower in 2020-21, as companies retained cash in response to the Covid-19 pandemic. This also applied to income from pooled investment vehicles, which reduced by £2.962m in 2020-21, to £21.274m. Investment managers generally held back distributions, in order to increase their ability to provide increased liquidity to support underlying portfolio investments, if required, during the Covid-19 pandemic.

Rents from properties are net of £0.720m of property expense (2019-20, net of £1.198m of property expense), which includes a £0.227m credit loss allowance adjustment for property rent debtors at the year-end (2019-20, £0.191m). 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

	2019-20	2020-21
	£m	£m
Taxation payable	**0.037**	**0.236**

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. 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 2020	Purchases & hedging payments	Sales & hedging receipts	Profits & losses on disposal of investments & changes in value of investments	Value at 31 Mar 2021
	£m	£m	£m	£m	£m
Investment assets					
Equities	812.666	388.793	(930.339)	306.205	577.325
Bonds	576.183	42.271	(10.322)	(27.621)	580.511
Pooled investment vehicles	2,720.054	1,136.492	(639.661)	713.264	3,930.149
Properties	239.650	14.041	0.000	(1.491)	252.200
Currency hedging contracts	3.032	433.389	(449.211)	12.790	0.000
	4,351.585	*2,014.986*	*(2,029.533)*	*1,003.147*	*5,340.185*
Cash deposits & short term loans	275.110			0.000	325.128
Other investment balances	14.169			0.000	5.635
	4,640.864			**1,003.147**	**5,670.948**
Investment liabilities					
Currency hedging contracts	0.000	0.000	0.000	(1.472)	(1.472)
Other investment balances	(8.768)			0.000	(2.676)
	(8.768)			**(1.472)**	**(4.148)**
	4,632.096			**1,001.675**	**5,666.800**

The total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities has increased the Fund's value by £1,001.675m during 2020-21 (2019-20, £316.288m decrease). 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 2021 the Fund's investments accounting for more than 5% of the total value of the Fund's net assets available for benefits were:

- LGIM MSCI World Low Carbon Target Index Fund £406.587m, representing 7.1% (2020, nil).
- LGIM UK Equity Index Fund £789.198m, representing 13.8% (2020, £692.277m, 14.9%).
- LGPS Central Global Active Corporate Bond Fund A (Acc) £348.746m, representing 6.1% (2020, £291.883m, 6.3%).

- RBC Global Equity Focus Fund £377.662m, representing 6.6% (2020, nil).
- UBS Life Europe Ex-UK Equity Tracker Fund £233.980m, representing 4.1% (2020, £368.025m, 7.9%).

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 £105.732m (2020, one contract, with less than six months to expiry, with a gross contract value of £112.323m).

Pooled investment vehicles are further analysed below:

	31 Mar 2020	31 Mar 2021
	£m	£m
Pooled Investment Vehicles		
Equities	1,606.498	2,595.929
Bonds	585.172	739.785
Property	170.432	181.747
Private Equity	96.047	144.087
Infrastructure	261.905	268.601
	2,720.054	**3,930.149**

The proportion of the market value of net investment assets managed in-house (including the selection of pooled products) and by each external manager at the year-end is set out below.

	31 Mar 2020		31 Mar 2021	
	£m	%	£m	%
In-house	2,398.881	51.8	3,000.287	52.9
Colliers Capital Holdings Ltd	241.845	5.2	254.191	4.5
Legal and General Investment Management	842.719	18.2	1,476.772	26.1
LGPS Central Ltd	291.642	6.3	348.528	6.2
UBS Global Asset Management Life Ltd	367.990	7.9	233.943	4.1
Wellington Management International Ltd	489.019	10.6	353.079	6.2
	4,632.096	**100.0**	**5,666.800**	**100.0**

14. Fund investments by geographical sector (at market value)

	Restated 31 Mar 2020		31 Mar 2021	
	£m	%	£m	%
UK	2,228.251	48.1	2,542.692	44.9
N America	897.442	19.4	1,397.198	24.6
Europe	773.834	16.7	872.211	15.4
Asia and other	732.569	15.8	854.699	15.1
	4,632.096	**100.0**	**5,666.800**	**100.0**

The geographical analysis for 2019-20 has been restated to reflect the actual geographical mix of the Fund's investment in the LGPSC Global Investment Grade Sub-Fund at 31 March 2020. The sub-fund was launched in February 2020, and at the time of the preparation of the 2019-20 accounts, a geographical analysis at 31 March 2020 was not available, and it was assumed that the Fund was 50% UK and 50% Asia and other.

Whilst UK investments increased in absolute terms between 31 March 2020 and 31 March 2021, they reduced as a percentage of total investment assets, as on-going changes to the asset allocation, together with weaker relative returns from UK assets, reduced the Fund's relative exposure to UK investment assets. As the proportion of UK investment assets fell, allocations to North American and European increased, driven by higher levels of Private Equity, Infrastructure, Multi-Asset Credit and Indirect Property fund drawdowns. Whilst the absolute allocation to Asia and other increased, they fell slightly as a percentage of total investments.

15. 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 held at fair value through profit or loss 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 and financial liabilities held at fair value through profit or loss, additionally including investment financial assets held at amortised cost, to reconcile to total financial assets and financial liabilities, is as follows:

	31 Mar 2020	31 Mar 2021
	£m	£m
Financial Assets at Fair Value through Profit or Loss		
Level 1		
UK quoted equities	165.255	207.232
Overseas quoted equities	646.096	368.778
UK quoted bonds	462.177	477.130
Overseas quoted bonds	113.321	102.696
	1,386.849	**1,155.836**
Level 2		
Property - quoted pooled investment vehicles	20.575	26.892
Other quoted pooled investment vehicles	763.727	1,119.017
UK unquoted equities	1.315	1.315
UK unquoted bonds	0.685	0.685
Currency hedging contracts	3.032	0.000
	789.334	**1,147.909**
Level 3		
Property – unquoted pooled investment vehicles	149.857	154.854
Other unquoted pooled investment vehicles	1,785.895	2,629.386
UK freehold properties	191.550	208.500
UK leasehold properties	48.100	43.700
	2,175.402	**3,036.440**
Financial Assets at Amortised Cost		
Sterling cash deposits	22.525	20.139
Money market funds	5.000	60.000
Other Sterling short term loans	244.500	242.500
Foreign currency	3.085	2.489
Other investment balances	14.169	5.635
	289.279	**330.763**
Financial Assets	**4,640.864**	**5,670.948**

	31 Mar 2020	31 Mar 2021
	£m	£m
Financial Liabilities at Fair Value through Profit or Loss		
Level 2		
Currency hedging contracts	-	(1.472)
	-	**(1.472)**
Financial Liabilities at Amortised Cost		
Other investment balances	(8.768)	(2.676)
	(8.768)	(2.676)
Financial Liabilities	**(8.768)**	**(4.148)**
	4,632.096	**5,666.800**

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 2020-21:

	Value at 31 Mar 2020	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	Value at 31 Mar 2021
	£m	£m	£m	£m	£m	£m
Financial Assets						
Level 3						
Pooled investment vehicles						
Property – unquoted	149.857	7.812	(4.932)	1.862	0.255	154.854
Other unquoted	1,785.895	664.454	(197.773)	372.058	4.752	2,629.386
Properties						
UK freehold	191.550	13.760	0.000	3.190	0.000	208.500
UK leasehold	48.100	0.281	0.000	(4.681)	0.000	43.700
	2,175.402	**686.307**	**(202.705)**	**372.429**	**5.007**	**3,036.440**

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 2019-20 position was:

	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**

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 2021 above are likely to be accurate to within the ranges set out in the sensitivity analysis below:

	Value at 31 Mar 2021 £m	Assessed valuation range %	Value on increase £m	Value on decrease £m
Level 3 sensitivity				
Direct property	252.200	10.0	277.420	226.980
Diversified multi-asset credit funds	259.562	5.0	272.540	246.584
Equity index tracking funds	1,476.912	2.0	1,506.450	1,447.374
Global investment grade credit fund	348.746	5.0	366.183	331.309
Indirect property	154.854	15.0	178.082	131.626
Infrastructure	268.601	12.5	302.176	235.026
Private debt	131.478	10.0	144.626	118.330
Private equity	144.087	15.0	165.700	122.474
	3,036.440	**5.8**	**3,213.178**	**2,859.702**

The 2019-20 position was:

	Value at 31 Mar 2020 £m	Assessed valuation range %	Value on increase £m	Value on decrease £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.

Prudential Assurance Company Ltd (Prudential) has been unable to provide AVC information to align with the production of the Fund's accounts for the year ended 31 March 2021. Following the implementation of a new IT system in 2020, the company has experienced delays in administering AVCs, including delays in processing and investing contributions and paying out claims. Prudential has provided assurance that members will not suffer any financial detriment due to the delayed processing and investing of their contributions.

On 1 January 2020, all members' AVCs with Equitable Life Assurance Society were transferred to Utmost Life and Pensions (Utmost). As a result of operational constraints, caused by the Covid-19 pandemic, Utmost postponed production of financial information and was unable to provide AVC information to align with the production of the Fund's accounts for the year ended 31 March 2020, when Utmost funds were included at 31 March 2019 values. Utmost has now resumed production of financial information.

Including Prudential funds at 31 March 2020 values, the total value of funds provided by AVC contributions at 31 March 2021 was:

	31 Mar 2020	31 Mar 2021
	£m	£m
Utmost Life and Pensions		
With profits fund		0.064
Unit-linked funds		0.428
Total Utmost Life and Pensions	*0.595*	0.492

	31 Mar 2020	31 Mar 2021
	£m	£m
Standard Life		
Managed fund	0.657	0.740
Multi asset managed fund	0.106	0.130
Protection fund	0.088	0.057
Ethical fund	0.088	0.110
With profits fund	0.334	0.308
Total Standard Life	1.273	1.345
Prudential Assurance Company Ltd		
Deposit fund	2.290	
With profits cash accumulation fund	4.874	
Blackrock Aquila	0.000	
Cash fund	0.236	
Discretionary fund	0.656	
Dynamic global equity passive fund	0.109	
Dynamic growth funds	0.409	
Fixed interest fund	0.127	
Global equity fund	0.329	
Index-linked fund	0.325	
International equity fund	0.367	
Long-term bond fund	0.006	
Long-term gilt passive fund	0.229	
Positive impact fund	0.131	
Property fund	0.193	
Socially responsible fund	0.000	
UK equity fund	0.166	
UK equity passive fund	0.120	
Total Prudential Assurance	10.567	*10.567*

	31 Mar 2020	31 Mar 2021
	£m	£m
Clerical Medical		
With profits fund	0.156	0.123
Unit linked fund	0.073	0.040
Total Clerical Medical	0.229	0.163
Total AVC Investments	***12.664***	***12.567***
Death in Service Cover		
Utmost Life and Pensions	***0.117***	**0.093**

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 2020	***0.595***	**10.567**	**1.273**	**0.229**	***12.664***
Income					
Contributions received	0.000		0.021	0.002	*0.023*
Interest and bonuses and change in market value	(0.043)		0.207	0.011	*0.175*
Expenditure					
Retirement benefits	(0.050)		(0.092)	(0.067)	*(0.209)*
Deaths	0.000		0.000	(0.012)	*(0.012)*
Transfers out and withdrawals	(0.010)		(0.064)	0.000	*(0.074)*
Value at 31 Mar 2021	**0.492**	***10.567***	**1.345**	**0.163**	***12.567***

17. Current assets

	31 Mar 2020 £m	31 Mar 2021 £m
Employers’ contributions due	5.275	8.289
Employees’ contributions due	2.000	2.218
Sundry debtors	1.164	1.429
Cash balance	22.981	37.249
	31.420	**49.185**

Employers’ and employees’ contributions due at 31 March 2021 have been received since the year-end. On 12 June 2018, Derby City Council paid employer contributions of £39.716m to the Fund, covering a two-year period, May 2018 to March 2020. Derby City Council’s employer contributions relating to 2019-20, received during 2018-19, were accounted for as employer deficit funding contributions in 2018-19. Following this prepayment, no employer normal contributions were due to the Fund from Derby City Council in 2019-20. At 31 March 2021, Derby City owed the Council one month’s employer contributions, amounting to £1.792m (31 March 2020, nil) and this is the main reason why employers’ contributions due are higher at 31 March 2021.

As at 31 March 2021, the Fund was owed rent totalling £0.735m in respect of 2020-21 (31 March 2020, the Fund was owed rent totalling £0.763m in respect of 2019-20). Whilst the Fund's discretionary direct property manager is actively managing the collection of this rent, the Covid-19 outbreak in Q4 2019-20 continues to have 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 £0.227m against these rents (2019-20, £0.191m).

18. Current liabilities

	31 Mar 2020	31 Mar 2021
	£m	£m
Unpaid benefits	2.206	1.556
Sundry creditors	2.771	3.343
Amounts owed to Derbyshire County Council	1.056	4.169
	6.033	**9.068**

There has been an increase in amounts owed to Derbyshire County Council because of the advance payment of 2020-21 employer contributions referred to in Note 6, which has altered the profile of current assets and liabilities relating to Derbyshire County Council's contributions at 31 March 2021.

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 2020-21 are charges from the Council of £2.888m (2019-20, £2.510m) 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 2021 the Fund owed the Council £4.169m (31 March 2020, the Fund owed the Council £1.056m).

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 2021 (31 March 2020, £1.315m and £0.685m, respectively) and was owed interest of £0.031m on the loan to LGPSC on the same date (2020-21, £0.036m).

The Fund incurred costs of £0.013m associated with LGPSC's Investment Grade Credit sub-fund in 2020-21 (2019-20, £0.004m), of which £0.005m was payable to LGPSC at 31 March 2021 (31 March 2020, £0.004m). The charge excludes fees paid to the underlying investment managers of £0.338m in 2020-21 (2019-20, £0.040m).

LGPSC also provided advisory management services in respect of the Fund's Japanese Equities and Asia Pacific Ex-Japanese Equities in the year. The advisory management services mandate was terminated on 17 January 2021, resulting from changes to the Fund's strategic asset allocation benchmark. The charge in respect of these services was £0.073m in 2020-21 (2019-20, £0.551m, which included the part year charges for mandates to manage the Fund's UK Equity portfolio, terminated on 14 November 2019, and Emerging Market Equities portfolio, terminated on 15 June 2019), of which £nil was payable to LGPSC at 31 March 2021 (31 March 2020, £0.065m).

The Fund incurred £0.988m in respect of Governance, Operator Running and Product Development costs in connection with LGPSC in 2020-21 (2019-20, £0.813m), of which £0.226m was payable to LGPSC at 31 March 2021 (31 March 2020, £0.213m).

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 2020-21 amounted to £0.015m (2019-20, £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 2020	31 Mar 2021
	£m	£m
Unquoted investments	292.133	395.556
Other Sterling short-term loans	30.000	70.000
	322.133	**465.556**

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 November 2020 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 2020-21. This has driven a £103.423m increase in the level of unquoted investment commitments between 31 March 2020 and 31 March 2021.

Since the year-end, the Fund has signed-up to an additional €30m commitment in respect of Multi-Asset Credit.

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 2021. 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 eleven such commitments at 31 March 2021 (2020, two), which were secured to take advantage of higher rates available at that time.

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 2021, the Fund was owed rent totalling £0.735m (31 March 2020, the Fund was owed rent totalling £0.763m). Whilst the Fund's discretionary direct property manager is actively managing the collection of this rent, the Covid-19 outbreak in Q4 2019-20 is having 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 £0.227m against these rents in Note 17, Current Assets, calculated based on a tier risk rating system, using information provided by both the in-house investment management team and the discretionary direct property manager.

	Rental Income Debt 31 Mar 2021 £m	General Loss Allowance £m	Total Loss Allowance 31 Mar 2021 £m
Property Rental Income	**0.735**	**0.227**	**0.227**

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 2021 is provided as follows:

	Value at 31 Mar 2020 £m	Change in average default risk rate £m	Value at 31 Mar 2021 £m
Credit Loss Allowance	**0.191**	**0.036**	**0.227**

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 2020-21 was approved by Full Council on 5 February 2020 and by the Pensions and Investments Committee on 4 March 2020.

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 £362.377m (2020, £298.091m) 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 2021 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. At 31 March 2021, the Fund had £37.249m 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 1.9% (2020, 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 £105.732m (2020, one contract, with less than six months to expiry, with a gross contract value of £112.323m). The Fund does not expect any losses from non-performance by any of its counterparties in relation to this contract. The investment liability in Note 13 associated with this forward currency contract, which is the difference between the Sterling value the Fund has contracted to receive on expiry of the contract and what would theoretically have been receivable based on the exchange rate at the year end, is £1.472m.

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 12% 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 was one derivative financial liability held at the year-end in respect of the currency hedging contract referred to above (2020, none).

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, in particular the Fund’s sovereign bond, non-Government investment grade bonds and diversified multi-asset credit portfolios. Interest rate sensitivity can be estimated by multiplying an assumed change in the prevailing market interest rate by the portfolio benchmark duration. The table below shows the estimated impact of a ±100 basis points (±100 bps) in the prevailing market interest rate for these assets.

	Value at 31 Mar 2021 £m	Benchmark duration Years	Change in prevailing market interest rate	Effect -100bps £m	Effect +100bps £m
Asset type					
Conventional gilts	270.223	12.2	±100bps	32.967	(32.967)
Index-linked bonds	309.603	21.9	±100bps	67.803	(67.803)
Non-Government investment grade bonds	348.746	7.9	±100bps	27.551	(27.551)
Diversified multi-asset credit funds	259.561	1.0	±100bps	2.596	(2.596)
Total change in asset values	**1,188.133**			**130.917**	**(130.917)**

A 100 basis points increase in the prevailing market interest rate would reduce the aggregate value of the identified assets by an estimated £130.917m, whereas a 100 basis points reduction in the prevailing market interest rate would increase the aggregate value of the identified assets by a comparable amount. It should also be noted that both non-Government investment grade bonds and diversified multi-asset credit funds are also sensitive to changes in the interest rate spread, which is the interest rate received relative to sovereign bonds, which can either increase (reducing asset values) or reduce (increasing asset values).

The duration in respect of the Fund's private debt assets, together with cash, is not significant.

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 2021 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 2021 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
UK Government bonds	228.085	5.01	239.512	216.658
UK index-linked bonds	249.045	8.37	269.890	228.200
Corporate bonds	349.431	7.57	375.883	322.979
Overseas index-linked bonds	60.558	7.23	64.936	56.180
Overseas bonds	40.666	4.62	42.545	38.787
UK equities	903.509	16.83	1,055.570	751.448
Overseas equities	2,101.338	13.86	2,392.583	1,810.093
Private equity	229.820	8.46	249.263	210.377
Infrastructure	351.277	4.35	366.558	335.996
Multi asset credit	391.038	6.04	414.657	367.419
Cash	325.128	0.13	325.551	324.705
Other investment balances	2.959	0.00	2.959	2.959
Properties (non-financial instruments)	433.946	2.26	443.753	424.139
Total investment assets and liabilities	**5,666.800**	**8.40**	**6,142.811**	**5,190.789**

The 2019-20 position was:

	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 unhedged overseas currency denominated investment assets. Except for overseas sovereign bonds, the Fund's exposure to overseas currency risk is not hedged. If Sterling weakens, this currency exposure will make a positive contribution to the Fund's performance in Sterling terms.

The table below quantifies the level of currency risk that the Fund's overseas currency denominated investment assets at 31 March 2021 are potentially exposed to. For the categories of assets where there are investments denominated in overseas currencies, the potential aggregate currency exposure within the Fund at 31 March 2021 is determined using a currency "basket" based on that asset category'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. As currency risk on overseas sovereign bonds is managed using forward currency contracts, the currency risk is nil, and this is shown as 0.0% below. The outcomes are then applied to all overseas currency denominated assets.

	Value at 31 Mar 2021 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
Overseas index-linked bonds	60.558	0.00	60.558	60.558
Overseas bonds	40.666	0.00	40.666	40.666
Overseas equities	2,101.338	7.26	2,253.895	1,948.781
Overseas private equities	93.520	6.83	99.903	87.137
Overseas infrastructure	163.850	6.77	174.949	152.751
Overseas multi asset credit	46.086	5.30	48.529	43.643
Overseas cash	2.489	8.60	2.703	2.275
Overseas properties (funds) (non-financial instruments)	49.260	5.30	51.871	46.649
Overseas investment assets	**2,557.767**	**6.97**	**2,736.043**	**2,379.491**

The 2019-20 position was:

	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, IAS 26 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 IAS 19 and not the Pension Fund's funding assumptions.

"The promised retirement benefits at 31 March 2021 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. This estimate was allowed for in 31 March 2020 IAS 26 reporting and continues to be allowed for within the liabilities this year.

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 2020	31 Mar 2021
	£m	£m
Active members	2,829.000	4,284.000
Deferred members	1,164.000	1,625.000
Pensioners	2,240.000	2,436.000
Present Value of Promised Retirement Benefits	**6,233.000**	**8,345.000**

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 IAS 19 report and are different as at 31 March 2021 and 31 March 2020. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £1,718m. I estimate that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £110m.

Financial assumptions

Year ended (% p.a.)	31 Mar 2020 %	31 Mar 2021 %
Pension Increase Rate	1.90	2.85
Salary Increase Rate	2.60	3.55
Discount Rate	2.30	2.00

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves alongside future improvements based on the CMI 2020 model, with an allowance for smoothing of recent mortality experience and a long-term rate of improvement of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	*21.3 years*	*23.9 years*
*Future Pensioners**	*22.5 years*	*25.8 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 IAS 26 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 2021	Approximate increase to liabilities %	Approximate monetary amount £m
0.5% p.a. increase in the Pension Increase Rate	*9*	*772*
0.5% p.a. increase in the Salary Increase Rate	*1*	*87*
0.5% p.a. decrease in the Real Discount Rate	*11*	*879*

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
17 May 2021
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) and further Scheduled Bodies and Admission Bodies.

Contributions and benefits, by participating employer type, in respect of the year, are as follows:

	2019-20		2020-21	
	Benefits	**Contributions**	**Benefits**	**Contributions**
	£m	**£m**	**£m**	**£m**
Derbyshire County Council	82.316	71.426	80.384	71.166
Scheduled Bodies	84.389	84.347	86.765	113.813
Admission Bodies	5.929	4.684	6.309	5.827
	172.634	**160.457**	**173.458**	**190.806**

AUDITOR’S OPINION – PENSION FUND ACCOUNTS

Audit Opinion to be inserted

AUDITOR’S OPINION – PENSION FUND ACCOUNTS

Audit Opinion to be inserted

AUDITOR’S OPINION – PENSION FUND ACCOUNTS

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 non-current 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 non-current 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 non-current 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 non-current 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 (FYFP)

The Councils Medium Term Financial Plan, setting out the financial projection for the Council over the coming 5 years.

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

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Annual Governance Statement 2020-21

Contents

Introduction and the Purpose of the Governance Framework

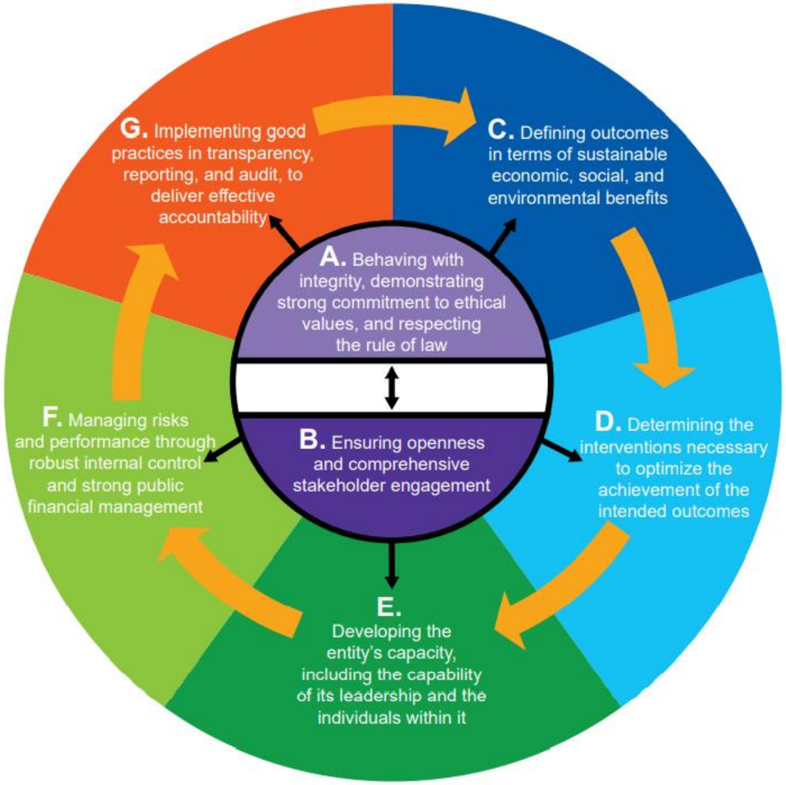
Defining Corporate Governance

Corporate governance includes the systems, processes and values by which councils operate and through which they engage with, and are held accountable to, their communities and stakeholders. Good corporate governance underpins credibility and confidence in public services.

Derbyshire County Council is committed to effective corporate governance and has prepared the Annual Governance Statement by:-

- Reviewing the Council's Governance Arrangements against the CIPFA / SOLACE Delivering Good Governance in Local Government Framework;
- Assessed the effectiveness of the Governance Arrangements against the Local Code of Corporate Governance;
- Obtaining Executive Director Assurance Matrices;
- Considering the impact of External Assessments; and
- Monitoring the progress against the recommendations in the 2019-20 AGS Action Plan.

Scope of Responsibility



Source: International Framework: Good Governance in the Public Sector (CIPFA)

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

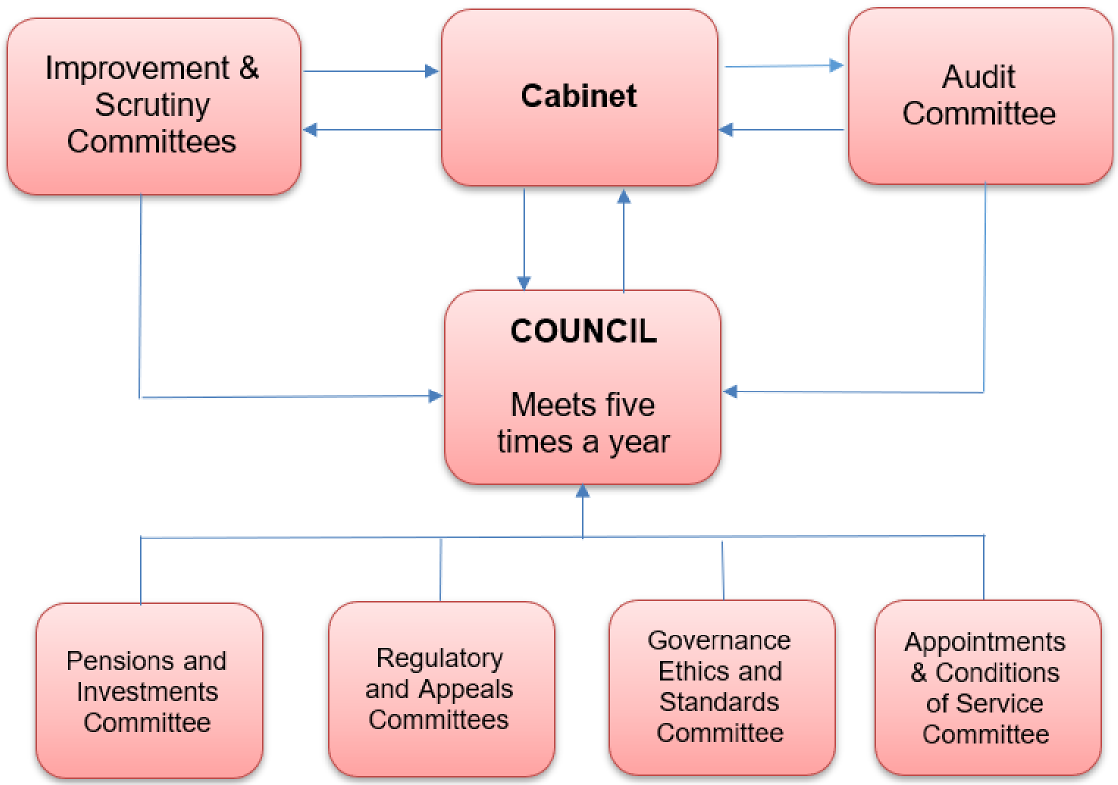
In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk. The Council has developed an approach to corporate governance to ensure that it is consistent with the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and demonstrates its commitment to corporate governance as “good corporate governance underpins credibility and confidence in our public services”.

This Statement explains how the Council demonstrates compliance with the Framework and also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

Derbyshire County Council's Governance Framework and Structure

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically. The governance framework has been in place at the County Council for the year ended 31 March 2021 and up to the date of the Statement of Accounts being certified by the Director of Finance & ICT.



Council

- 64 Elected Members who are democratically accountable to residents of their electoral division
- Members follow a Code of Conduct to ensure high standards in the way they undertake their duties
- Meetings are generally open for the public to attend except where confidential matters are being discussed
- Decides the overall policy framework and sets the budget each year and major plans

Cabinet

- Consists of the Leader of the Council and eight Members
- Responsible for guiding the Council in the formulation of its corporate plan of objectives and key priorities
- Has executive responsibility for the implementation of the Council's key goals and objectives

Governance, Ethics and Standards Committee

- Promotes and maintains high standards,
- Assists Members in observing the Code of Conduct
- Advises the Council on matters relating to the Code

Appointments & Conditions of Service Committee

- Approves corporate employment policies
- Determines terms and conditions of service
- Specific role in the appointment and disciplinary procedure for certain officers

Improvement and Scrutiny Committees

- Five Committees which support the work of the Cabinet and the Council as a whole
- Allow citizens to have a greater say in Council matters by holding inquiries in public into matters of local concern
- Lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery, and other public bodies
- Monitor the decisions of the Cabinet
- They can 'call-in' a decision which has been made by the Executive but not yet implemented

Audit Committee

- Independently contributes to the Council's process of ensuring internal control systems are maintained
- Responsible for approving and monitoring progress of the annual Audit Plan
- Considers matters referred to the Committee by the Council's external auditor
- Approves the Annual Statement of Accounts and the Annual Governance Statement

The Annual Governance Statement 2020-21

During the 2020-21 financial year, events noted in the previous AGS came into effect as the Council had undertaken significant reviews of its Constitution including the Financial Regulations and Standing Orders relating to Contracts. As a result revised Financial Regulations and Standing Orders were implemented from 1 April 2019, with the remainder of the Constitution becoming operational from 27 May 2019. These updates were considered to significantly strengthen the overall robustness and integrity of the governance framework.

There has also been some progress in respect of the Council's Corporate Governance Group which is now chaired by the Head of Paid Service, with representatives from each Department as well as the Director of Legal & Democratic Services, Director of Finance & ICT, Director of Organisation Development & Policy and Assistant Director of Finance (Audit). A number of meetings were held during 2020-21 and the Group has been developing a Local Code of Corporate Governance. In addition, the Group has looked to schedule reviews of key governance policies, procedures and documents to coincide with Committee Meetings as well as considering lessons learnt from other public bodies.

The Risk Management Strategy was approved by Cabinet on 16 March 2020. This is intended to assist the Council in demonstrating good corporate governance by reducing risk, stimulating performance throughout the Council, enhancing services, promoting Value for Money and improving leadership, transparency and accountability. This is another significant step towards improving governance and the Strategy includes an implementation plan to ensure that risk management is embedded across the Council.

During 2019, the Council's Audit Services Unit was deemed to conform in all material aspects to the Public Sector Internal Audit Standards (PSIAS) following the five-yearly independent review by external consultants Cipfa C.Co. The Standards recognise that a professional, independent and objective internal audit service is one of the key elements of good governance.

The Corporate Peer Challenge of the Council took place in October 2018 which identified that its approach to governance appeared to be sound. The resulting report was considered and approved by Cabinet on 31 January 2019 before it was published. At this meeting Cabinet approved plans to develop a clear action plan, to address recommendations set out in the report alongside priority actions identified in the Enterprising Council Strategy and to receive future reports on progress on a six-monthly basis. Progress against performance related actions are being reported to Corporate Management Team in respect of the Council Plan and most recommendations have been implemented. However, reports on progress have not been taken to Cabinet on a six-monthly basis. A follow up peer review visit is due to take place in the latter half of 2021.

Coronavirus (Covid-19)

Possibly the most significant risk to the Council and its governance arrangements was not realised until March 2020 when the impact of Covid-19 became apparent. This was a significant issue during the whole of the year under review, the effect of the virus has radically changed the approach the Council has had to take in order to maintain an effective control framework around the way it makes decisions and delivers services. It has also created new challenges for both management supervision and internal audit oversight of activities. At the same time, it has acted as an impetus for change and speeded up the delivery of new ways of working and strategic transformation.

Immediate Impacts

There was an immediate impact on decision making processes in March 2020, which saw many meetings cancelled as the Council was not able to hold these in accordance with regulations, and technology needed to be deployed in order that meetings could be facilitated. This had been resolved by May 2020 and virtual meetings have been held since that time. From May 2021 formal member meetings have now reverted back to being held in-person. The existence of an adequate governance framework ensured that the decision-making processes were robust and the Council could continue its core functions.

Despite the impact of Covid-19 (particularly around the timing of property valuations), the Council submitted the certified pre-audit Statement of Accounts before the statutory deadline of the end of July. The majority of staff were working at home during the period when the accounts were being prepared. This demonstrates that the Council has a robust and embedded framework which enables the production of the Statement of Accounts in challenging circumstances. The Council’s systems and IT infrastructure have proved to be effective to ensure that staff were able, and can continue, to work solely from home in the short to medium term.

Prior to Covid-19, the Council was in a sound financial position effectively planning and managing its resources and investments, therefore, it had the capacity and capability to deal with the crisis, subject to appropriate support from Government towards meeting new spending commitments that arose as a result of the pandemic. However, it has been recognised that the Council has had to make its processes more agile and as part of that how to adapt its financial planning process. A financial forecasting model was used to help support financial stability during the outbreak.

As the Council reacted to the developing situation, it had to adapt quickly which consumed time and resources that otherwise would have been deployed elsewhere. The Council has provided support to individuals, businesses and organisations within the community across Derbyshire to help them through the crisis. During this time, although efforts were made to ensure that changes to systems were reviewed to maintain effective control, an assumption has to be made that all proposed changes were notified through the correct channels and were considered. This may present a future risk and will be monitored.

The longer-term outlook remains a little clearer than at this time in 2020. Whilst an initial surge of Covid-19 cases passed and the severe restrictions imposed by the first lockdown have been eased and lifted, England has been subject to further periods of restrictions as further waves of Covid-19 cases emerged. The successful roll out of vaccines since December 2020 is providing real hope that there can be a return to a way of living with the virus that offers many of the same freedoms that were enjoyed before March 2020, however, in the short to medium term protective measures will need to continue to be in place to limit transmission of the virus. This will, in turn, continue to impact on the Council's frontline services and office working environments, the impact of which on vulnerable and/or isolated service users may not be apparent for some time in the future. Inevitably there is likely to be an impact on the Council's performance/increase in pressure for services as a result of Covid-19, and therefore it will be essential that as the Council moves into the recovery phase it looks at those services which have been adversely affected and how to support their effective recovery.

The Council has recognised the impact that the virus has had on staff and has undertaken periodic surveys to gauge opinion and determine employee wellbeing. These surveys have tended to confirm that the majority of respondents were able to work effectively from home and had adapted to the circumstances. The Council's IT systems have proved themselves to be robust and effective throughout the past year, many improvements have continued to be made and whilst there was a pause on the pace of transformation in early 2020 this hasn't affected change programmes as much over the rest of the year. In the medium to long term, the impact of Covid-19 on staff either as a result of actually having caught the virus and being extremely unwell, losing a relative or close friend, feeling isolated, or from having unsuitable working arrangements will have an impact. Similarly, as staff return to offices when they reopen, this may also affect wellbeing, especially where individuals have become accustomed to the flexibility of working from home with less structure and no commuting required.

The recovery phase will undoubtedly be a difficult period of transition, but the council is taking sound measures through its Modern Ways of Working programme and Wellbeing approach to mitigate these effects and to positively take advantage of opportunities that have emerged.

The Effectiveness of the Council's Governance Arrangements

As part of this process, an assessment has been made of the Council's performance against each of the seven core principles using the following criteria:-

Category	Definition
Strong	The governance framework is effective and fit for purpose, although some minor weaknesses and improvements may have been identified.
Good	Whilst the governance arrangements are generally effective, there are gaps within the framework which need to be addressed. Should these issued remain unaddressed, there is an increased risk that the Council may be exposed to reputational risk.
Review	Significant weaknesses have been identified in the governance arrangements which expose the Council to reputational risk.
Action	The governance arrangements are considered to be deficient as weaknesses have been identified in a number of key areas rendering the overall framework ineffective and leaving the Council open to a high risk of error/abuse and significant reputational risk/damage.

Arising from this assessment of governance arrangements an Action Plan has been developed and is attached. Detailed actions and dates for completion will be determined to address each area for improvement which will be reported to the Audit Committee who will, in turn, monitor progress.

The Annual Governance Statement summarises the findings of the review of the Council's existing governance arrangements.

The review examined the Council's position against the CIPFA/SOLACE Framework Delivering Good Governance in Local Government which defines the seven core principles, each supported by sub-principles which underpin the governance framework of the Council.

What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
Principle A Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	**Review**	➢ The Council Plan sets out the Authority's key priorities; ➢ The Constitution details the roles of the Cabinet, Committees, full Council, Executive Directors and Statutory Officers and continues to be reviewed and updated; ➢ Codes of Conduct define the standards of behaviour for Members and officers; ➢ The Authority operates an Equality and Diversity Policy, Whistleblowing Policy and Complaints Procedures; ➢ An Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan and Anti-Money Laundering Policy demonstrate the Council's stance against fraud; ➢ The Monitoring Officer is responsible for ensuring the lawfulness of decisions taken by Council, Cabinet, Committees and officers; ➢ Embedded arrangements for the delivery of Improvement and Scrutiny; ➢ Financial Management Arrangements conform to the Cipfa Statement on the Role of the Chief Financial Officer in Local Government (2016); ➢ The Governance, Ethics and Standards Committee monitors and reviews the operation of the Constitution and the ethical	➢ The Employee Code of Conduct was last updated in 2015. The requirements of the Code should be reflected in other policies and not be seen in isolation It is anticipated that this will completed by December 2021; ➢ Officers' declarations of interests and gifts and hospitality are not consistently made and recorded. An officer group has been established to review this; ➢ The Whistleblowing Policy is currently being updated and will be communicated widely This is scheduled for July 2021; ➢ Implement the good practice recommendations following receipt of recent report from the Committee on Standards in Public Life. A target date has been set for December 2021; ➢ The Anti-Fraud arrangements could be more widely communicated and supported by training. A training module has been developed using the Online Learning Platform with the	

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What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
		framework and has conducted a major review during the previous year; ➢ Role profiles have been agreed for Members and together with Personal Development Plans inform Member Development programmes; ➢ Clear channels of communication are in place for all sections of the community and stakeholders; ➢ Embedded Financial Regulations and Standing Orders, Procurement policies and practices. ➢ The Council's Corporate Governance Group is chaired by the Managing Executive Director and attended by Departmental Representatives and the Section 151 and Monitoring Officers. ➢ The Council reviews how it best protects its vulnerable residents and takes on board learning from all relevant reviews whether they are Derbyshire focussed or not.	intention of delivering this by December 2021. ➢ Review of the Derbyshire Partnership Toolkit should be completed by end September 2021.	
Principle B Ensuring openness and comprehensive stakeholder engagement	**Good**	➢ The Assistant Director of Finance (Audit) produces an Annual Report which is considered by Audit Committee, highlights both significant areas of good practice and those where improvements can be made. This Report includes the annual internal audit opinion which concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control; ➢ The Authority operates a partnership protocol, toolkit and database with specific requirements of partnership working defined in Financial Regulations;	➢ More active use of parish/town councils and community groups has been considered and actions are required to achieve this; ➢ Partnership working arrangements are redesigned using the Thriving Communities approach to create strategic partnership engagement to deliver shared outcomes. The Thriving Communities governance arrangements have been reviewed and Terms of Reference refreshed. Representation from the Vision Derbyshire	

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What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
		➢ Certain partnership arrangements are subject to annual review by Audit Services; ➢ The Council publishes Member decisions on the website; ➢ The Council engages with the citizens of Derbyshire; ➢ The Council consults stakeholders as part of the decision making process where appropriate; ➢ The Council fulfils its responsibilities on the Duty to Cooperate; ➢ Equality Impact Assessments are undertaken and considered in decision making; ➢ A Communications Strategy is in place; ➢ The Council consults with citizens, trade unions and business ratepayers when setting its budget; ➢ The Council has an "Enterprising Council" Strategy and approach designed to ensure services meet the needs of users, utilising the best delivery vehicle in each circumstance; ➢ The Council has an online Committee Management System to improve access to councillors and democracy.	Communities Chief Executive Lead on the Board has been secured which should lead to a greater understanding by September 2021.	
Principle C Defining outcomes in terms of sustainable economic, social and environmental benefits	**Review**	➢ The Council Plan outlines the Council's strategy and vision; ➢ Departmental and Service Plans are developed which are consistent with the overarching Council Plan and incorporate a range of performance measures; ➢ Progress against a range of targets is monitored; ➢ The Authority has in place an effective risk management framework;	➢ Ensure that decisions are taken with regard to, or based on the longer term view. The new report templates implemented in May 2021 should meet this requirement; ➢ More emphasis could be placed on measuring and monitoring longer term outcomes as opposed to outputs. This should be met using the revised report templates;	

What is working well and areas for improvement			
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**
		➢ The Strategic Risk Register is subject to regular review; ➢ Capital investment is structured and in line with the Investment Strategy.	➢ Ensure key equipment and processes to support business continuity planning are effectively maintained; ➢ A social value approach is in place. The Council has continued to develop and embed social value to ensure that the economic, environmental and social benefits are realised and captured consistently for Derbyshire when procuring services; ➢ Work has been ongoing to develop a comprehensive Asset Management Strategy. The final document will be considered by the Governance Group in 2021.
Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes	**Review**	➢ Financial Regulations and Standing Orders in relation to Contracts are subject to periodic review by officers and the Audit Committee; ➢ Decision making protocols are in place; ➢ Social value considerations are included in decisions where appropriate; ➢ Financial, Procurement and ICT Strategies are in place; ➢ Member Report considerations include financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, social value, property and transport considerations; ➢ The Council has Improvement and Scrutiny Committees in place.	➢ Development of consistent and effective business cases; ➢ The Council could develop a more proactive approach to the use of collective intelligence to guide decision making, rather than data. This is expected to be achieved through the development of cloud, SAP S4/HANA, other software, roles and use of intelligence by March 2022; ➢ Revised People Strategy will be useful to ensure consistent council wide approach and guide future investment in skills is due to be approved in July 2021. This needs to be fully embedded; ➢ Development of a robust post implementation review process for major projects. CMT approved the

What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
			approach to review existing change projects and programmes and embed robust project management across the Council; ➢ Review of officer scheme of delegation to optimise achievement of outcomes. The use of Modern.Gov to assist the recording of decision making is expected to be completed by December 2021.	
Principle E Developing the entity's capacity, including the capability of its leadership and the individuals within it	**Review**	➢ Members and officers work together to deliver a common purpose with clearly defined functions and roles; ➢ The arrangements for Member training and development are reviewed through the Member Development Working Group; ➢ Staff development is supported through the provision of generic and specific skills training including supporting the maintenance of professional standards and qualification training including use of the apprenticeship levy; ➢ Senior Leadership and Leadership Forums are embedded; ➢ The Council is implementing its Performance and Development Review (PDR) process to identify training and development opportunities.	➢ Whilst there are areas of good practice relating to staff inductions and MyPlans there are opportunities to develop these processes. The launch of the new performance management process (PDR) will be rolled out across the Council by March 2022; ➢ Workforce planning support has commenced in service areas that have high agency spend and recruitment and retention charges. Succession Planning has been identified as a priority within the People Strategy. Workforce planning proposals are expected by March 2022; ➢ Consistent training of new staff in the IT systems they are expected to use, alongside refresher training for existing staff to ensure effective use of systems. This is to be developed as part of the ICT restructure and new systems by December 2021.	

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What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
Principle F Managing risks and performance through robust internal control and strong public financial management	**Good**	➢ The Audit Committee operates in accordance with prescribed terms of reference and holds Statutory Officers to account. The Committee receives, approves and monitors the Audit Plans for internal and external audit; ➢ The Audit Committee monitors the effectiveness of the Authority's risk management arrangements; ➢ Audit Committee Members are provided with relevant training; ➢ The effectiveness of the governance framework including the system of internal control is reviewed annually; ➢ Audit Services review the effectiveness of the Authority's internal controls; ➢ The Council has a Risk Management Strategy; ➢ The Strategic Risk Register is subject to regular review and project specific risk logs are in place for major projects and partnerships which are subject to ongoing review; ➢ Emerging risks are identified by the reviews and from ongoing Audit work; ➢ Departmental risk registers are in place and regularly reviewed by management teams; ➢ Strong and effective information governance arrangements; ➢ The Council has been proactive in its approach to the General Data Protection Regulation (GDPR) and dealing with data breaches. ➢ Data Protection arrangements are continually monitored by the GDPR Group; ➢ The Council has a Medium Term Financial Plan and effective Budget Monitoring	➢ Cyber security threats will require ongoing monitoring and development of appropriate responses which is a key work stream for the cyber security working group that was established in April 2021; ➢ The APEX performance system requires further development to utilise it to its full capacity to integrate performance and financial reporting. Further integration of risk is underway.	➢ Develop the process for lessons learnt from internal incidents and external Public Interest Reports.

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What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
		Procedures endorsed in the recent Corporate Peer Review by the Local Government Association; ➢ The Scrutiny Committees scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions; ➢ The standards of behaviour and conduct are detailed in the Protocol for Elected Member Behaviour and Conduct; ➢ Whistleblowing The Confidential Reporting Code enables individuals or organisations to disclose information about malpractice whilst offering protection; ➢ Performance management is well embedded at a Departmental level; ➢ The Council has established a working group to consider cyber security risks; ➢ Independence of Internal Audit and unrestricted access to all Members and officers as appropriate; ➢ Ensuring compliance with the principles set out in the Cipfa guidance on the Role of the Chief Financial Officer in public service organisations.		
Principle G Implementing good practices in transparency, reporting and audit to deliver effective accountability	**Review**	➢ The Constitution defines how the Council operates and the decision making processes to ensure the Council is efficient, transparent and accountable to local people; ➢ Council, Departmental and Service Plans set out objectives and include performance targets; ➢ Council, Cabinet and Member meetings are open to the public and minutes are published on the website through the online	➢ Continue to improve robust systems for property valuations building on the enhancements completed during recent years; ➢ Continue to action the recommendations of LGA Peer Review to aid future improvement. The follow-up visit has been rescheduled for September 2021 with a new draft position statement considered by CMT on 1 June	

What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
		Committee Management System to aid transparency of the democratic process; ➢ Financial Statements are produced and published on a consistent and timely basis; ➢ Departmental Financial Schemes of Delegation supplement the Council's Financial Regulations and Standing Orders relating to Contracts; ➢ The Assistant Director of Finance (Audit) produces their Annual Report which is considered by Audit Committee and highlights both significant areas of good practice and those where improvements can be made; ➢ Partnership working arrangements are established; ➢ The Council routinely publishes data and meets the requirements of the Local Government Transparency Code; ➢ Schemes of Delegation were reviewed during 2020-21.	2021 and working group meetings taking place fortnightly; ➢ Continue to review the Constitution to ensure it remains fit for purpose to deliver effective accountability. This has identified areas for review in 2021-22. ➢ Continue to develop systems and protocols to support and monitor partnership working. The initial focus has been to review the Partnership Protocol and approach as overall context for the work plan and future actions. ➢ Embed the process for the production of the AGS in a timely manner.	

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The Annual Governance Statement & Opinion

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit Committee and it is our opinion that the Council's corporate governance framework is generally fit for purpose and can be considered to be adequate. However, it is recognised that there are areas which could be improved and the Council has a plan to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address those opportunities for improvement highlighted above so as to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements which were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor Barry Lewis	**Emma Alexander**
Leader of the Council	**Managing Executive Director**
Date	**Date**

On behalf of Derbyshire County Council

Action Plan - Areas for Improvement

Principle	Area for Improvement	Responsible Officer
Principle A Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	➢ The Employee Code of Conduct was last updated in 2015. The requirements of the Code should be reflected in other policies and not be seen in isolation It is anticipated that this will be completed by December 2021.	Director of Organisation, Development & Policy
	➢ Officers' declarations of interests and gifts and hospitality are not consistently made and recorded. An officer group has been established to review this.	Director of Legal & Democratic Services
	➢ The Whistleblowing Policy is currently being updated and will be communicated widely This is scheduled for July 2021.	Director of Legal & Democratic Services
	➢ Implement the good practice recommendations following receipt of recent report from the Committee on Standards in Public Life. A target date has been set for December 2021.	Director of Legal & Democratic Services
	➢ The Anti-Fraud arrangements could be more widely communicated and supported by training. A training module has been developed using the Online Learning Platform with the intention of delivering this by December 2021.	Director of Finance & ICT
	➢ Review of the Derbyshire Partnership Toolkit should be completed by end September 2021.	Director of Organisation, Development & Policy

Principle B Ensuring openness and comprehensive stakeholder engagement	➢ More active use of parish/town councils and community groups has been considered and actions are required to achieve this.	Performance and Engagement Manager (Place)
	➢ Partnership working arrangements are redesigned using the Thriving Communities approach to create strategic partnership engagement to deliver shared outcomes. The Thriving Communities governance arrangements have been reviewed and Terms of Reference refreshed. Representation from the Vision Derbyshire Communities Chief Executive Lead on the Board has been secured which should lead to a greater understanding by September 2021.	Director of Organisation, Development & Policy
Principle C Defining outcomes in terms of sustainable economic, social and environmental benefits	➢ Ensure that decisions are taken with regard to, or based on the longer term view. The new report templates implemented in May 2021 should meet this requirement.	Director of Legal & Democratic Services
	➢ More emphasis could be placed on measuring and monitoring longer term outcomes as opposed to outputs. This should be met using the revised report templates.	Director of Legal & Democratic Services

	➢ Ensure key equipment and processes to support business continuity planning are effectively maintained.	Director of Organisation, Development & Policy
	➢ A social value approach is in place. The Council has continued to develop and embed social value to ensure that the economic, environmental and social benefits are realised and captured consistently for Derbyshire when procuring services.	Director of Finance & ICT
	➢ Work has been ongoing to develop a comprehensive Asset Management Strategy. The final document will be considered by the Governance Group in 2021.	Director of Finance & ICT / Performance and Engagement Manager (Place)
Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes	➢ Development of consistent and effective business cases.	Director of Finance & ICT
	➢ The Council could develop a more proactive approach to the use of collective intelligence to guide decision making, rather than data. This is expected to be achieved through the development of cloud, SAP S4/HANA, other software, roles and use of intelligence by March 2022.	Director of Finance & ICT
	➢ Revised People Strategy will be useful to ensure consistent council wide approach and guide future investment in skills is due to be approved in July 2021. This needs to be fully embedded.	Director of Organisation, Development & Policy
	➢ Development of a robust post implementation review process for major projects. CMT approved the approach to review existing change projects and programmes and embed robust project management across the Council.	Performance and Engagement Manager (Place)

	➢ Review of officer scheme of delegation to optimise achievement of outcomes. The use of Modern.Gov to assist the recording of decision making is expected to be completed by December 2021.	Director of Legal & Democratic Services
Principle E Developing the entity's capacity, including the capability of its leadership and the individuals within it	➢ Whilst there are areas of good practice relating to staff inductions and MyPlans there are opportunities to develop these processes. The launch of the new performance management process (PDR) will be rolled out across the Council by March 2022.	Director of Organisation, Development & Policy
	➢ Workforce planning support has commenced in service areas that have high agency spend and recruitment and retention charges. Succession Planning has been identified as a priority within the People Strategy. Workforce planning proposals are expected by March 2022.	Director of Organisation, Development & Policy
	➢ Consistent training of new staff in the IT systems they are expected to use, alongside refresher training for existing staff to ensure effective use of systems. This is to be developed as part of the ICT restructure and new systems by December 2021.	Director of Finance & ICT
Principle F Managing risks and performance through robust internal control and strong	➢ Cyber security threats will require ongoing monitoring and development of appropriate responses which is a key work stream for the cyber security working group that was established in April 2021.	Director of Finance & ICT
	➢ The APEX performance system requires further development to utilise it to its full capacity to integrate performance and financial reporting. Further integration of risk is underway.	Director of Organisation, Development & Policy

public financial management	➢ Develop the process for lessons learnt from internal incidents and external Public Interest Reports.	To be allocated
Principle G Implementing good practices in transparency, reporting and audit to deliver effective accountability	➢ Continue to improve robust systems for property valuations building on the enhancements completed during recent years.	Director of Corporate Property
	➢ Continue to action the recommendations of LGA Peer Review to aid future improvement. The follow-up visit has been rescheduled for September 2021 with a new draft position statement considered by CMT on 1 June 2021 and working group meetings taking place fortnightly.	Director of Organisation, Development & Policy
	➢ Continue to review the Constitution to ensure it remains fit for purpose to deliver effective accountability. This has identified areas for review in 2021-22.	Director of Legal & Democratic Services
	➢ Continue to develop systems and protocols to support and monitor partnership working. The initial focus has been to review the Partnership Protocol and approach as overall context for the work plan and future actions.	Director of Organisation, Development & Policy
	➢ Embed the process for the production of the AGS in a timely manner.	To be allocated

Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

7 December 2021

Report of the Director of Finance & ICT

Production of 2022-23 Revenue Budget

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is not a Key Decision.

3 Purpose of the Report

3.1 For Audit Committee to note the process towards production of the 2022-23 Revenue Budget, providing Audit Committee with an update of the Revenue Budget Forecast Outturn for 2021-22, a summary of the Autumn Budget and Spending Review 2021, and an update on Cost Pressure Bids received in respect of the 2022-23 Revenue Budget.

4 Information and Analysis

Forecast Outturn 2021-22

4.1 The Council's forecast outturn for 2021-22 as at Quarter 1 (30 June 2021), compared to controllable budget, is summarised below. The forecast outturn table shows the position net of the impact of the ring-fenced Dedicated Schools Grant (DSG) of £378.684m and Public Health grant of £42.607m, other ring-fenced grants and income from other third parties and their associated spend.

Revenue Outturn Summary

	Budget	Use of MHCLG Covid-19 & SFC Grant Funding	Adjusted Budget	Forecast Actuals	Projected Outturn	Budget Performance
	£ Millions	£ Millions	£ Millions	£ Millions	£ Millions	
Adult Care	260.279	4.661	264.940	265.978	1.038	
Clean Growth and Regeneration	0.773	0.026	0.799	0.577	-0.222	
Corporate Services and Budget	47.511	0.480	47.991	52.616	4.625	
Children's Services and Safeguarding	140.236	4.850	145.086	150.854	5.768	
Health and Communities	8.533	0.095	8.628	8.155	-0.473	
Highways and Transport	30.685	0.889	31.574	34.171	2.597	
Infrastructure & Environment	43.508	2.980	46.488	45.993	-0.495	
Strategic Leadership, Culture,Tourism and Climate Change	12.729	0.079	12.808	12.977	0.169	
Total Portfolio Outturn	**544.254**	**14.060**	**558.314**	**571.321**	**13.007**	
Risk Management	20.289	0.000	20.289	9.813	-10.476	
Debt Charges	28.734	0.000	28.734	27.958	-0.776	
Interest and Dividend Income	-4.099	0.908	-3.191	-4.730	-1.539	
Levies and Precepts	0.354	0.000	0.354	0.357	0.003	
Corporate Adjustments	4.930	0.538	5.468	6.793	1.325	
Total	**594.462**	**15.506**	**609.968**	**611.512**	**1.544**	

4.2 The Covid-19 pandemic is continuing to have a significant impact on the Council's finances in 2021-22.

4.3 An overall Council overspend of £1.544m is forecast, after accounting for use of £15.506m of non-ringfenced grant funding provided by the Ministry of Housing Communities & Local Government (MHCLG) to support local authorities with the impacts of the Covid-19 pandemic. This includes funding from:

- compensation for lost sales, fees and charges income claimable under the Government scheme announced on 2 July 2020, which has been extended to 30 June 2021; and
- Covid-19 emergency grants of £15.337m awarded in 2021-22 and £11.248m awarded and brought forward from 2020-21.

4.4 A portfolio overspend of £13.007m is forecast. The significant variances are an overspend of £5.768m on the Children's Services and Safeguarding portfolio, a £4.625m overspend on the Corporate Services and Budget portfolio, a £2.597m overspend on the Highways and Transport portfolio and a £1.038m overspend on the Adult Care portfolio.

4.5 Forecast outturn for 2021-22 as at Quarter 2 (30 September 2021) has yet to go to Cabinet but the expectation is that it will show a small overall Council underspend, rather than a small overspend. However, the total portfolio overspend is expected to increase, mainly as a result of an increase in the Adult Care portfolio overspend.

4.6 The forecast £5.768m overspend on the Children’s Services and Safeguarding portfolio is primarily due to continued high demand for placements for children who are in care or unable to remain at home. The needs of individual children and the availability of placements has also meant that there are an increased number of children who have been placed in both more expensive fostering arrangements and more expensive residential provision. Other factors contributing to the overspend include the price and the number of journeys associated with transporting children with educational needs to school and the safeguarding costs of supporting a greater number of children in care and children and families in need.

4.7 The Council plans to support the Children’s Services and Safeguarding portfolio through allocations of a combination of ongoing budget growth and one-off funding to put these services on a sustainable financial footing by the time mitigation measures are able to stabilise the demand pressures on looked after children. Recent modelling suggests that demand is likely to level off by 2023-24.

4.8 The forecast £4.625m overspend on the Corporate Services and Budget portfolio is mainly due to current and prior-year savings targets which are not expected to be achieved in 2021-22, relating to the Corporate Property function, running costs on buildings that are awaiting disposal and a delay in the implementation of the new Legal Services operating model.

4.9 The forecast £2.597m overspend on the Highways and Transport portfolio relates to the Winter Service budget, which doesn’t provide for more than a mild winter and to savings targets which have not yet been allocated to specific services.

4.10 The forecast £1.038m overspend on the Adult Care portfolio relates to Purchased Services costs driven by the number of new care packages required to be provided to assessed individuals.

4.11 The table below shows the Covid-19 related costs across the portfolios as £14.060m. This is the forecast additional cost and lost income of the Council's response up to the end of March 2022, including the impact of slippage to the planned programme of savings which cannot yet be implemented as a result. This amount allows for any specific funding to offset the gross Covid-19 related costs which has already been forecast to be allocated to individual portfolios; these amounts are detailed below. Budget of £14.060m is forecast to be allocated to portfolios, from the emergency Covid-19 grant funding and the compensation for lost income from sales, fees and charges received from Government, to match these costs.

Covid-19 Forecast Gross Costs and Additional Income by Portfolio

	Covid-19 related Costs	**LESS: Specific funding for Portfolio Covid-19 Costs**	**Use of MHCLG Covid-19 and SFC Grant Funding**
	£m	**£m**	**£m**
Adult Care	20.409	(15.748)	4.661
Clean Growth and Regeneration	0.026	0.000	0.026
Corporate Services and Budget	0.480	0.000	0.480
Childrens Services and Safeguarding	8.656	(3.806)	4.850
Health and Communities	6.091	(5.996)	0.095
Highways and Transport	0.889	0.000	0.889
Infrastructure and Environment	2.980	0.000	2.980
Strategic Leadership, Culture, Tourism and Climate Change	0.079	0.000	0.079
Total Portfolio Outturn	**39.610**	**(25.550)**	**14.060**

Forecast use of Specific funding for Portfolio Covid-19 Costs

Adult Care	**£m**
Hospital Discharge Recharge	6.520
Infection Control Fund	9.228
Total Adult Care	**15.748**
Childrens Services and Safeguarding	
Home to School Transport	0.325
Wellbeing for Education return	0.032
Winter Grant Scheme	0.883
Covid Local Grant Scheme	2.566
Total Childrens Services and Safeguarding	**3.806**
Health and Communities	
Test and Trace	0.062
Contain Outbreak Management	5.840
Support CEV Individuals	0.076
Practical Self-Isolation Support	0.018
Total Health and Communities	**5.996**
TOTAL	**25.550**

Risk Management Budget

4.12 There is a forecast underspend on the Risk Management Budget of £10.476m in 2021-22.

4.13 The Risk Management Budget of £20.289m includes:

- £12.203m of contingency funding set aside in the 2021-22 Revenue Budget. This comprises:
  - £8.390m general contingency;
  - £2.313m for a pay award; and
  - £1.500m for 2021-22 County Council election costs
- £1.500m of one-off funding approved in the Council's 2021-22 Revenue Budget to pump prime the development of an Assistive Technology service. These funds were returned unused from the Adult Care portfolio as the portfolio was able to alternatively finance this initiative from its underspend in 2020-21.
- £6.000m of Covid-19 Local Support grant. An additional grant to the non-ringfenced grants that had been announced when the 2021-22 Revenue Budget was approved by Council on 3 February 2021.

- £0.585m of ongoing Transition Funding approved in the Council's 2020-21 Revenue Budget allocation for Demographic Growth, which had not been utilised by 31 March 2021, returned from the Adult Care portfolio.

4.14 The forecast expenditure of £9.813m on the Risk Management Budget is:
- £6.000m utilisation of the Covid-19 Local Support Grant.
- £2.313m draw-down of contingency funding for a pay award.
- £1.500m draw-down of contingency funding for election costs.

Debt Charges

4.15 The Debt Charges budget is forecast to be underspent by £0.776m in 2021-22.

4.16 Debt charges are based on 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 £7.000m one-off reduction in the Council's Capital Adjustment Account Reserve. This reduction is 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 Dividend Income

4.17 Interest and dividend income budgets are forecast to be underspent by £1.539m in 2021-22.

4.18 The interest base rate has remained at an historically low rate of 0.10% since 10 March 2020. However, the Council utilises a range of investments, including pooled funds, to maximise its interest and dividend income on balances.

4.19 A projected decrease of £0.654m in dividend income on the Council's investments in pooled funds, compared to 2019-20, is forecast to be supported by the use of MHCLG Covid-19 grant funding. Pooled fund investments have been held for the whole financial year to date.

4.20 The interest rate on the loan to Buxton Crescent Ltd has been reduced in recognition of the fact that the revenues from Buxton Crescent hotel are expected to be significantly lower than anticipated because of the impacts of Covid-19. The resulting decrease of £0.254m interest income accruing to this loan in 2021-22 is forecast to be funded using MHCLG Covid-19 grant funding.

Budget Savings

4.21 The budget savings target for 2021-22 is £13.291m, with a further £12.768m target brought forward from previous years. The savings initiatives identified to meet this target fall short by £9.604m, therefore further proposals will need to be brought forward to ensure the Council continues to balance its budget. Of this total target of £26.059m, £9.777m is forecast to be achieved by the end of the financial year. Therefore, there is a £16.282m forecast shortfall in achievement of budget savings. The resulting base budget overspend is offset to some extent by one-off underspends, one-off funding from earmarked reserves and additional grant funding received.

4.22 The Revenue Budget Report 2021-22 was approved by Council on 3 February 2021. It confirmed that target savings of £72m are required by the end of 2025-26, of which £38m have been identified. The identified savings comprise £35m of identified departmental annual budget savings and £3m of cross-departmental annual budget savings over the period of the Five Year Financial Plan (FYFP)., a summary of which is set out in the graph below.

4.23 There is a clear and significant challenge to identify savings to bridge the remaining savings gap and plan the best approach to achieving those savings over the next few years, if additional funding is not received over and above that which is forecast. Additional funding may come from further increasing Council Tax in 2022-23 onwards, over and above the 2% increases forecast, up to referendum limits, further Government grants over and above those predicted or from increased business rates growth. There is a planned use of General and Earmarked Reserves from 2021-22 to 2025-26 to achieve a balanced budget.

Earmarked Reserves

4.24 Earmarked reserves are held to meet known or predicted liabilities and the funds should be used for the item for which they have been set aside. Any funds no longer required are returned to the General Reserve. The Council reviews the level of earmarked reserves at least annually. The next review of earmarked reserves is scheduled to take place in December 2021.

4.25 The Council's response to the Covid-19 pandemic and its effects on the Council's finances are expected to continue into 2021-22. Any funding received to support Covid-19 impacts, which had not been utilised by 31 March 2021, has been contributed to earmarked reserves or is held as a receipt in advance. This will enable this funding to be used for relevant expenditure over the two-year period 2020-21 to 2021-22.

General Reserve

4.26 The General Reserve stands at £77.663m at 30 June 2021. The level of General Reserve is £50.873m, after the commitments below and the forecast outturn for 2021-22, which is 8.9% of the Council's Net Budget Requirement for 2021-22. The commitments held against this balance are as follows:

General Reserve

	£m
Balance at 30 June 2021	**77.663**
Less: 2020-21 Outturn Allocations to Portfolios and Corporate Reserves	
Adult Care	0.000
Corporate Services	(0.175)
Clean Growth and Regeneration	(0.147)
Health and Communities	(0.984)
Highways, Transport and Infrastructure	(0.233)
Strategic Leadership, Culture and Tourism	(0.707)
Young People	0.000
Budget Management Reserve	(9.000)
Contingency Reserve for Post-Covid Funding Risks	(14.000)
Balance at 30 June 2021 after Outturn allocations	**52.417**
Projected Outturn 2021-22	(1.544)
Forecast Balance at 31 March 2022	**50.873**
Net Budget Requirement 2021-22	**572.475**
General Reserve Balance as % of NBR at 31 March 2022	**8.89%**

4.27 In addition there are also commitments held against the General Reserve balance, which were referred to in the Council's 2021-22 Revenue Budget Report.

4.28 The majority of chief financial officers consider an acceptable level of generally available reserves to be one that reflects a risk-based approach to potential liabilities. A relatively crude measure is to expect the resulting figure to be between 3% to 5% of a council's net spending, representing a prudent level of risk-based reserves. As at 30 June 2021, after the commitments above, the figure for the Council stood at 9%, indicating a robust balance. However, it is necessary to consider this indicator over the medium term to gain a better understanding of its adequacy.

Traded Services

4.29 A trading area is where the Council receives income in return for providing discretionary services to external organisations and/or individuals.

4.30 ‘Fully traded’ trading areas are separately identifiable and have a net controllable budget of £0, i.e. there is an expectation that on average all the controllable expenditure within this area will be funded from external income. An overall deficit of £0.225m is forecast for 2021-22 on fully traded areas across the Council as a whole.

4.31 ‘Partially traded’ trading areas do not have a net controllable budget of £0, but they do receive income from external entities which contributes to funding some of the discretionary services they provide. An overall shortfall of £0.088m compared to the budgeted income target is forecast for 2021-22 on partially traded areas across the Council as a whole.

Autumn Budget and Spending Review 2021

4.32 The Spending Review 2021 (SR 2021) was launched on 7 September 2021, along with plans for Social Care Reform. These Social Care Reform plans include:

- 1.25% increase in National Insurance (NI), from April 2022, ring-fenced for health and social care.
- From April 2023, the NI increase will be legislatively separate and separately identified on employees’ pay slips as a separate Health and Social Care Levy. It will also apply to individuals working above state pension age.
- 1.25% increase in tax on share dividends, from April 2022.
- These changes will raise £36bn UK-wide, of which an average of £5.4bn will be for adult social care over the next three years.
- An £86,000 cap on total care costs and means-testing for financial support to people with less than £100,000 in relevant assets will be implemented from October 2023.

4.33 On 27 October 2021, the Government announced the details of the Autumn Budget and SR 2021, which sets out public spending totals for three years, from 2022-23 to 2024-25.

4.34 The Office of Budget Responsibility (OBR) forecasts that Gross Domestic Product (GDP) will rise by 6.5% in 2021. The OBR now expects the economy to regain its pre-pandemic size around the turn of the year, earlier than the previously expected mid-2022. All medium-term forecasts are revised upwards.

4.35 The key announcements in the Autumn Budget and SR 2021, relevant to local government, were:

- Core spending power for local authorities is estimated to increase by an average of 3% in real terms each year over the SR 2021 period, including investment in Adult Social Care reform.
- The approach to allocating funding in 2022-23 will be set out in the Provisional Local Government Finance Settlement.
- There will be further engagement with the sector on wider reforms to be implemented in subsequent years.
- Around £1.6bn of new funding is allocated over each year of the SR 2021 period, for social care and other services. This is the largest increase in core local government funding in over a decade. Funding for the additional cost of NI for Social Care is included in this new funding. Over the SR 2021 period, this funding also includes:
  - £200m to expand the Supporting Families programme
  - £37.8m to address cyber security issues facing local government.
- A further £3.6bn of the £5.4bn of funding for adult social care reform announced on 7 September 2021 will be routed through local government, to implement the cap on personal care costs and changes to the means test. This funding will also help local authorities better sustain their local care markets by moving towards a fairer cost of care.
- Within the Department for Health and Social Care settlement is £1.7bn from the £5.4bn of funding for adult social care reform, which will be invested over three years to improve social care more broadly, of which at least £500m will be dedicated to improving skills, qualifications and wellbeing in the adult social care workforce.
- The Government will maintain the Public Health Grant in real terms over the SR 2021 period.
- £259m is allocated over the SR 2021 period to maintain capacity and expand provision in secure and open residential children's homes.
- Investment of £500m over the next three years to transform 'Start for Life' and family help services in half of the council areas across England. This will fund a network of Family Hubs, Start for Life services, perinatal mental health support, breastfeeding services and parenting programmes. It includes an additional £200m for the Supporting Families programme.
- Provision of £200m each year to continue the holiday activities and food programme for disadvantaged children in England.
- A 2% per year Council Tax general increase is assumed, with an additional 1% per year of Adult Social Care precept for social care authorities. Local authorities can carry forward unused Adult Social Care precept in 2021-22, in addition to the 1% cap in 2022-23.

- A reform of business rates, including a significant tax cut for retail, hospitality and leisure industries. Local authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs. There will be additional compensation for under-indexation of the Business Rates multiplier, including the gap between CPI and RPI inflation rates, and will be additional to the £4.8bn increase in core spending power.
- It was also announced that there will be more frequent Business Rates revaluations, which will be every three years from 2023.
- There will be an increase in the National Living Wage (NLW) by 6.6% to £9.50 an hour for people aged 23 and over, starting on 1 April 2022. The Government continues to aim for a NLW of two-thirds of median incomes by 2024.
- The Government will oversee an increase in skills spending over the parliament, up by £3.8bn.
- An additional £4.7bn towards the core schools budget in England by 2024-25.
- Allocation of £2.6bn over the SR 2021 period for 30,000 new school places for children with special educational needs and disabilities (SEND) in England.
- £3.2bn for educational recovery over the SR 2021 period, including a £1bn Recovery Premium for the next two academic years, and support for additional learning hours, tutoring courses for disadvantaged pupils and teacher training.
- £560m towards youth services in England.
- Announcement of the first local infrastructure projects to receive £1.7bn in allocated funding through a £4.8bn multi-department Levelling Up Fund.
- The first 21 projects to be funded by a £150m Community Ownership Fund were also announced.
- Up to £200m was announced to deliver eight Freeports in England.
- The UK Shared Prosperity Fund is the successor to the EU Structural Fund programme, and funding will rise to £1.5bn a year by 2024-25.
- The Levelling Up White Paper will provide further information on the Government’s plans regarding devolution deals.
- Allocation of £2.7bn over the next three years for local roads maintenance in places not receiving City Region Settlements.
- Bus investment of £3bn across the parliament, including a new dedicated commitment of £1.2bn for bus transformation deals in England, to deliver London-style services, fares and infrastructure improvements.
- Additional income in 2024-25 from the Extended Producer Responsibility Scheme, for managing packaging waste in the final year of the SR 2021 period.

- £34.5m of additional funding over the SR 2021 period to further strengthen local delivery and transparency. This funding will help to strengthen the sector's procurement and commercial capacity, establish the Audit Reporting and Governance Authority as the new local audit systems leader, and help local councils meet new transparency requirements.

4.36 The Society of County Treasurers (SCT) estimates a Provisional Local Government Finance Settlement date of mid-December 2021. At that point more detail will be provided on the funding the Council can expect to receive in 2022-23. It has not been announced whether the Local Government Finance Settlement will provide provisional allocations for one-year, two-years or three-years. A multi-year settlement provides local authorities with some certainty to support medium-term financial planning.

Cost Pressure Bids

4.37 At the CMT meetings on 14 and 21 September 2021, detailed discussions were held in respect of 2022-23 Revenue Cost Pressure Bids received. Further clarity was requested from departments with regard to some of the bids.

4.38 Updated bids were received from departments and summarised for discussion at the CMT meeting on 2 November 2021. It was reported that Revenue Cost Pressure Bids of £50.522m ongoing and £16.803m one-off relating to 2022-23 had been received.

4.39 The scale of both ongoing and one-off bids is not financially sustainable. Therefore, further work is required to ensure that the Council can set a balanced budget in 2022-23 and over the medium-term, recognising increased costs from rising demand for services.

4.40 A significant level of pressure bids will not be funded and if the forecast pressures do occur, they will not be covered in the Council's budget. In such cases, the funding would initially come from the Council's General Reserve in 2022-23 but thereafter any such ongoing pressures would need to be met from additional savings that would need to be allocated to departments on top of those forecast.

4.41 A CMT away day is scheduled for early December 2021, when further details of Cost Pressure Bids will be presented alongside Service and Council Plan priorities, as well as Manifesto commitments. The final Cost Pressure Bids list will be for Members to consider, in the context of the forecast available future funding, based on the latest known information. A final list will need to be agreed in early December 2021, with final proposals presented to Council in February 2022.

Council Tax and Business Rates

4.42 Both Council Tax and Business Rates income are collected by billing authorities and placed into a separate pot called the Collection Fund. Councils and other authorities are paid fixed amounts from the Collection Fund on the basis of the billing authorities' forecast business rates income as at the start of the financial year. The timings or amounts of these payments cannot be revised within the year according to current regulations.

4.43 This means that, if there is under- or over-collection of local taxes in a given year against budgeted amounts, this loss hits councils' general funds in the following financial year when future drawdowns of the Collection Fund are adjusted downward or upward to reflect last year's actual collected amounts.

4.44 Last year the district and borough councils were allowed to spread collection fund losses over three financial years, however, in preceding years the Council had benefited from collection fund surpluses. The impact of this spreading is the receipt of £1.042m less Council Tax funding in each of 2022-23 and 2023-24 for the Council. In addition to this, the district and borough councils have not yet estimated what the average collection fund position is this year. Details for this year will not be confirmed until January 2022.

4.45 Similarly, the district/borough councils are responsible for collecting local business rates, for which collection rates have also reduced, but rates vary between the district and borough councils. Last year the collection fund deficit reduced the Council's locally retained business rates income by £6.927m. Only £0.120m of the loss was spread into 2022-23 and 2022-24. The district and borough councils have not yet estimated what the average collection fund position is this year. Details will not be confirmed until January 2022.

5 Consultation

5.1 No consultation is required.

6 Alternative Options Considered

6.1 N/A – this report advises Audit Committee on the process towards the production of the Revenue Budget 2022-23, and provides an update of the Revenue Budget Forecast Outturn for 2021-22, a summary of the Autumn Budget and Spending Review 2021, and an update on Cost Pressure Bids received in respect of the 2022-23 Revenue Budget.

7 Implications

7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

8 Background Papers

8.1 Papers held electronically by Financial Strategy Section, Finance & ICT Division, County Hall.

9 Appendices

9.1 Appendix One – Implications.

10 Recommendations

That Audit Committee:

10.1 Notes the Revenue Budget Forecast Outturn for 2021-22.

10.2 Notes the key announcements in the Autumn Budget and SR 2021, relevant to local government.

10.3 Notes the quantum of Revenue Budget pressure bids received, which cannot all be funded without significant additional budget reductions across all areas.

10.4 Notes the actions taken in respect of the shortlisting and agreement of Cost Pressure Bids to support the budget production process.

11 Reasons for Recommendation

11.1 It is prudent and responsible practice for Audit Committee to be kept informed of the process towards production of the 2022-23 Revenue Budget, and is provided with an update of the Revenue Budget Forecast Outturn for 2021-22, a summary of the Autumn Budget and Spending Review 2021, and an update on Cost Pressure Bids received in respect of the 2022-23 Revenue Budget.

12. Is it necessary to waive the call in period?

12.1 No

Report Author:	**Contact details:**
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This report has been approved by the following officers:

On behalf of: Director of Legal Services and Monitoring Officer Director of Finance and ICT	

Appendix One

Implications

Financial

1.1 As outlined in the body of the report.

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

7 December 2021

Report of the Director of Finance & ICT and the Director of Legal Services

Anti-Money Laundering Policy

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is not a Key Decision.

3. Purpose

3.1 To advise Audit Committee of the latest review and update of the Council's Anti-Money Laundering Policy.

4. Information and Analysis

4.1 The legislative requirements concerning anti-money laundering procedures are extensive and complex. The Council's Anti-Money Laundering Policy (the "Policy") has been written so as to enable the Council to comply with anti-money laundering legislation applicable to public authorities.

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4.2 Any employee could potentially be caught by the money laundering provisions if they suspect money laundering, and either become involved with it in some way, or do nothing about it. Whilst the risk to the Council of contravening applicable legislation is low, it is extremely important that all employees are familiar with their legal responsibilities.

4.3 The objectives of the Council's Policy are to:

- Ensure that all employees are aware of the legislation and money laundering offences within it, their responsibilities regarding the legislation and the consequences of non-compliance.

- Document the Council's client identification procedures.

- Establish the Council's internal reporting procedures.

- Define the Council's expectations in respect of employee awareness.

- Establish the Council's requirements for the appointment of an officer and deputies responsible for anti-money laundering.

- Document certain procedures of internal control and communication for activities which are restricted or regulated.

4.4 The Council's Policy was most recently presented to the Audit Committee at its meeting on 8 December 2020, following a review in October 2020, when the following changes were made:

- Reference to UK legislation and regulations on money laundering has been updated to refer to The Money Laundering and Terrorist Financing (Amendment) Regulations 2019, which came into force on 10 January 2020 and The Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulations 2020, which come into force in part on 6 April 2021, 10 March 2022 or Implementation Period completion day (31 December 2020), the ending of the 11 month period from 31 January 2020 during which the UK continues to be subject to EU rules, and otherwise on 6 October 2020 (as 21 days after the day on which they were laid). No changes were required to the Council's Anti-Money Laundering Policy, other than to update the legislation references.

- Reduction in the high value receipts cash limit, from £2,500 as a matter of course and £10,000 by exception, to £2,500 for each transaction in all cases (decision previously made and included on invoices).

4.5 Following a further review of the Council's Policy in November 2021, no additional changes are required.

4.6 The Council's Policy, which takes account of the Council's exposure to money laundering, along with guidance notes and supporting documentation, is attached in Appendix 2 to this report. It has been published on the Council's website.

4.7 Government has been seeking views on amendments to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, in a consultation which closed on 14 October 2021. The Government is keen to ensure that the UK's anti-money laundering and counter terrorist financing regime effectively deters money laundering and terrorist financing activity, whilst being proportionate and managing burdens on businesses. Based on the information available, it is not expected that these changes would impact on public authorities such as the Council.

4.8 Commencing on 1 April 2022, a new tax called the Economic Crime (Anti-Money Laundering) Levy will be charged on entities regulated under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017. For the sake of clarity, this does not include the Council but does include various financial institutions, professional services firms, estate agents, casinos and art market participants.

5. Consultation

5.1 No consultation is required.

6. Alternative Options Considered

6.1 N/A – not reviewing and updating the Council's Anti-Money Laundering Policy would be contra to the Council's Financial Regulations which require that appropriate anti-money laundering arrangements are in place.

7. Implications

7.1 11.1 below and Appendix 1 set out the relevant implications considered in the preparation of the report.

8. Background Papers

8.1 Papers held electronically by Financial Strategy, Finance & ICT, Room 137, County Hall.

9. Appendices

9.1 Appendix 1 – Relevant implications considered in the preparation of the report.

9.2 Appendix 2 – Derbyshire County Council Anti-Money Laundering Policy, which has the following Policy Appendices:
- Appendix A – Anti-Money Laundering – Warning Signs
- Appendix B – Anti-Money Laundering – Notes for Employees
- Appendix C – Internal Suspicion of Monet Laundering Activity Form

10. Recommendations

That Audit Committee:

10.1 Notes that a review and update of the Anti-Money Laundering Policy has taken place.

11. Reasons for Recommendations

11.1 The consequence of any public authority or its employees becoming involved in money laundering, without policies and procedures in place to help prevent it, may be very serious. It may result in criminal prosecutions, if organisations and individuals are not fulfilling their duty under the law. It would reflect poorly not only on the Council but potentially on the public sector as a whole.

11.2 It is, therefore, prudent and responsible practice for the Council to put in place and to keep up to date a policy, which includes appropriate and proportionate anti-money laundering safeguards and reporting arrangements. Such arrangements are designed to detect and avoid involvement in the crimes described in the legislation and regulations.

11.3 The requirement to ensure that appropriate anti-money laundering arrangements are in place is contained within the Council's Financial Regulations.

12. Is it necessary to waive the call in period?

12.1 No

Report Author:
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This report has been approved by the following officers:

On behalf of: Director of Finance and ICT Director of Legal Services and Monitoring Officer	

Implications

Financial

1.1 As outlined in the body of the report.

Legal

2.1 Legislation and regulations relating to money laundering:

- The Proceeds of Crime Act 2002 (as amended by the Crime and Courts Act 2013 and the Serious Crime Act 2015).

- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, as amended by The Money Laundering and Terrorist Financing (Miscellaneous Amendments) Regulations 2018, The Money Laundering and Terrorist Financing (Amendment) Regulations 2019 and the elements of The Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulations 2020 which came into force on 6 October 2020.

- Explanatory Memorandum to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

- The Terrorism Act 2000 (as amended by the Anti-Terrorism, Crime and Security Act 2001, the Terrorism Act 2006 and the Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007).

2.2 Not complying with the above legislation, in so far as it is applicable to the Council, may result in criminal prosecutions, if the Council and/or individuals are not fulfilling their duty under the law.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.

Derbyshire County Council

Anti-Money Laundering Policy

Version History			
Version	**Date**	**Detail**	**Author**
1.0	31 03 2010	Council's first Anti-Money Laundering Policy noted and approved by Members of Audit Committee on 31 Mar 2010.	E Scriven
2.0	17 10 2011	Members of Audit Committee noted and approved update at meeting 17 Oct 2011.	E Scriven
3.0	29 01 2013	Members of Audit Committee advised of latest review at meeting 29 Jan 2013.	E Scriven
4.0	07 10 2014	Reviewed by Members of Audit Committee at meeting 7 Oct 2014.	E Scriven
5.0	06 10 2015	Members of Audit Committee advised of latest review at meeting 6 Oct 2015.	E Scriven
6.0	04 08 2016	Policy reviewed for presentation to Audit Committee Members at meeting 4 Oct 2016 - updated for changes to UK legislation and regulations amendments on money laundering; to include references to the National Crime Agency (NCA), which replaced the Serious Crime Agency (SOCA) and took over its responsibilities for investigating money laundering; update job titles of deputy MLROs; version control and information classification added.	E Scriven
7.0	05 07 2017	Policy reviewed for presentation to Audit Committee Members at meeting 22 Nov 2017 – updated for new legislation Money Laundering Regulations 2017, effective 26 June 2017 and other changes to the post of one deputy MLRO after retirement and removal of the post of the previous holder; change of job title of MLRO to include ICT; old DCC logo removed.	E Scriven
8.0	01 06 2018- 14 11 2018	Policy reviewed. Change to nominated deputy MLRO following departure of previous holder.	S Holmes
9.0	22 11 2018	Tracked changes from Legal	Simon Macdonald-Preston
10.0	18 11 2019	Policy reviewed. Changes to posts of nominated deputy MLROs. Update to refer to updated Legislation *(no change required to Policy except to reference new legislation).* New requirement for Money Laundering Reporting Officers to log instances where they have been consulted and they have concluded that acceptance of the cash is appropriate.	E Scriven
11.0	08 10 2020	Policy Review. Update to refer to updated Legislation *(no change required to Policy except to reference new legislation)* and to include update to reduce cash limit from £10,000 by exception to £2,500 in all cases (decision previously made and included on invoices).	E Scriven

12.0	03 11 2021	Policy Review. No changes required to the Policy.	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

Introduction

This policy establishes a framework within which the requirements of the Terrorism Act 2000 (as amended by the Anti-Terrorism, Crime and Security Act 2001, the Terrorism Act 2006 and the Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007), the Proceeds of Crime Act 2002 (as amended by the Crime and Courts Act 2013 and the Serious Crime Act 2015) and The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, as amended by the Money Laundering and Terrorist Financing (Miscellaneous Amendments) Regulations 2018, The Money Laundering and Terrorist Financing (Amendment) Regulations 2019 and The Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulations 2020, the elements of which came into force on 6 October 2020, as applicable to public authorities, will be adhered to by the Council (the “Legislation”).

It sets out appropriate and proportionate anti-money laundering safeguards and reporting arrangements, designed to detect and avoid involvement in the crimes described in the Legislation. It is the Council’s responsibility to take all reasonable steps to minimise the likelihood of money laundering occurring.

Failure to adhere to the requirements of the Legislation may result in criminal prosecutions, if the Council and its officers and members are not fulfilling their duty under the law.

Scope

This policy applies to all officers and members (the “employees”) and their interaction with third parties such as suppliers, contractors, through partnership arrangements and Teckal companies, and aims to maintain the high standards of conduct which currently exist within the Council, by preventing criminal activity through money laundering. The policy sets out the procedures which must be followed to enable the Council to meet its legal obligations under the Legislation.

It is designed to help employees familiarise themselves with the legal and regulatory requirements relating to money laundering, as they affect both the Council and employees personally.

Whilst the policy particularly applies to employees involved with monetary transactions, it is everyone’s responsibility to be vigilant.

Purpose

The legislative requirements concerning anti-money laundering procedures are extensive and complex. This policy has been written so as to enable the Council to meet the Legislation in a way which is proportionate to the low risk to the Council of contravening the law.

Any employee could potentially be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way or do nothing about it. Whilst the risk to the Council of contravening the Legislation is low, it is extremely important that all employees are familiar with their legal responsibilities.

The objectives of this policy are to:

- ensure that all employees are aware of the Legislation and money laundering offences within it, their responsibilities regarding the Legislation and the consequences of non-compliance;

- document the Council's client identification procedures;

- establish the Council's internal reporting procedures;

- define the Council's expectations in respect of employee awareness and targeted training;

- establish the Council's requirements for the appointment of an officer responsible for anti-money laundering; and

- document certain procedures of internal control and communication for activities which are restricted or regulated.

Legislation and Offences

The Legislation, as applicable to public authorities, will be adhered to by the Council.

Under the Legislation, money laundering is interpreted very widely and includes possessing, or in any way dealing with, or concealing, the proceeds of any crime. In summary, the main money laundering offences are:

- concealing, disguising, converting, transferring or removing criminal property from the UK;

- being concerned in an arrangement which a person knows or suspects or facilitates the acquisition, retention, use or control of criminal property;

- acquiring, using or possessing criminal property; and

- doing something that might prejudice an investigation, for example, falsifying a document.

It is an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of criminal activity or resulting from acts of criminal activity. All individuals and businesses in the UK, including employees and the Council, have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, criminal activity or its laundering, where it relates to information that comes to them in the course of their business or employment.

Employee Responsibilities

Whilst money laundering may most commonly be associated with organised crime, employees of the Council could be exposed to it in the ongoing pursuit of their everyday activities. Guidance for employees on their possible exposure to money laundering, along with examples of warning signs of money laundering, is attached at Appendix A ("Money Laundering - Warning Signs") to this policy.

Employees should follow this policy in respect of all crimes, however small. The regime under which money laundering is monitored operates on an "all crimes" basis and sets no lower limit below which suspected crimes should not be internally reported.

It is essential that employees rigorously apply the internal procedures set out in this policy to prevent money laundering.

Non-Compliance

Failure by an employee to comply with the procedures set out in this policy may lead to disciplinary action being taken against them, in accordance with the Council's Disciplinary and Dismissal Procedure Policy.

Offences may be tried at a Magistrate's Court or in the Crown Court, depending on the severity of the suspected offence. Trials at the former can attract fines of up to £5,000, up to six months in prison, or both. In a Crown Court, fines are unlimited and sentences up to fourteen years in prison may be handed out.

Client Identification Procedures

Although it may not be a legal requirement to put in place formal procedures for evidencing the identity of those the Council does business with, in practice, prudence dictates that employees are alert to potentially suspicious circumstances.

Examples include situations where funds flow through the Council from a source with which it is unfamiliar. There is a greater risk if the parties concerned are not physically present or may be acting for absent third parties.

In particular, if the Council is forming a new business relationship and/or is considering undertaking a significant one-off transaction, it is required that identification procedures are set up and maintained in respect of the parties involved. If the client acts, or appears to act, for another person, reasonable measures must be taken for the purposes of identifying that person. These may already be part of the Council's procedures in some areas.

In this situation, the client should provide satisfactory evidence of their identity either personally, through passport/photo driving license plus one other document with their name and address, for instance a utility bill (not a mobile bill), mortgage/building society/bank documents, credit card documents, a pension/benefit book; or their corporate identity, which can be through company formation or business rates documents. This evidence should then be retained. If satisfactory evidence is not obtained, the relationship or the transaction must not proceed.

Internal Reporting Procedures

Staff concerns should be reported to the Council's nominated anti-money laundering officer ("the Officer"), or in his or her absence, their deputies. All suspicious transactions, irrespective of their values, should be reported to the Officer.

Employees should first have an initial discussion with the Officer, which should be recorded on an internal form if the Officer decides that the matter is serious enough to warrant this. The Officer will then decide whether an external report is needed. The forms are attached at Appendix C to this policy.

If it is concluded that the matter is not suspicious, then the Officer should complete a log which records instances where they have been consulted and they have concluded that acceptance of the cash is appropriate.

All forms and logs will be retained for five years from the date on which the matter is satisfactorily concluded.

Once an employee has reported their suspicions to the Officer, they have fully satisfied their own statutory obligation.

The Council will monitor the types of transactions and circumstances that give rise to suspicious transaction reports, with a view to updating internal instructions and guidelines from time to time.

At no time and under no circumstances should an employee voice any suspicions to the persons suspected of money laundering. This is known as "tipping off". Whilst this is not an offence for a public authority which does not operate in the regulated sector (which is avoided by ensuring that undertaking investment activities for a third party and structuring agreements for certain activities, if undertaken for third parties, are restricted), it is best practice. No reference should be made on a client file to the Officer having been contacted, or a report having been made to the Officer. Should the client exercise their right to see the file, then such a note would obviously tip them off as to the report having been made. The Officer should keep the appropriate records in a confidential manner.

Employee Awareness and Training

It is not necessary for all staff to have a detailed knowledge of what constitutes criminal offences under the Legislation. Those who are most likely to encounter money laundering should read this policy, as it documents what procedures are in place to help prevent money laundering and informs them of their personal responsibilities and possible liabilities as individuals. Suggested notes for managers to distribute to these and other employees are attached at Appendix B ("Anti-Money Laundering – Notes for Employees").

The Council does not have any areas of activity that are considered to be especially vulnerable to money laundering. This is supported by the fact that local authorities are not included as a "relevant person" in The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, as amended by the Money Laundering and Terrorist Financing (Miscellaneous Amendments) Regulations 2018 and are therefore not covered by those regulations.

Any managers who believe they have identified any especially vulnerable areas should first consult with the Officer. If it is then agreed that this is the case, then the manager of the employees involved should request the Officer to arrange to deliver more targeted training to the employees.

Appointment of an Officer Responsible for Anti-Money Laundering

Whilst the Council is not obliged to have a formally appointed Money Laundering Reporting Officer ("MLRO") under the Proceeds of Crime Act, it is good practice for an officer to be nominated as being responsible for the Council's anti-money laundering activities. The Council should therefore always have a nominated anti-money laundering officer ("the Officer"), along with two nominated deputies, who are authorised to act in their absence.

These anti-money laundering appointees should already hold a senior position at the Council so that they can access relevant information (even if it is sensitive) and have the authority to make the decision not to externally report, without having to refer to anyone else in the Council. This policy, therefore, requires that the Officer and deputies should occupy the following senior positions at the Council:

Role	**Name**	**Position**
Officer	Peter Handford	Director of Finance & ICT
Deputies	Paul Stone	Assistant Director of Finance (Financial Management)
	Dawn Kinley	Head of Pension Fund

The Council's appointed Officer and deputies should:

- maintain the Council's policies and procedures in respect of money laundering;
- receive and manage the concerns of employees about money laundering and their suspicion of it;
- document internal money laundering reports in conjunction with the employee concerned, where warranted;
- make internal enquiries to follow up concerns; and
- make external reports to NCA (see below), where necessary.

The Officer and deputies must follow the current requirements of the National Crime Agency ("NCA"), which has taken over the responsibilities of the Serious Organised Crime Agency ("SOCA") for investigating money laundering and terrorist financing, in enforcing the legislation. However, the Officer and deputies should not allow the role to consume a disproportionately large amount of time and resources, relative to the risks.

Restricted Activities

This policy requires certain activities to be regulated or restricted as follows:

a) Undertaking Investment Activities for a Third Party

In making investment arrangements, the Council should not act as a principal or agent in, or an arranger of, investment activities for a third party, without prior authority from the Officer, as such activities might be interpreted as being a regulated activity and expose the Council to additional money laundering regulations.

This excludes the investments of trust and charitable funds and the placing of cash deposits for other local authorities, as such activities, in the Chartered Institute of Public Finance and Accountancy's (CIPFA) view, would not be interpreted as being "by way of business".

b) Receiving High Value Cash Receipts

For the purpose of preventing money laundering:

- The Council, in the normal operation of its services, accepts payments from individuals and organisations, for example in relation to property rental and sundry debtors. For all transactions under £2,500, no action is required, unless the employee has reasonable grounds to suspect money laundering activities, proceeds of crime or is simply suspicious, at which stage the matter should be reported to the Officer.

- Cash receipts of £2,500 or more should not be accepted. "Cash" includes notes, coins or travellers' cheques in any currency. It is not appropriate for payment of a balance owed to the Council to be sub-divided into smaller cash receipts to circumvent this limit, whatever the purpose of the payment. Any attempts to do this should be reported to the Officer as suspicious activity.

c) Refunds

A significant overpayment of an amount owed, which results in a repayment, should be properly investigated and authorised as not suspicious, before repayment is made.

d) Structuring of Agreements

Advice from the Officer should be sought in structuring agreements relating to the following activities, if undertaken on behalf of third parties, as such activities might be interpreted as being a regulated activity and expose the Council to additional money laundering regulations:

- advice about tax affairs;

- accountancy services;
- audit services;
- legal services which involve participation in a financial or real property transaction; and
- services which involve the formation, operation or management of a company.

CIPFA's Treasury Management Code

Treasury management activities and the legal and best practice requirements relating to them (including money laundering), are subject to the provisions of CIPFA's Treasury Management: Code of Practice ("the TM Code"). The TM Code is legally enforceable in local authorities.

Conclusion

The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This policy and the guidance notes and supporting documentation in the Appendices have been written to enable the Council to meet the legal requirements in a way that is proportionate to the Council's risk of contravening the legislation.

Anti-Money Laundering

Money Laundering - Warning Signs

Those involved in the handling of criminal property look for ways to secure and safeguard the proceeds of their criminal activities. Although other ways exist, cash is the mainstay of criminal transactions, being the most reliable and flexible, and having little or no audit trail.

In the UK, the most popular method of laundering money is thought to be the purchase of property, followed by investment in front companies or high cash turnover businesses (frequently legitimate businesses), or funding a lifestyle.

The following examples, which employees could encounter at the Council, may indicate that money laundering is taking place:

- Transactions or trade that appear to make no commercial or economic sense from the perspective of the other party. A money launderer's objective is to disguise the origin of criminal funds and not necessarily to make a profit. A launderer may therefore enter into transactions at a financial loss if it will assist in disguising the source of the funds and allow the funds to enter the financial system.

- Large volume/large cash transactions. All large cash payments should be subject to extra care and should cause questions to be asked about the source. This will particularly be the case where the cash paid exceeds the amount necessary to settle a transaction and the persons concerned request a non-cash refund of the excess. This will include double payments. The Council's Anti-Money Laundering Policy includes procedures which must be followed when encountering high value cash receipts. The cash receipts limit is £2,500; cash payments may not be sub-divided to circumvent this limit. Cash payments over £2,500 must not be accepted.

- Payments received from third parties. Money launderers will often look to legitimate business activity in order to assist in "cleaning" criminal funds and making payments on behalf of a legitimate company can be attractive to both parties. For the legitimate company it can be a useful source of funding and for the launderer the funds can be repaid through a banking system.

Examples of warning signs which could point to money laundering are:

- use of cash where other means of payment are normal;
- unusual transactions or ways of conducting business, including where third-party intermediaries become involved in a transaction;
- unwillingness to answer questions / secretiveness generally;
- difficulties in establishing the identity of a party, or where the identity is not disclosed;
- use of overseas companies;
- evasiveness as to the source or destiny of funds; and
- overpayment of property rental income where refunds are needed.

The money laundering regime adopts an "all crimes" approach. It should be noted that the money laundering offences described in the Council's policy may apply to a very wide range of more everyday activities. Examples include:

- being complicit in crimes involving the falsification of claims;
- benefiting from non-compliance with the conditions attaching to a grant;
- retaining customer overpayments on a ledger; and
- facilitating employment on which tax is not paid.

Anti-Money Laundering

Notes for Employees

Derbyshire County Council's and Your Own Personal Responsibilities

Purpose

These notes are important. They are designed to help you familiarise yourself with the legal and regulatory requirements relating to money laundering, as they affect both the Council and you personally.

What is Money Laundering?

Money laundering is the term used for several offences involving the proceeds of crime or terrorist funds. The following constitute the act of money laundering:

- concealing, disguising, converting, transferring, or removing criminal property from the United Kingdom;
- becoming concerned in an arrangement in which someone, knowingly or suspecting, facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
- acquiring, using or possessing criminal property; and
- doing something that might prejudice an investigation, for example, falsifying a document.

Whilst the risk to the Council of contravening the legislation is perceived to be low, you may be used unknowingly in laundering money from criminal activities.

Although the term "money laundering" is generally used when describing the activities of organised crime – for which the legislation and regulations were first and foremost introduced – to most people who are likely to come across or be affected by it, it involves a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

The money laundering regime adopts an "all crimes" approach. The offences may apply to a very wide range of more everyday activities within the Council. This could include, for example, being complicit in crimes involving the falsification of claims, benefiting from non-compliance with the conditions attaching to a grant, retaining customer overpayments on a ledger, or facilitating employment on which tax is not paid.

What Laws Exist to Control Money Laundering?

In recent years, new laws have been passed which significantly shift the burden of identifying acts of money laundering away from government agencies and more towards organisations and their employees. They prescribe potentially very heavy penalties, including imprisonment, for those who are convicted of breaking the law. These laws are important. A list of the laws and relevant papers appears at the end of these notes.

What is the Council's Policy on Money Laundering?

The Council aims to maintain its high standards of conduct, by preventing criminal activity through money laundering.

The Council's policy is to do all that it can to prevent, wherever possible, the Council and its officers and members being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases. We cannot stress too strongly, however, that it is everyone's responsibility to be vigilant.

Peter Handford, whose contact details appear in the box later in this note, has been nominated as being the Council's Officer Responsible for Anti-Money Laundering ("the Officer").

What are the Main Money Laundering Offences?

There are three principal offences – concealing, arranging and acquisition/use/ possession.

Concealing is where someone knows, or suspects, a case of money laundering but conceals or disguises its existence. **Arranging** is where someone involves themselves in an arrangement to assist in money laundering. **Acquisition/use/ possession** are where someone seeks to benefit from money laundering by acquiring, using or possessing the property concerned.

There are also two "third party" offences - failure to disclose one of the three principal offences, and "tipping off". **Tipping off** is where someone informs a person or people who are, or are suspected of being, involved in money laundering, in such a way as to reduce the likelihood of their being investigated, or prejudicing an investigation. Provided the Council does not involve itself in certain regulated activities, then these two offences do not apply to it. However, the Council's policy is still to apply best practice and therefore all suspicions should be reported to the Officer and no tipping off should occur.

All the main money laundering offences may be committed by the Council or its staff and members (the "employees").

What are the Implications for the Council and its Employees?

The Council has accepted the responsibility to ensure that those of its employees who are the most likely to be exposed to money laundering can make themselves fully aware of the law and where necessary, are suitably trained. The Council has also implemented procedures for reporting suspicious transactions and if necessary, making an appropriate report to the National Crime Agency.

The consequences for employees of committing an offence are potentially very serious. Whilst it is considered most unlikely that an employee would commit one of the three principal offences, the failure to disclose a suspicion of a case of money laundering is a serious offence in itself, and there are only limited grounds in law for not reporting a suspicion.

Whilst stressing the importance of reporting your suspicions, however, you should understand that failure to do so is only an offence if your suspicion relates, in the event, to an actual crime.

What are the Penalties?

Money laundering offences may be tried at a Magistrate's Court or in the Crown Court, depending on the severity of the suspected offence. Trials at the former can attract fines of up to £5,000, up to six months in prison, or both. In a Crown Court, fines are unlimited and sentences up to fourteen years in prison may be handed out.

Failure by an employee to comply with the procedures set out in this policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary and Dismissal Procedure Policy.

What are the Warning Signs?

Examples of warning signs which you could encounter and may point to money laundering are attached at Appendix A ("Warning Signs") to these notes. You should ensure that you familiarise yourself with these examples.

What Should I do if I Suspect a Case of Money Laundering?

You should report the case **immediately** to Peter Handford (the Council's Officer Responsible for Anti-Money Laundering, "the Officer"), in a discussion, by phone or e-mail, and a form may be determined to be required following this discussion.

Peter can be contacted as follows:

Peter Handford
Director of Finance & ICT
Derbyshire County Council
County Hall
MATLOCK
Derbyshire DE4 3AH

Telephone: 01629 538 700
E-mail: peter.handford@derbyshire.gov.uk

In the absence of the Officer, Paul Stone and Dawn Kinley (or the officers in these posts, as set out in the Policy, at the relevant time) are authorised to deputise for him.

He will decide whether the information or transaction is suspicious and whether to make an external report based on all other relevant evidence (information) available to the Council concerning the person or business to which the initial report relates.

If the Officer concludes that the matter is not suspicious, then a log will be completed, which records instances where consultation has taken place and it has been concluded that acceptance of the cash is appropriate.

There is no clear definition of what constitutes suspicion – common sense will be needed. If you are considered likely to be exposed to particularly suspicious situations, which are especially vulnerable to money laundering, you will be made aware of these by your senior officer and, where appropriate, training will be provided.

Should you have any concerns whatsoever regarding any transactions then you should contact the Officer or one of his deputies.

Summary

Robust money laundering procedures are essential if the Council and its employees are to comply with our responsibilities and legal obligations. It falls to you as an employee, as well as to the Council itself, to follow these procedures rigorously.

Legislation, Regulations and Guidance Relating to Money Laundering

The Proceeds of Crime Act 2002 (as amended by the Crime and Courts Act 2013 and the Serious Crime Act 2015)

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, as amended by The Money Laundering and Terrorist Financing (Miscellaneous Amendments) Regulations 2018, The Money Laundering and Terrorist Financing (Amendment) Regulations 2019 and the elements of The Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulations 2020 which came into force on 6 October 2020

Explanatory Memorandum to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

The Terrorism Act 2000 (as amended by the Anti-Terrorism, Crime and Security Act 2001, the Terrorism Act 2006 and the Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007)

Combating Financial Crime – CIPFA 2009

Proceeds of Crime (Anti-Money Laundering) – Practical Guidance for Public Service Organisations – CIPFA 2005

Reviewed and updated November 2021
(Original February 2010; updated August 2011; reviewed December 2012; reviewed September 2014; reviewed June 2015, reviewed and updated August 2016, reviewed and updated July 2017, reviewed November 2018, reviewed November 2019, reviewed October 2020)

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APPENDIX C

CONTROLLED

Internal Suspicion of Money Laundering Activity Form

STRICTLY CONFIDENTIAL

Report to: Officer Responsible for Anti-Money Laundering (“the Officer”)
Regarding: Suspicion of Money Laundering Activity

To: ……………………………………………………………………………
(Derbyshire County Council (Deputy) Officer Responsible for Anti-Money Laundering)

From: ……………………………………………………………………………

Department: ……………………………………………………………………………

Job title: ……………………………………………………………………………

Details of Suspected Offence

Name(s) and address(es) of persons involved:
[If a company/public body please include details of nature of business]

[Please continue on to a separate sheet if necessary]

Nature, value and timing of activity involved:
[Please include full details eg what, when, where, how]

[Please continue on to a separate sheet if necessary]

Derbyshire County Council
Internal Suspicion of Money Laundering Activity Form

Nature of suspicions regarding such activity:
[Please continue on to a separate sheet if necessary]

Have you discussed your suspicions with anyone else?

Yes/No *(please select the relevant option)*

If yes, please specify below, explaining why such discussion was necessary:

[Please continue on to a separate sheet if necessary]

Has any investigation been undertaken (as far as you are aware)?

Yes/No *(please select the relevant option)*

If yes, please include details below:

[Please continue on to a separate sheet if necessary]

Derbyshire County Council
Internal Suspicion of Money Laundering Activity Form

Have you consulted any supervisory body guidance on money laundering (eg the Law Society?

Yes/No *(please select the relevant option)*

If yes, please specify below:

[Please continue on to a separate sheet if necessary]

Do you feel you have a reasonable excuse for not disclosing the matter to the NCA (eg are you a lawyer and wish to claim legal professional privilege)?

Yes/No *(please select the relevant option)*

If yes, please set out full details below:

[Please continue on to a separate sheet if necessary]

Are you involved in a transaction which might be a prohibited act under sections 327-329 of the Act which requires appropriate consent?

Yes/No *(please select the relevant option)*

If yes, please enclose details in the box below:

[Please continue on to a separate sheet if necessary]

Please set out below any other information you believe is relevant:

[Please continue on to a separate sheet if necessary]

DECLARATION:

Signed: …………………………………………………………………………….

Dated: …………………………………………………………………………….

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years' imprisonment.

Derbyshire County Council
Internal Suspicion of Money Laundering Activity Form

CONTROLLED

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE OFFICER

Date report received: ………………………………………………..

Date receipt of report acknowledged: ………………………………………………..

CONSIDERATION OF DISCLOSURE:

Action Plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE:

Are there reasonable grounds for suspecting money laundering activity:

If there are reasonable grounds for suspicion, will a report be made to NCA?

Yes/No *(please select the relevant option)*

If yes, please confirm date of report to NCA: ……………………………………….
and complete the box below:

Derbyshire County Council
Internal Suspicion of Money Laundering Activity Form

Details of liaison with NCA regarding the report: **Notice Period: ……………………….. To ……………………….** **Moratorium Period: …………………… To ……………………….**

Is consent required from NCA to any ongoing or imminent transactions which would otherwise be prohibited acts?

Yes/No *(please select the relevant option)*

If yes, please enter full details in the box below:

Date consent received from NCA: ………………………………………………….

Date consent given by you to employee: ……………………………………

Derbyshire County Council
Internal Suspicion of Money Laundering Activity Form

CONTROLLED

If there are reasonable grounds to suspect money laundering but you do not intend to report the matter to NCA, please set out below the reason(s) for non-disclosure:

[Please set out reasons for non-disclosure.]

Date consent given by you to employee for any prohibited act transactions to proceed:

………………………………………………………………….

Other relevant information:

Signed: ……………………………………………………………………….

Dated: ……………………………………………………………………….

THIS REPORT IS TO BE RETAINED FOR AT LEAST FIVE YEARS

Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

7 December 2021

Report of the Director of Finance & ICT

Financial Sustainability, The Section 114 Regime and Assessment of the Council's Position

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is not a Key Decision.

3. Purpose

3.1 To provide Audit Committee with details of two reports from the Department for Levelling Up, Housing and Communities (DLUHC) on local authority financial sustainability and the Section 114 (S114) regime, which is a notice which Chief Finance Officers may issue if there is a significant risk that an authority will not be able to deliver a balanced budget by the end of the current financial year, along with information on assessment of the Council's position.

3.2 The DLUHC reports are:

- A response to the Housing, Communities and Local Government Select Committee's July 2021 report on Local Authority Financial Sustainability and the S114 Regime.

- A report on the Local Government Finance Review of Slough Borough Council, following its issuing a S114 notice in July 2021.

4. Information and Analysis

Background

4.1 The Housing, Communities and Local Government Select Committee (Select Committee) published a report on 19 July 2021 on Local Authority Financial Sustainability and the S114 Regime, following an inquiry. The Council submitted written evidence to the inquiry in January 2021.

4.2 The Chair of the Select Committee said: “Council budgets have been stretched for several years and the social care funding crisis is at the heart of financial pressures for many councils. A solution to social care funding would go a long way to restoring local government finances. Covid-19 has also hit councils hard and, while the Government responded to the pandemic with substantial financial support, they now need to come forward with a long-term sustainable way of funding councils and the services they provide.”

4.3 He went on to say “The system of local government finance should enable councils to increase revenue by growing their tax base while protecting those councils who are less able to do this, through no fault of their own. To this end, the Government should implement the Fair Funding Review and business rates reset as soon as possible and allow councils to retain 75% of business rates from 2022. So that this represents a net increase in funding, we urge the Government not to impose commensurate cuts to grant funding, and the additional funding should then be put towards equalisation between councils. In the longer-term, the Government should consider options for wider reform of council tax and business rates, including possibly replacing them with a proportional property tax.” However, recent announcements have indicated that the Fair Funding Review is unlikely to go ahead.

4.4 The degree of uncertainty over medium term funding can be related to the following issues in particular:

- The increasing likelihood of councils issuing ‘S114’ notices, allied to the requirements of the Financial Management Code for transparency in the sustainability of individual local authorities.
- The continuing increase in pressures.
- The need to maintain a significant and risk assessed level of reserves over the medium term.

- The increasing difficulty in making significant and sustainable budget reductions.

4.5 In Local Government, the Chief Finance Officer, also known as the Section 151 Officer (S151 Officer), has the power under the Local Government Finance Act 1988 to issue a S114 notice if there is a significant risk that an authority will not be able to deliver a balanced budget by the end of the current financial year. This is an emergency situation, whereby a response is required by legislation. Councillors have 21 days from the issue of a S114 notice to discuss the implications at a Full Council meeting.

4.6 The notice means that no new expenditure is permitted, except for safeguarding vulnerable people and statutory services and continuing to meet existing contractual obligations. Council officers must therefore carry out their duties in line with contractual obligations and to acceptable standards, whilst being aware of the financial situation. Any spending that is not essential or which can be postponed should not take place and essential spend is monitored. The only allowable expenditure permitted under an emergency protocol includes the following categories:

- Existing staff payroll and pension costs.
- Expenditure on goods and services which have already been received.
- Expenditure required to deliver the council’s provision of statutory services at a minimum possible level.
- Urgent expenditure required to safeguard vulnerable residents.
- Expenditure required through existing legal agreements and contracts.
- Expenditure funded through ring-fenced grants.
- Expenditure necessary to achieve value for money and/or mitigate additional in year costs.

4.7 Three councils have issued S114 notices in the last three years - Northamptonshire in 2018, Croydon in late 2020, and Slough in July 2021.

4.8 This report gives information on two recent publications by DLUHC on local authority financial sustainability and S114 notices, of which Audit Committee should be aware, along with information on assessment of the Council’s position. It should be read alongside the following report to this Council meeting: Assessment of Going Concern Status 2020-21, which informs Audit Committee of the Council’s 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 2020-21.

Government Response to the Select Committee Report

4.9 In October 2021 DLUHC published its response to the Select Committee's report on Financial Sustainability and the S114 Regime.

4.10 The value of local government and the vital role the sector plays in delivering key public services is recognised, as well as the challenges the sector is currently facing. DLUHC states that it will work to provide a sustainable financial footing, enabling delivery of vital frontline services and supporting other government priorities. In taking stock to determine any future reforms it will consider the impact of the pandemic on local authority resources and service pressures.

4.11 The report includes responses to thirteen recommendations on social care, funding, Covid-19, local authority commercial investment and audit and control. These responses are included in full at Appendix 2 to this report and are summarised below against the recommendations raised.

4.12 ***The funding of social care in England should urgently be reformed***
Funding already provided. The Government has committed to investing an additional £5.4 billion over three years, which will allow it to begin a comprehensive programme of reform for adult social care. This includes protecting individuals from unpredictable costs and major improvements to the wider social care system in England. The Government will work with care users, providers, and other partners to co-develop more detail on these plans and publish further detail in a White Paper for reform later this year.

4.13 ***The Fair Funding Review and business rates reset should be implemented as soon as possible, as the quickest way of partly restoring the link between funding and need***
The Government announced last year that it would not proceed with the implementation of the Review of Relative Needs and Resources (formerly the Fair Funding Review) and 75% Business Rates Retention in 2021-22 and also decided not to reset accumulated business rates growth in 2021-22. The Government now needs to take stock of the impact of the pandemic on both local authority resources and service pressures, to determine the direction of local government finance reform. However, recent announcements have indicated that the Fair Funding Review is unlikely to go ahead.

4.14 ***Council Tax should be reformed by undertaking a revaluation of properties and introducing additional council tax bands***
The Government has no plans to replace or fundamentally reform Council Tax. A revaluation would be expensive to undertake and could result in increases to bills for many households. Given that Council Tax is retained locally, a revaluation would not address the disparity between strength of Council Tax base and need. The Government recognises that councils have differing abilities to generate income from Council Tax and ensures that the Local Government Finance Settlement takes these into account when the distribution of funding is determined each year. The Government has also equalised against the adult social care precept since its introduction, ensuring that funding - including that raised through the precept - is distributed in line with its assessment of relative need.

4.15 ***The funding base of local government should be widened to make it less vulnerable to shocks, including giving councils more flexibility over local taxes and other revenue-raising powers***
Through the Chancellor's Fundamental Review of Business Rates, the Government is considering options for reforming the business rates system. The Review's Call for Evidence, published in July 2020, sought views on a range of potential reforms. Within the existing system, the Review also explored whether business rates reliefs and exemptions should be set locally, and options for greater local flexibility to adjust the multipliers. The Review will conclude in the Autumn. On 27 October 2021, in the Spending Review 2021 (SR 2021), a reform of business rates was announced, including a significant tax cut for retail, hospitality and leisure industries. Local authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs. There will be additional compensation for under-indexation of the Business Rates multiplier, including the gap between CPI and RPI inflation rates. It was also announced that there will be more frequent Business Rates revaluations, which will be every three years from 2023. Around £1.6bn of new funding is to be allocated over each year of the SR 2021 period, for social care and other services. This is the largest increase in core local government funding in over a decade. Funding for the additional cost of NI for Social Care is included in this new funding. A further £3.6bn of the £5.4bn of funding for adult social care reform announced on 7 September 2021 will be routed through local government, to implement the cap on personal care costs and changes to the means test.

4.16 ***Business rates should be reformed***
The Government is continuing to consider options for reforming the business rates system. The Chancellor's Fundamental Review of Business Rates is looking at how the system currently works, issues to be addressed, and ideas for change. Amongst other options for reform, the Government continues to consider whether there is a case for introducing an online sales tax as part of the Review.

4.17 ***The next financial settlement for local government must be a multi-year settlement***
Government agrees that a stable funding environment ensures local authorities can plan effectively and recognises that multi-year settlements provide certainty. The approach to the next settlement will be informed by the ongoing Spending Review, which will be an opportunity to consider local government's funding needs in the round. Government appreciates that multiple, competitive funds bring challenges to local councils and is exploring opportunities to simplify the system, whilst recognising that there will be cases where competitions or ringfences are helpful in ensuring value for money.

4.18 ***Ways of mitigating the uneven Covid-19 financial support across local authorities should be considered, providing greater certainty to councils over what future costs incurred as a result of the pandemic it intends to cover***
The Government is continuing to use monitoring information and engagement with the sector to inform its work on the ongoing Spending Review. The Government recognises that there will be individual authorities with either unique circumstances or residual issues resulting in significant pressures and will continue to work with them and keep the situation under review.

4.19 ***Legislation should be introduced to make compliance with the Prudential Code by local authorities a statutory duty***
CIPFA is making changes to its statutory codes to make clearer that authorities must not invest principally for yield. Government has worked closely with CIPFA in developing the amendments. The new codes are in consultation with planned implementation from April 2022. The programme of work will strengthen the capital system and compliance with the Prudential Framework. The actions take a holistic approach to strengthening the system at multiple points using 'three lines of control':

- Detection of risks through scrutiny and transparency, including improving Government's data for monitoring sector risk.
- Supporting processes at local level over decisions making and risk management by working with partners to improve local capability.

- Strengthening the Prudential Framework itself, including tightening legislation on the Minimum Revenue Provision duty and application of the statutory borrowing capping powers.

4.20 ***Data collected by the Government on local authority commercial investment should be improved***
The most recent data already demonstrates that both new borrowing and commercial investment decreased significantly in 2020-21 relative to 2019-20. Government is improving its monitoring of the sector and its early identification of risk. Local authorities are now required to submit three-year capital spending and borrowing plans in order to access the Public Works Loan Board (PWLB). Government is reviewing all submitted plans to assess the capital plans submitted to determine whether the information provided is compatible with the PWLB's lending terms, including that the local authority is not borrowing for yield. The information in the plans will be used alongside other data to improve Government's monitoring of the sector.

4.21 ***The ability of local authorities to choose their own auditors should be removed***
While local bodies have the power to appoint their own auditors, the large majority of principal bodies to date have chosen not to, with 98% of such bodies choosing to opt-in to the appointing person arrangements overseen by PSAA from 2018-19 to 2022-23, whereby PSAA appoint auditors on their behalf. Whilst opting-in to PSAA's procurement arrangements is optional, local bodies may determine that the scheme continues to offer a valuable alternative to making their own arrangements, particularly given ongoing issues of market fragility and the limited supply of qualified public auditors. The Government is confident that the broader checks and balances in the system, including the FRC's audit quality review framework, help to ensure that auditors will be confident to flag up issues that emerge. Local auditors provide an independent assessment and are required to report their findings, regardless of how they are appointed.

4.22 ***The new system leader (for audits) should be able to join up individual auditor findings with a view to identifying systemic issues across local government***
Agreed.

4.23 ***The Section 114 regime should be changed to provide Chief Finance Officers with intermediary measures that can be applied at a much earlier stage to highlight concerns before a council's finances deteriorate so far as to require a section 114 notice***

S114 notices are an important and effective part of the local government finance system, as both a legal mechanism and as a spending control for councils that have particular issues in setting or maintaining a balanced budget. However, S114 notices exist within a wider system of checks and balances, such as the statutory requirement for S151 Officers to report on the robustness of budget estimates and adequacy of reserves as part of the annual budget setting process; or the additional powers and duties afforded to external auditors under the Local Audit and Accountability Act 2014, for example to issue statutory recommendations or reports in the public interest, to highlight concerns about an authority's finances. This means Government expects councils to take a number of steps to address financial challenges before reaching a point where issuing a notice is necessary.

4.24 ***Chief Finance Officers should report to both the Executive and appropriate scrutiny committees on a quarterly basis on the state of local authority finances and, in particular, draw attention to potential serious financial problems***

The Government agrees that it is essential that S151 Officers are afforded appropriate input into decision making processes, and there are clear existing duties for them to report on serious financial problems through the S114 framework and the requirement for reporting on the adequacy of reserves. Effective financial governance is essential to the proper functioning of local government and a core part of a council's meeting the 'best value' duty. Steps are being taken to strengthen local government audit committee arrangements. In the local audit framework: technical consultation published on 28 July 2021, the Government set out proposals for updated guidance relating to audit committee arrangements, including the appointment of independent members, and that Accounts and Audit Regulations are amended so that Full Council should receive the Auditor's Annual Report, accompanied by a report from the Audit Committee with responses to the Auditor's Annual Report. This consultation also reaffirmed the expectation that auditors must have appropriate powers and opportunities to meet with the appropriate statutory officers, including Chief Finance Officers.

Local Government Finance Review of Slough Borough Council

4.25 In October 2021 DLUHC published a report on the Local Government Finance Review of Slough Borough Council (SBC), following its issuing a S114 notice in July 2021, requesting exceptional financial support in respect of the financial year 2021-22, to help it balance its budget by raising capital borrowing to support some of its revenue expenditure.

4.26 Accordingly, DLUHC agreed in-principle to provide support and commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake an independent and detailed financial assurance review of SBC. Since the original capitalisation request for 2021-22, SBC has identified further substantial liabilities for previous years, which it is unable to meet from its reserves. These liabilities also impact substantially on the financial position for SBC in the current financial year and beyond.

4.27 The current financial challenge facing SBC is acute. The S151 Officer issued a statutory S114 notice in July 2021, which set out total potential liabilities across SBC of some £174m up to 2024-25. At this stage, and as recognised by the S151 Officer, this figure could still grow, due to further risks faced by SBC.

4.28 SBC cannot become a financially self-sustaining council without considerable Government support that allows it to increase its borrowing to fund these liabilities in the short-term to medium-term, pending the sale of substantial SBC assets in the region of £200m. The S151 officer considers that it may need to achieve asset sales of twice this amount (£400m) if it also wants to reduce the level of its external borrowing and significantly reduce the scale of its ongoing budget gap.

4.29 SBC's record in delivering substantial savings is a mixed one and many of the savings identified in the last two years' budgets have proved to be unrealistic. It has also not made some of the tough financial decisions that other councils have taken to balance their budget. This means that there is considerable uncertainty around its ability to deliver the savings it needs to deliver both in the short and medium term.

4.30 At this stage, assurance cannot be provided that SBC will be able to balance its budget in the medium to long term. This does not reflect any lack of commitment from SBC but instead the size and scale of the financial challenge relative to the budget. In particular this recognises:

- The scale of the current and potential liabilities faced by SBC relative to its revenue budget.

- The potential for the scale of liabilities to increase even further as further investigative work is undertaken particularly around SBC-owned companies.
- The unprecedented level of savings that SBC would need to make over the period of its Medium-Term Financial Plan.
- SBC will find it difficult to deliver substantial savings from statutory services which account for some two thirds of its budget.
- SBC does not have a good track record in delivering savings.
- Future financial viability and savings depend on a major disposal of SBC assets of up to £400m, which may take considerable time if SBC is to achieve best value.

4.31 The conclusion is that SBC will require immediate Government support in the form of a capitalisation direction of some £112m. Of this sum, £52.8m is required to cover estimated past liabilities up to the end of March 2021 and a further £58.9m is needed to cover potential liabilities for the current financial year 2021-22.

4.32 In addition, SBC will need further support of some £33.2m if it is to set a balanced and legal budget for 2022-23 in line with its Medium-Term Financial Plan. It then needs a further £29.3m in the following two years, making a total of some £174m, to set a balanced budget over the period of the Medium-Term Financial Strategy. The need to account appropriately for the minimum revenue provision amounts to some £62m of the total projected £174m liability. At this stage, all of these figures are indicative and could be influenced by a range of economic and demographic factors as well as Government decisions as part of any Spending Review.

4.33 In view of the scale of the capitalisation direction required and the fragility of SBC's finances, a need for ongoing oversight of financial plans has been identified, to ensure that SBC is making the progress that it needs to make in starting to rebalance its budget. A list of key milestones, each representing a gateway review for independent evaluation, have been set out through to May 2023. Failure to pass each of these gateways will serve as an indication that SBC will not be able to balance its budgets in the medium to long term. In such circumstances, other more fundamental or structural changes around the future of SBC would need to be considered.

4.34 Issues are identified in the report which must be addressed as part of the work the S151 Officer is taking to strengthen financial sustainability and financial governance and oversight. Addressing these issues by implementing the recommendations in the report should help meet the financial challenge, restore financial management and manage the level of potential capitalisation that SBC will require. These recommendations are included in full at Appendix 3 to this report and are listed below:

- Establish a detailed plan to close the short and long-term budget gap.
- Establish a high-level risk register.
- Set limits on future borrowing and capital spending.
- Gain increased assurance concerning the potential scale of past and future liabilities.
- Develop an outline asset disposal plan to provide the funds required for the capitalisation directive.
- Raise Member awareness of the scale of the financial challenge and its implications.
- Address immediate financial governance risks.
- Prepare an Annual Governance Statement for 2020-21.
- Undertake an independent review of the procurement function.
- Review the provision of internal audit.
- Enhance financial capacity.
- Stabilise the finance leadership team.

Derbyshire County Council's Position

4.35 In February 2021 the Council's Director of Finance & ICT, as S151 Officer, concluded that the Council could set a balanced budget for 2021-22 and across the period of the Five Year Financial Plan (FYFP) and that it remained a 'going concern', although difficult decisions and strong, robust financial management would continue to be required. The following matters were considered in arriving at this conclusion:

- The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Monitoring Officer and the S151 Officer, in addition to the current political arrangements. The Council's Annual Governance Statement process has not identified any material issues that may significantly impact on the Council's Financial Resilience, except for the impact of Covid-19 on financial sustainability, which has been considered. 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.

- 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 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 Government would intervene, supported by organisations such as the Local Government Association, to bring about the required improvements or maintain service delivery.

- 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.

- 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. Although the immediate impact of losses on the Council Tax and Business Rates collection funds has been eased, by allowing these costs to be spread over three years instead of one, the Government's has only committed to reimburse councils for some of 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 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. Due to the Council's Treasury Management Strategy over the last decade being 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.

- Experience and investigations into those councils experiencing financial failure demonstrates that periods of lower than allowed Council Tax rises can contribute significantly to exacerbate other financial issues, such as reducing Government support, increasing budget pressures, an overly-optimistic savings programme or lack of strength on the Balance Sheet.

4.36 It is clear from the report into SBC that it is vital that budget savings are delivered according to realistic plans and that tough decisions are taken to balance the budget.

4.37 A further report to this Audit Committee meeting: 'Assessment of Going Concern Status 2020-21' informs Audit Committee of the S151 Officer's updated assessment of the Council's status as a going concern, for the purpose of producing its Statement of Accounts for 2020-21. This status will be reassessed at the time of production of the Council's budget for 2022-23 and across the period of the FYFP and will be presented to Full Council for approval in February 2022.

5. Consultation

5.1 No consultation is required.

6. Alternative Options Considered

6.1 N/A – this report advises Audit Committee on two reports from DLUHC on local authority financial sustainability and the S114 regime, along with information on assessment of the Council's position.

7. Implications

7.1 The implications are detailed at Appendix One.

8. Background Papers

8.1 Papers held electronically by Financial Strategy, Finance & ICT, Room 137, County Hall.

9. Appendices

9.1 Appendix 1 – Relevant implications considered in the preparation of the report.

9.2 Appendix 2 – DLUHC Report on Financial Sustainability and the Section 114 Regime – Recommendations and Responses.

9.3 Appendix 3 – DLUHC Local Government Finance Review – Slough Borough Council – Issues and Recommendations.

10. Recommendations

That Audit Committee:

10.1 Notes the DLUHC response to the Housing, Communities and Local Government Select Committee's report on Local Authority Financial Sustainability and the S114 Regime and the DLUHC report on the Local Government Finance Review of Slough Borough Council, following its issuing a S114 notice, along with information on the assessment of the Council's going concern position.

11. Reasons for Recommendations

11.1 It is prudent and responsible practice for Audit Committee to be kept informed of DLUHC reports relating to financial sustainability and the S114 regime, accompanied by information to sign post previous and future assessments of the Council's position.

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This report has been approved by the following officers:

On behalf of: Director of Finance and ICT Director of Legal Services and Monitoring Officer	

<u>Implications</u>

Financial

1.1 As outlined in the body of the report.

Legal

2.1 As outlined in the body of the report.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.

DLUHC Report on Financial Sustainability and the Section 114 Regime

Recommendations and Responses

Social Care

Recommendation One:

The failure to properly fund children's and adult social care, especially adult social care, is the single biggest threat facing local government financial resilience. Given that the cost of providing social care consumes between 60% and 70% of the budgets of top-tier councils, a solution to this funding crisis alone could largely restore local government finances. The Government's current policy of effectively forcing local councils to impose successive above-inflation council tax rises is imposing additional burdens on council taxpayers. It is disappointing that the recent Queen's Speech made so little mention of plans to reform social care funding. We are also concerned about the cuts to more discretionary services arising from councils' need to prioritise social care provision. ***We recommend that the Government urgently reform the funding of social care in England.***

Government response:

Since the start of the pandemic, we have committed over £12 billion in financial support to councils to tackle the impacts of COVID-19, including over £6 billion of un-ringfenced grants (£4.6 billion for 2020/21 and £1.55 billion for 2021/22) which can be used on social care. At a national level, 32% of the additional £6 billion has been allocated to adult social care, equivalent to £1.9 billion and 8.9% has been allocated to children's social care, equivalent to £521 million.

Throughout the pandemic, we have also made available over £2 billion in specific funding for adult social care. This is made up of the £1.49 billion Infection Control Fund, £396 million Rapid Testing Fund and £120 million Workforce Capacity Fund. In addition, in 2021/22 we are providing councils with access to over £1 billion of additional funding for social care, through a £300 million increase to the social care grant, and enabling up to a further £790 million of new funding though a 3 per cent adult social care precept.

We are committed to the delivery of world-leading health and social care across the whole of the UK, and our 7 September 2021 announcement marked an important step on the journey to reforming adult social care. We have committed to investing an additional £5.4 billion over three years, which will allow us to begin a comprehensive programme of reform for adult social care. This includes protecting individuals from unpredictable costs and major improvements to the wider social care system in England. We will work with care users, providers, and other partners to co-develop more detail on these plans and publish further detail in a White Paper for reform later this year.

Funding

Recommendation Two:

We recommend that the Government implement the Fair Funding Review and business rates reset as soon as possible, as the quickest way of partly restoring the link between funding and need. *The Government should also allow councils to retain 75% of business rates from 2022, but so that this represents a net increase in funding, we urge it not to impose commensurate cuts to grant funding. The additional funding should then be put towards equalisation in a separate grant designed for this purpose. We also urge the Government to clarify what level of funding equalisation it considers to be appropriate for local government.*

Government response:

The Government announced last year that it would not proceed with the implementation of the Review of Relative Needs and Resources (formerly the Fair Funding Review) and 75% Business Rates Retention in 2021/22. We also decided not to reset accumulated business rates growth in 2021/22. These decisions have allowed both the Government and councils to focus on meeting the immediate public health challenges posed by the COVID-19 pandemic, driving forward recovery and maintaining critical services. This decision was broadly welcomed across the sector. We now need to take stock of the impact the pandemic has had on both local authority resources and service pressures to determine the direction of local government finance reform. Decisions on the way forward will be taken at the ongoing Spending Review.

Recommendation Three:

The Government should reform council tax by undertaking a revaluation of properties and introducing additional council tax bands, in line with the recommendations of our predecessor Committee. *In the longer term, the Government should consider options for wider reform of council tax and business rates, including possibly replacing them with a proportional property tax.*

Government response:

Council tax provides stable income for local authorities to deliver a range of vital local services, and predictable bills for taxpayers. This certainty is particularly important as the country recovers and builds back from the pandemic. To ensure fairness, each council has its own local council tax support scheme to provide reductions in council tax for residents in financial need. The Government has provided councils with £670 million of new funding for these schemes in 2021/22. The Government has no plans to replace or fundamentally reform council tax. A revaluation would be expensive to undertake and could result in increases to bills for many households. The creation of higher council tax bands, which in itself would require a revaluation, may penalise people on fixed incomes, including pensioners, who could face a substantial tax rise without having the income to pay the higher bill. Given that council tax is retained locally, a revaluation would not address the disparity between strength of council tax base and need. The Government recognises that councils have differing abilities to generate income from council tax and ensures that the Local Government Finance Settlement takes these into account when the distribution of funding is determined each year. It has also equalised against the adult social care precept since its introduction, ensuring that funding - including that raised through the precept - is distributed in line with its assessment of relative need.

Recommendation Four:

We recommend that the Government widen the funding base of local government to make it less vulnerable to shocks such as the COVID-19 pandemic, including by giving councils more flexibility over local taxes and other revenue-raising powers. *This would also align with giving local authorities more powers over spending, which we will consider in our future report on devolution in England. Giving local government more powers to raise and spend money is a position supported by our predecessor Committee.*

Government response:

The Government considers that the current charging regime for individual services strikes the right balance between allowing councils to raise revenue to cover the cost of providing services and ensuring that service users are treated fairly and fully informed of costs incurred. For statutory services, the power to charge is prescribed by service specific legislation, which may specify the charging framework. For discretionary services, local authorities have the power to charge up to full cost recovery provided the user has agreed to be charged and there is no pre-existing legislation governing the charging regime. If local authorities wish to charge above cost recovery for services, they are able to do this commercially via a trading company.

It has always been the case that council tax decisions are taken by local authorities. In line with its manifesto commitment, the Government continues to maintain a referendum threshold to ensure that local residents can have the final say over excessive increases. The Government has set varied referendum thresholds from year to year and for different types of local authority to reflect differing circumstances, following annual consultation with the sector. The principles – which are approved by the House of Commons each year – are not a cap and it is open to an authority to set a larger increase and make the case for it to voters.

The Government has also responded to requests for local flexibility through providing councils with greater discretion over a number of council tax discounts, levels of empty homes premium and the design of local council tax support schemes.

Through the Chancellor’s Fundamental Review of Business Rates, the Government is considering options for reforming the business rates system. The Review’s Call for Evidence, published in July 2020, sought views on a range of potential reforms, including options for alternative taxes to either replace of complement the business rate system. Within the existing system, the Review also explored whether business rates reliefs and exemptions should be set locally, and options for greater local flexibility to adjust the multipliers. The Review will conclude in the Autumn.

In addition, following the Prime Minister’s statement on 7 September, revenue from a new Health and Social Care Levy will go to local authorities.

Recommendation Five:

We also recommend that the Government reform business rates, in particular by finding a mechanism by which to level the playing field between bricks-and-mortar and online retailers. *This is an issue we will return to in our upcoming report on supporting high streets after COVID-19.*

Government response:

In response to the pandemic, the Government provided eligible retail, hospitality, and leisure properties with a business rates relief worth a total of £16 billion across 2020/21 and 2021/22. This comes on top of a range of business rates measures introduced since 2016 which are worth around £15 billion over the next five years.

The Government is continuing to consider options for reforming the business rates system and the Chancellor is currently carrying out a Fundamental Review of Business Rates. This Fundamental Review is looking at how the system currently works, issues to be addressed, and ideas for change. Stakeholders were invited to provide their views on the tax as part of the Review's call for evidence and these responses were summarised in the Interim Report published on 23 March. Amongst other options for reform, the Government continues to consider whether there is a case for introducing an online sales tax as part of the Fundamental Review of Business Rates. The Review will conclude in the autumn.

Recommendation Six:

The next financial settlement for local government must be a multi-year settlement. *The Government should also consolidate the number of small and ring-fenced grants, which can limit local authorities' ability to provide services flexibly, and should reduce the number of bidding processes, which can be burdensome and time consuming.*

Government response:

Government agrees that a stable funding environment ensures local authorities can plan effectively and recognises that multi-year settlements provide certainty. The approach to the next settlement will be informed by the ongoing Spending Review, which will be an opportunity to consider local government's funding needs in the round.

We appreciate that multiple, competitive funds bring challenges to local councils. We are exploring opportunities to simplify the system, while recognising that there will be cases where competitions or ringfences are helpful in ensuring value for money.

COVID-19

Recommendation Seven:

We urge the Government to consider ways of mitigating the uneven financial support across local authorities and provide greater certainty to councils over what future costs incurred as a result of the pandemic it intends to cover.

Government response:

Providing certainty and stability to the sector throughout the pandemic has been a priority for the Government. The Government has demonstrated this by committing over £12 billion to councils in England to tackle the impacts of COVID-19, over £6 billion of which was unringfenced.

Tranches 3 and 4 of our support through the pandemic alongside the additional £1.55 billion of unringfenced funding for 2021/22 distributed expenditure grant based on need through the COVID-19 Relative Needs Formula (RNF). This new formula was designed to account for population, deprivation and the varying costs of delivering services across the country.

The Government has always ensured that funding is distributed according to need to local authorities, with each funding allocation informed by the latest assessment of pressures reported by councils. We have continued to work with local government, including through tailored financial monitoring. The Government is continuing to use monitoring information and engagement with the sector to inform its work on the ongoing Spending Review.

The Government recognises that there will be individual authorities with either unique circumstances or residual issues resulting in significant pressures. We will continue to work with them and keep the situation under review.

Local Authority Commercial Investment

Recommendation Eight:

We recommend that the Government legislate to make compliance with the prudential code by local authorities a statutory duty.

Government response:

Under the current system, primary legislation sets out that local authorities must have regard to the four statutory codes produced by Government and CIPFA, which includes the Prudential Code. Local authorities must appropriately comply with the codes unless there are clear reasons for departure.

In response to PAC's recommendations on LA commercial investments, CIPFA is making changes to its statutory codes to make clearer that authorities must not invest principally for yield. Government has worked closely with CIPFA in developing the amendments. The new codes are in consultation with planned implementation from April 2022.

Government's programme of work will strengthen the capital system and compliance with the Prudential Framework. This reinforces the Government's message to the sector and sets out clearly the actions Government is taking. The actions take a holistic approach to strengthening the system at multiple points using 'three lines of control':

1) detection of risks through scrutiny and transparency, including improving Government's data for monitoring sector risk;

2) supporting processes at local level over decisions making and risk management by working with partners to improve local capability; and

3) strengthening the Prudential Framework itself. Including tightening legislation on the Minimum Revenue Provision duty and application of the statutory borrowing capping powers.

Recommendation Nine:

The Government should also make good on its commitment to improving the data it collects on local authority commercial investment.

Government response:

In reviewing the capital system, Government has drawn on the evidence from its continued monitoring of sector data and sector engagement, and evidence that has come to light from those authorities that have approached Government for emergency financial support. The most recent data already demonstrates that both new borrowing and commercial investment decreased significantly in 2020/21 relative to 2019/20.

Government is improving its monitoring of the sector through improved data collection and intelligence gathering. Government has now completed the voluntary data survey to gather additional information on sector behaviour and is now using the findings to implement permanent changes to its regular data collection from February 2022.

Government is also improving its early identification of risk, by developing additional metrics to use our data and qualitative information in a tool for the earlier identification of risky capital practices. This will be used alongside targeted engagement to address risk and non-compliance in a more timely way.

Lastly, local authorities are now required to submit three-year capital spending and borrowing plans in order to access the Public Works Loan Board (PWLB). Government is reviewing all submitted plans to assess the capital plans submitted to determine whether the information provided is compatible with the PWLB's lending terms, including that the local authority is not borrowing for yield. The information in the plans will be used alongside other data to improve Government's monitoring of the sector.

Audit and Control

Recommendation Ten:

We recommend the Government remove the ability of local authorities to choose their own auditors. *The risk is that auditors will be reluctant to flag up potential problems for fear of losing their contract. The Government should consider who will be best placed to appoint local authority auditors, given that it should not be local authorities themselves, and ARGA doing so could lead to a conflict of interest.*

Government response:

In September 2020, Sir Tony Redmond published his review of local authority financial reporting and external audit. Since then, the Government has undertaken a range of activities in response to all 23 of Sir Tony's recommendations. This includes extending audit deadlines from July to September for two years, amending regulations to increase flexibilities to ensure that audit firms can more easily claim for the full costs of audit and providing £15 million to local bodies to help with the costs of audit. Also, strengthening local audit arrangements, and confirming our intention to establish the Audit, Reporting and Governance Authority (ARGA), as the new system leader for local audit.

The Government has also reiterated its view that there should be independence between the procurement of audit services and audit quality oversight and monitoring functions. Additionally, the Public Sector Auditor Appointments Ltd (PSAA) is the organisation best placed to act as the appointing body. This includes overseeing the next opt-in bulk procurement, due to their technical expertise and the proactive work they have done to help identify improvements that can be made to the process[1].

While local bodies have the power to appoint their own auditors, the large majority of principal bodies to date (all bar nine) have chosen not to, with 98% of such bodies choosing to opt-in to the appointing person arrangements overseen by PSAA from 2018/19 to 2022/23, whereby PSAA appoint auditors on their behalf. While opting-in to PSAA's procurement arrangements is optional, local bodies may determine that the scheme continues to offer a valuable alternative to making their own arrangements, particularly given ongoing issues of market fragility and the limited supply of qualified public auditors.

The Government is confident that the broader checks and balances in the system, including the FRC's audit quality review framework, help to ensure that auditors will be confident to flag up issues that emerge. Local auditors provide an independent assessment and are required to report their findings, regardless of how they are appointed.

Maintaining around the appointment of local auditors will also help to provide continuity, given the proximity of PSAA's next procurement exercise, which is due to launch shortly, for completion by June 2022. However, the Government will be taking the views of stakeholders into consideration through its recent local audit framework: technical consultation and will keep all existing arrangements under review.

[1] See https://www.gov.uk/government/consultations/local-audit-framework-technical-consultation/local-audit-framework-technical consultation paragraphs 77-88.

Recommendation Eleven:

We also ask the Government to confirm that the new system leader will be able to join up individual auditor findings with a view to identifying systemic issues across local government. *Without a central body responsible for oversight of the sector, we see no way of ensuring a robust and transparent regime of local audit.*

Government response:

We agree that it is important that the new system leader will be able to join up individual auditor findings with a view to identifying systemic issues across local government. In the recent local audit framework: technical consultation, the Government strongly agreed with Sir Tony Redmond's recommendation that the system leader for local audit should have responsibility for producing annual reports summarising the state of local audit[2].

The consultation proposes that ARGA's statutory function as local audit system leader will form a distinct, standing element of ARGA's annual reporting, potentially as a separate annex to the main annual report which ARGA produces. And that, in addition to reporting against its own system leader objective, this would be an important mechanism for ARGA to report to the Department for Levelling Up, Housing and Communities on the state of the local audit market, as well as to inform the Department for Levelling Up, Housing and Communities' stewardship of the local government accountability framework. This could include detail summarising the results of audits, similarly to Public Sector Auditor Appointments (PSAA) previous reporting, as well as identifying emerging themes and issues facing local bodies.

The consultation seeking views on this closed on 22 September, and the Government is now analysing the responses to this as it develops its thinking further.

[2] See https://www.gov.uk/government/consultations/local-audit-framework-technical-consultation/local-audit-framework-technical consultation paragraphs 58-62

Recommendation Twelve:

We recommend that the Government consider changing the section 114 regime to provide Chief Finance Officers with intermediary measures that can be applied at a much earlier stage to highlight concerns before a council's finances deteriorate so far as to require a section 114 notice.

Government response:

Section 114 notices are an important and effective part of the local government finance system as both a legal mechanism and as a spending control for councils that have particular issues in setting or maintaining a balanced budget. However, Section 114 notices exist within a wider system of checks and balances, such as the statutory requirement for Section 151 Officers to report on the robustness of budget estimates and adequacy of reserves as part of the annual budget setting process; or the additional powers and duties afforded to external auditors under the Local Audit and Accountability Act 2014, for example to issue statutory recommendations or reports in the public interest, to highlight concerns about an authority's finances. This means we would expect councils to take a number of steps to address financial challenges before reaching a point where issuing a notice is necessary.

Recommendation Thirteen:

We also recommend that Chief Finance Officers report to both the Executive and appropriate scrutiny committees on a quarterly basis on the state of local authority finances and, in particular, draw attention to potential serious financial problems.

Government response:

The Government agrees that it is essential that Section 151 Officers are afforded appropriate input into decision making processes, and there are clear existing duties for them to report on serious financial problems through the Section 114 framework and Section 25 requirement for reporting on the adequacy of reserves. Effective financial governance is essential to the proper functioning of local government and a core part of a council's meeting the 'best value' duty set out in the Local Govt Act 1999.

Alongside this, we are also taking steps to strengthen local government audit committee arrangements. In the local audit framework: technical consultation published on 28 July, the Government set out proposals for updated guidance relating to audit committee arrangements, including the appointment of independent members, and that Accounts and Audit regulations are amended so that Full Council should receive the Auditor's Annual Report, accompanied by a report from the Audit Committee with responses to the Auditor's Annual Report. This consultation also reaffirmed the expectation that auditors must have appropriate powers and opportunities to meet with the appropriate statutory officers, including Chief Finance Officers.

DLUHC Report on Local Government Finance Review – Slough Borough Council

Issues and Recommendations

Recommendations on strengthening financial sustainability

A. On future sustainability: Establish a detailed plan to close the short and long-term budget gap

The Council has already produced a plan to improve financial management, but it now needs to set out clearly how it is going to rebalance its budget in the medium term in response to the S114 notice.

We recognise that work has already started to engage with Members on the approach that the Council will take. We also recognise that the scale of the problem means that a measured approach needs to be taken and the problem will take considerable time to resolve, if in fact it can be resolved.

The S.151 Officer needs to set out clearly how the Council will develop a plan to rebalance its budget and ensure that this has the support and commitment of both the Council's management team and all Councillors.

We recommend that: -

- The S151 Officer presents the plan for the steps needed to rebalance the budget to Council in October 2021 and seek Council approval for the Plan.
- The Council produces an outline plan to close its identified budget gap for 2022-23 (before taking account of additional Section 114 liabilities) by November 2021.
- The Council produces a longer-term outline plan for closing the MTFS budget gap by December 2021 with a view to formal approval of the budget and MTFS by February 2022.
- The Council produces detailed delivery plans for savings required over the MTFS by May 2022.

B. On future sustainability: Establish a high-level risk register

It is recognised that the S151 Officer is reviewing the Council's arrangements for the management of risk.

At this stage it is important the Cabinet and Senior Officers have a high level of awareness of the key financial and strategic risks that the organisation faces. This is essential if the organisation is to ensure that it effectively manages such risks and will help to inform future financial plans.

We recommend that: -
The Council reviews the existing risk register to identify the high-level risks facing the organisation and allocate a senior risk owner for each risk.

C. On commercial activities and borrowing: Set limits on future borrowing and capital spending

The Council already has one of the highest levels of borrowing, compared to other similar councils. In the short-term Council borrowing could rise to nearly £1bn, although it is appreciated that plans for asset disposals will significantly reduce this figure.

In the meantime, strict limits need to be placed on Council borrowing over and above any borrowing required to support the capitalisation direction. In turn this will impact on the size and scale of the capital programme.

In the first instance it would be appropriate for the Council to agree tight limits on further borrowing and ensure that any further capital investment is restricted to essential schemes required to repair, maintain, or replace existing assets.

We recommend that: -

- The Council sets very tight limits for future borrowing to enable it to better manage the subsequent revenue costs associated with repaying such debts.
- The Council restricts investment in its capital programme to essential schemes as identified above.

D. On commercial activities and borrowing: Gain increased assurance concerning the potential scale of past and future liabilities

The Council does not have robust arrangements for preparing accounts and it will take considerable time to put these arrangements in place.

We recognise the detailed plans that the S151 Officer is preparing for closure of the accounts and the reasonableness of this approach. The closedown plan focusses on key risk areas, including companies. We understand that it will be a considerable time before the Finance team can prepare reliable financial statements for 2019-20 and beyond.

Nevertheless, it is important that this does not prevent the Council gaining greater assurance over the potential scale of liabilities that it faces before it sets the budget for 2022-23.

We recommend that: -
The Council further reviews the risk-based approach to identifying liabilities to enable it to improve its assurance around the size and scale of current and future liabilities before it sets the budget for 2022-23.

E. On assets: Develop an outline asset disposal plan to provide the funds required for the capitalisation directive

We recognise that work is already underway to prepare an asset disposal plan for the Council.

The Council needs to consider the level of skill and expertise required to dispose of significant assets and obtain best value.

The disposal plan needs to consider the significant risks as it considers the disposal of a large part of its estate and the level of expertise it will require to value its assets and secure appropriate legal advice on any issues that may impede the disposal of assets or the achievement of best value.

The potential sums involved are substantial as are the risks if the Council does not approach the disposals in a structured way.

We recommend that: -
The Council formulates and agrees at an early stage its approach to asset disposals, including the issues identified in Section 6, and how it will secure the necessary expertise that it needs to achieve best value.

Recommendations on strengthening financial governance and oversight

F. Raise Member awareness of the scale of the financial challenge and its implications

Few councils have faced a financial challenge as severe as the one that Slough Council faces.

We recognise the initial steps that the S151 Officer has taken to provide effective briefings to Members on the scale of the financial challenge. Nevertheless, there is still a danger that this can be viewed as only a technical financial issue that will be resolved by the finance professionals.

The impact that this financial challenge will have on the way the Council operates and the services that it can deliver needs to be set out explicitly to Members along with the tough decisions that they will need to make.

Members will be faced with many difficult and challenging decisions over the next months and years and it is vital that they understand the Council's financial position when they consider these tough decisions.

Equally the oversight role provided by the Audit Committee is complex and essential for an organisation facing the challenges that Slough faces. It is important that members of the Audit Committee understand their role clearly and that this is part of the induction process for new Audit Committee members.

We recommend that: -

- Mandatory briefings are provided to all Members on the Council's financial challenge.
- Specific further training is provided to members of the Audit Committee to raise further awareness of their governance role and that this training is repeated as part of the induction process for all new members when they join.

G. Address immediate financial governance risks

It will take time to improve overall financial governance, but the Council needs to focus on immediate risks to ensure that its scheme of delegation operates effectively and that decisions are made at an appropriate level.

To some extent this risk is addressed currently by the Expenditure Control Panels, established as part of the Section 114 notice process. These are, however, only a short- 8 term measure. The Council needs to ensure that the Financial Management System reflects the delegations within the restructured organisation. It also needs to ensure that all staff including interim and agency staff are aware of their responsibility for financial management. In the medium term this will be assisted by a review of financial regulations.

We recommend that: -

- The Council strengthens key controls within its financial management system as set out above.
- The Council reviews financial regulations in the medium term
- The Council sets out clearly the financial responsibilities of all new staff, interim and agency staff when they commence work with the Council.

H. Prepare an Annual Governance Statement for 2020-21

The Council has not prepared an Annual Governance Statement for 2020-21 which means that it has not set out an up-to-date view of its governance and the actions needed to improve it.

The existing Annual Governance Statement for 2019-20 does not contain any action plan and the final assessment is now outdated and unrealistic given the challenges that the Council now faces.

We recommend that: -
An updated Annual Governance Statement and Action Plan should be prepared for consideration by the Audit and Governance Committee by December 2021.

I. Undertake an independent review of the procurement function

The procurement function plays an integral role in delivering sound financial governance. There is an urgent need to gain independent assurance that this function is operating effectively and, where necessary, to identify improvement that needs to be made.

The procurement function has not been subject to a detailed internal audit review in recent years and so little assurance can be gained that the function is operating effectively. We consider that the best way to do this is to commission an independent review of the procurement function, including commissioning and contract management, given that the Council's internal auditors are currently contracted to deliver part of this service.

We recommend that: -
The Council commission a separate independent review of the procurement function, rather than including this within the annual internal audit plan.

J. Review the provision of internal audit

It is essential that the Council can rely on the quality of the work carried out by internal audit so that it can gain effective assurance from that work concerning both the steps to improve the financial governance of the organisation and the operation of key financial controls.

We recommend that: -
The Council commissions an independent review of the internal audit arrangements to ensure that they are effective and provide sufficient coverage to give it the assurance that it needs during this period of financial challenge.

K. Enhance financial capacity

The Section 24 recommendation issued by the External Auditor highlights the need to improve financial capacity.

We are concerned that the plans within the ‘Our Futures’ reorganisation do not enable an adequate finance function, particularly around expertise on technical and financial strategy, which is at the core of an effective finance team.

The finance team faces the dual challenge of not only rebalancing the Council budget but also restoring sound and effective financial management across the organisation. We share the concern of the External Auditors on the capacity of the finance team to deliver on both of these dual challenges.

The S151 officer’s immediate plans to restore sound financial management are reasonable. They set out the key issues that need to be addressed in response to the Section 24 notice and key financial risks. This plan is being delivered by a small number of mainly interim staff, who face the same deadline of multiple significant tasks. We therefore consider that there is a high risk in terms of delivery of this plan without additional finance capacity.

We recommend that: -

- The S151 officer reviews the level of resource required to deliver the plan for restoring sound financial management
- The organisation makes further provision to enhance the capacity within the finance team including exploring other delivery avenues, such as the use of shared services.
- The Council commissions an independent review to demonstrate that financial procedures and processes are robust by May 2023.

L. Stabilise the finance leadership team

We recognise the significant contribution that many finance staff are making to address the financial challenge facing the Council. It is crucial for the Council to retain the current S151 officer and his team if the Council is to stabilise and strengthen the finances.

Nevertheless, there is a substantial risk that as the S151 Officer is on an interim contract and that he is largely supported by a group of experienced interim staff, they could leave the organisation with little notice. There is an equal concern that this would also lead to a substantial loss of corporate memory and hinder plans to address the financial challenge.

We recognise that the S151 officer intends to set out a new finance structure in October. Given the scale of the risks involved, we believe that more immediate action is needed to address this issue.

We recommend that: -

- The S151 officer immediately commences the appointment process for a permanent Deputy S151 Officer.
- The Council seek to re-negotiate the contractual terms for the S151 officer and his team to extend the notice period they are required to give prior to departure.

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Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

7 December 2021

Report of the Director of Finance & ICT

PSAA Update

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is not a Key Decision.

3. Purpose

3.1 To provide Audit Committee with an update from a Public Sector Audit Appointments (PSAA) news release on 2020-21 audited accounts progress, issued on 12 October 2021, and a PSAA news bulletin, issued on 28 October 2021, which includes:

- the outcome of PSAA research to consider options for national audit fee variations;
- a formal invitation to become opted-in authorities for local auditor appointments for the audits of financial years 2023-24 through to 2027-28;
- details of an Autumn/Winter free webinar series for Audit Committee Chairs; and

- changes to the audit Appointing Person regulations.

4. Information and Analysis

National 2020-21 Audited Accounts Progress

4.1 Delayed audit opinions continue to be a major concern in the local audit system. The growing scale of the challenge is illustrated by the latest figures compiled by PSAA. As at the target post-audit accounts publishing date of 30 September 2021, only 9% of local government bodies' 2020-21 audits had been completed. The position compares to 45% for 2019-20 audits and 57% for 2018-19 audits, by the respective target dates of 30 November 2020 and 31 July 2019.

4.2 PSAA is very much aware of the challenges posed by Covid-19 and how they have contributed to this current position. However, a range of further pressures are also continuing to impact performance. There is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019-20 audits still incomplete.

4.3 PSAA is conscious of how these delays can have a real public-facing impact, potentially undermining the ability of local bodies to account effectively for their stewardship of public money to taxpayers.

4.4 The newly formed Local Audit Liaison Committee established by the Department for Levelling Up, Housing and Communities (DLUHC), of which PSAA is a member, has a vital role in helping to ensure co-ordinated action in response in overseeing the overall progress and performance of the local audit system. Other committee members include a range of local audit stakeholders including the Department for Levelling Up, Housing and Communities (DLUHC), the Financial Reporting Council (FRC), the National Audit Office (NAO), the Institute of Chartered Accountants in England and Wales (ICAEW), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Government Association (LGA).

4.5 The Local Audit Liaison Committee is currently working to develop a strategy to improve the timeliness of opinions within a more resilient, sustainable local audit system. PSAA has highlighted the need for a range of actions to tackle the identified issues that are essential to support this, and all stakeholders agreed to emphasise the importance of improving audit timeliness. The minutes of the 29 July 2021 Local

Audit Liaison Committee are publicly available Local Audit Liaison Committee - GOV.UK (www.gov.uk)

Outcome of National Fee Variations Research

4.6 In response to feedback from opted-in bodies and auditors, in November 2020 PSAA consulted on a possible new approach for determining some fee variations. PSAA sought views on the desirability of reducing the volume of local audit fee variations and to explore if PSAA could determine some fees for additional work on a national basis, across all, or most, audits. The response to the consultation was positive.

4.7 PSAA then carried out research on the potential to determine standard fees to deal with key changes in audit requirements from 2020-21 audits onwards. These results have now been published and include the factors and minimum additional fee ranges associated with specific changes in requirements for 2020-21 audits, with the aim that this will help when bodies and auditors are discussing audit outcomes and associated additional fees.

4.8 The Council will have regard to this information when agreeing any audit fee variations in respect of the 2020-21 audit.

Formal Invitation Issued to Become Opted-in Authorities

4.9 On 22 September 2021 PSAA formally invited all eligible bodies to opt-in to the national scheme for local auditor appointments for the audits of financial years 2023-24 through to 2027-28.

4.10 For the Council, the decision to become an opted-in authority must be taken by the members of the authority meeting as a whole (Full Council). The LGA has produced a specimen report that can be easily adapted to support the decision making process to opt in.

4.11 The closing date to notify PSAA of the Council's acceptance of the invitation is Friday 11 March 2022. The latest information on PSAA's preparations for this second appointing period is on their website, along with Frequently Asked Questions.

4.12 A separate report on 'Appointment of External Auditor' will be considered at this Audit Committee meeting, to provide Audit Committee with details of proposals to be put before Full Council to agree the process by which the Council will procure a new external auditor.

.**Autumn/Winter Webinar Series**

4.13 PSAA has held the first webinars in its Autumn/Winter series on 'Understanding the new local audit system' and 'Understanding and managing auditor/auditee changes during the life cycle of an appointing period'. PSAA's Chair hosted the events, with short presentations followed by Question and Answer sessions. The webinar slides are available to view on the PSAA website. Further webinars are planned for 2021 and early 2022. These webinars are mainly aimed at S151 Officers and Audit Committee Chairs and are an opportunity to find out more about what PSAA does and current events.

4.14 Further webinars in the series, the slides for which should also be available to view after they are held, are:

- Understanding how the PSAA determines your audit fees and what might influence them over the next contract period (Wednesday 19 January 1-2pm).
- Understanding the 2022 audit services procurement strategy (Wednesday 16 February 1-2pm).
- Understanding PSAA contract management arrangements (Wednesday 16 March 1-2pm).

4.15 Audit Committee Members may register to attend by clicking on the individual webinar titles above, or sending their name and e-mail address, identifying Derbyshire County Council as their local authority, to ap2@psaa.co.uk. PSAA will then issue joining instructions.

Changes to Appointing Person Regulations

4.16 Changes to the Appointing Person Regulations were laid before Parliament on 21 October 2021. These changes will provide PSAA (as the Appointing Person) greater flexibility. For example, PSAA now has until 30 November 2022 to set the scale fees for the 2022-23 audit year, rather than setting them by 31 March 2022. PSAA welcomes this change as it will be able to build in approved recurring fee variations to the scale fees, making them more accurate, and reducing the volume of fee variations.

5. Consultation

5.1 No consultation is required.

6. Alternative Options Considered

6.1 N/A – this report advises Audit Committee on updates from the Public Sector Audit Appointments (PSAA) Advisory Panel.

7. Implications

7.1 No implications – for Audit Committee to note the report contents.

8. Background Papers

8.1 Papers held electronically by Financial Strategy, Finance & ICT, Room 137, County Hall.

9. Appendices

9.1 Appendix 1 – Relevant implications considered in the preparation of the report.

10. Recommendations

That Audit Committee:

10.1 Notes this PSAA update in respect of national 2020-21 audited accounts progress, the outcome of PSAA research to consider options for national audit fee variations, a formal invitation to become opted-in authorities for local auditor appointments for the audits of financial years 2023-24 through to 2027-28, details of an Autumn/Winter free webinar series for Audit Committee Chairs and changes to the audit Appointing Person regulations.

11. Reasons for Recommendations

11.1 It is prudent and responsible practice for Audit Committee to be kept informed of the current work of Public Sector Audit Appointments (PSAA).

Report Author:	**Contact details:**
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This report has been approved by the following officers:

On behalf of: Director of Finance and ICT Director of Legal Services and Monitoring Officer	

Implications

Financial

1.1 As outlined in the body of the report.

Legal

2.1 As outlined in the body of the report in paragraphs 4.10 and 4.16.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.

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DERBYSHIRE County Council

Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

7 December 2021

Report of the Director of Finance & ICT

Appointment of External Auditor

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is not a Key Decision.

3. Purpose

3.1 To provide Audit Committee with details of the requirement for the Council to procure a new external auditor for the audit of the Council's accounts for 2023-24 and the four years thereafter.

3.2 For Audit Committee to note the options available for how to make the appointment and to approve the preferred option of again opting-in to the sector-led body, Public Sector Audit Appointments (PSAA), to undertake the procurement on behalf of the Council.

3.3 For Audit Committee to note that the decision to become an opted-in authority must be made by Full Council before 11 March 2022, which is the closing date to give notice to PSAA of the Council's acceptance of its invitation to participate in a sector-led approach to procurement.

4. Information and Analysis

Current Arrangements

4.1 The Council's current external auditor is Mazars. Their appointment on 14 December 2017 was made after Full Council opted-in to a sector-led approach to appointing an external auditor on 7 December 2016, approving the use of PSAA to undertake the procurement on behalf of the Council.

4.2 PSAA is an independent company limited by guarantee, incorporated by the Local Government Association (LGA) in August 2014. In July 2016, the Secretary of State specified PSAA as an 'appointing person' for principal local government bodies for audits from 2018-19, under the provisions of the Local Audit and Accountability Act 2014 (the Act) and the Local Audit (Appointing Person) Regulations 2015 (the Regulations). Acting in accordance with this role, PSAA is responsible for appointing auditors and setting scales of fees for relevant authorities that have chosen to opt-in to its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts PSAA enters into with audit firms.

4.3 At the time of PSAA's appointment of the Council's current auditors, PSAA confirmed that they had applied the following principles in selecting audit firms for each authority:

- Ensuring auditor independence.
- Meeting commitments to audit firms under the audit contracts.
- Accommodating joint/shared working arrangements where relevant to the auditor's responsibilities.
- Ensuring a balanced mix of authority types for each firm.
- Taking account of each firm's principal locations.
- Providing continuity of audit firm if possible but avoiding long appointments.

4.4 The current external auditor appointment covers the audits of five consecutive financial years, which commenced on 1 April 2018 and will come to an end on 31 March 2023.

Next Appointing Period

4.5 The external auditor for the audit of the Council's 2023-24 accounts, and for the four years thereafter, known as the next appointing period, must be appointed by 31 December 2022. The Council again has a choice about how to make that appointment.

4.6 On 22 September 2021, PSAA contacted the Council to again invite it to become an opted-in authority in accordance with the Regulations.

4.7 The closing date to give notice to PSAA of the Council's acceptance of its invitation to participate in a sector-led approach to procurement is 11 March 2022. A decision to become an opted-in authority must be made by the members of an authority meeting as a whole.

4.8 This means that the decision as to which option to use for the appointment of external auditors for the five-year period commencing 1 April 2023 must be made by Full Council before 11 March 2022.

Options for Local Appointment of External Auditors

4.9 There are three broad options for local appointment of external auditors open to the Council under the Act:

- Option 1 - Opt-in to a sector led body.
- Option 2 - Make a stand-alone appointment.
- Option 3 - Set up a Joint Auditor Panel/local joint procurement arrangements.

Preferred Option – Opt-in to a Sector-Led Body

4.10 The preferred option is Option 1, for the Council to again opt into the sector-led body, PSAA. The two other options, Options 2 and 3 in paragraph 4.8, to make a stand-alone appointment, or to set up joint auditor panel/local joint procurement arrangements, respectively, are considered in Section 6 of this report.

4.11 Opting-in to the local audit procurement by PSAA for the current arrangements was a success, with negligible internal cost of procurement in terms of time and expenditure, resulting in the appointment of a well-known, reliable, qualified, registered auditor, with whom the Council has built up a good working relationship over the appointing period, and reduced audit fees compared to previous years.

4.12 PSAA's primary aim for the procurement of audit services contracts for the next appointing period is to secure the delivery of an audit service of the required quality for every opted-in body, at a realistic market price, and to support the drive towards a long term competitive and more sustainable market for local public audit services.

4.13 The objectives of the procurement are to maximise value for local public bodies by:

- Securing the delivery of independent audit services of the required quality.
- Awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body.
- Encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market.
- Encouraging audit suppliers to submit prices which are realistic in the context of the current market.
- Enabling auditor appointments which facilitate the efficient use of audit resources.
- Supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery.
- Establishing arrangements that are able to evolve in response to changes to the local audit framework.

4.14 The PSAA scheme for the next appointing period will continue to build on the range of benefits already available for members:

- Transparent and independent auditor appointment via a third party.
- The best opportunity to secure the appointment of a qualified, registered auditor.
- Appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency.
- On-going management of any independence issues which may arise.
- Access to a specialist PSAA team with significant experience of working within the context of the relevant regulations, to appoint auditors, manage contracts with audit firms, and set and determine audit fees.
- A value for money offer, based on minimising PSAA costs, with distribution of any surpluses to scheme members. In 2019 PSAA

returned a total £3.500m to relevant bodies, and more recently announced a further distribution of £5.600m in August 2021.

- Collective efficiency savings for the sector through undertaking one major procurement, as opposed to many smaller procurements.
- Avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities.
- Updates from PSAA to Section 151 Officers and Audit Committee Chairs on a range of local audit related matters, to better inform and support effective auditor-audited body relationships.

4.15 Although individual members would have less opportunity for direct involvement in the appointment process, other than through the LGA and/or stakeholder representative groups, this did not present the Council with any issues during the current arrangements.

4.16 In order for the PSAA to again be viable and to be placed in the strongest possible negotiating position, it needs councils to indicate their intention to opt-in before final contract prices are known. However, in respect of the current arrangements, the majority of eligible authorities opted-in, making it by far the most popular choice for the method by which to appoint local auditors. It therefore appears likely that PSAA's negotiating power will not be in doubt and best prices will be secured.

4.17 Acceptance of PSAA's invitation to opt-in means that an authority is opted-in for the duration of the compulsory appointing period. The only exception is where the authority ceases to exist, or the body ceases to fall within the classes of authorities for which PSAA is the appointing person.

4.18 For the avoidance of doubt, the opt-in also includes the audit of an authority's pension fund, where applicable. Pension funds are not separate legal entities from their administering local authority for audit, and are therefore not listed as relevant authorities in schedule 2 of the Local Audit and Accountability Act 2014. The auditor appointment to an opted-in local authority includes the audit of the pension fund where the authority is the administering body. The pension fund audit is subject to a separate engagement and scale audit fee, but the auditor appointment covers both the local authority and the pension fund. This applies to the Council, as administering authority for the Derbyshire Pension Fund.

PSAA Appointing Process

4.19 PSAA has supplied a form of notice of acceptance and this is attached at Appendix 2. The notice of acceptance must be sent by email to ap2@psaa.co.uk and must be received before midnight on 11 March 2022.

4.20 PSAA will confirm receipt of all notices of acceptance by e-mail.

5. Consultation

5.1 No consultation is required.

6. Alternative Options Considered

6.1 Alternative Options are set out below.

Option 2 – Make a Stand-alone Appointment

6.2 In order to make a stand-alone appointment the Council would need to set up an Auditor Panel. The members of the Panel must be made up wholly, or with a majority, of independent members, as defined by the Act. Independent members for this purpose are independent appointees. This excludes current and former Members (or officers) and their close families and friends. This means that Members would not have a majority input into assessing bids and choosing which firm of accountants to award a contract to for the Council's external audit.

6.3 Setting up an auditor panel would allow the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

6.4 However, recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract was estimated by the LGA, at the time of the first appointing period, to cost in the order of £0.015m plus on-going expenses and allowances.

6.5 Furthermore, the Council would not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.

6.6 The assessment of bids and decision on awarding contracts would be taken by independent appointees and not solely by Members.

Option 3 - Set up a Joint Auditor Panel/Local Joint Procurement Arrangements

6.7 The Act enables the Council to join with other authorities to establish a Joint Auditor Panel. Again, this would need to be constituted wholly, or with a majority of, independent appointees. Further legal advice would be required on the exact constitution of such a Panel, having regard to the obligations of each council under the Act. The Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

6.8 The costs of setting up the Panel, running the bidding exercise and negotiating the contract would be shared across a number of authorities but this is unlikely to be to the same extent as would be available through opt-in to the sector-led body, the PSAA.

6.9 There would be greater opportunity for negotiating some economies of scale by being able to offer a larger, combined contract value to the firms.

6.10 The decision-making body would be further removed from being concerned with the Council's interests.

6.11 The choice of external auditor could be complicated where individual councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for that council. Where this occurs, some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the Panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

7. Implications

7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

8. Background Papers

8.1 Finance papers are held electronically by Financial Strategy, Finance & ICT, Room 137, County Hall.

9. Appendices

9.1 Appendix 1 – Relevant implications considered in the preparation of the report.

9.2 Appendix 2 – PSAA Form of Notice of Acceptance.

10. Recommendations

10.1 That Audit Committee:

- Notes the details of the requirement for the Council to procure a new external auditor for the audit of the Council's accounts for 2023-24 and the four years thereafter.
- Notes the options available in respect of how to make the appointment and recommends to Full Council that they support the preferred option of opting-in to the sector-led body, Public Sector Audit Appointments (PSAA), to undertake the procurement on behalf of the Council.
- Notes that the decision to become an opted-in authority must be made by Full Council before 11 March 2022.

11. Reasons for Recommendations

11.1 The Council Plan values commit to spending money wisely, making the best use of the resources that the Council has. Opting-in to the sector-led appointment of external auditors for the five-year appointing period commencing 1 April 2023 should achieve this by offering:

- Value for money - based on minimising PSAA costs, with distribution of any surpluses to scheme members.
- Collective efficiency savings - for the sector, through undertaking one major procurement, as opposed to many smaller procurements.
- Avoidance of the necessity for local bodies to establish an auditor panel and undertake an auditor procurement - enabling time and resources to be deployed on other pressing priorities.

11.2 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations. Opting-in to the sector-led appointment of external auditors for the five-year appointing period commencing 1 April 2023 should achieve this by offering:

- Transparent and independent auditor appointment via a third party.

- The best opportunity to secure the appointment of a qualified, registered auditor.
- Appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency.
- On-going management of any independence issues which may arise.
- Access to a specialist PSAA team with significant experience of working within the context of the relevant regulations, to appoint auditors, manage contracts with audit firms, and set and determine audit fees.

Report Author:
Eleanor Scriven

Contact details:
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This report has been approved by the following officers:

On behalf of: Director of Finance and ICT Director of Legal Services and Monitoring Officer	

Implications

Financial

1.1 Under the preferred option set out in the report, opting-in to PSAA, the sector-led body, PSAA would consult on scale fees for the audit of the Council's 2023-24 accounts, and for the four years thereafter, once the bodies who have opted-in are finalised. The Council's external audit fee for 2020-21 is £0.097m, with a fee of £0.028m for the Pension Fund.

1.2 Additional fees for the 2019-20 audit, billed by an agreed fee variation, were £0.018m for the Council and £0.009m for the Pension Fund. Fee variations are determined in accordance with Section 17(2) of the Local Audit (Appointing Person) Regulations. This provides for additional fees to be charged where in PSAA's view, on the basis of information provided by the local auditor it has appointed, the work involved in a particular audit was substantially more than that envisaged by the scale fee set. Any additional fees for the 2020-21 audit will not be discussed or agreed until after the audit is completed. PSAA has published research into providing national guidance on agreeing fee variations for 2020-21 audits.

1.3 PSAA operates on a not-for-profit basis. The revenue it receives must cover the cost of auditors and its operating expenses. PSAA paid out surplus funds rebates to opted-in bodies, in proportion to their scale audit fees, in 2019 and 2021. The Council's 2021 rebate was £0.019m, with a rebate of £0.004m for the Pension Fund.

1.4 Total audit fees, including additional audit fees, have reduced over a number of years, as a result of the Council opting into the previous national procurement, when PSAA was established, and before that the procurement by its predecessor, the Audit Commission.

Legal

2.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor.

2.2 Section 12 makes provision for the failure to appoint a local auditor. In this event the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the to any authority.

2.3 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 The Council Plan values commit to spending money wisely, making the best use of the resources that the Council has.

6.2 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.

PSAA Form of Notice of Acceptance

Appointing Period 2023-24 to 2027-28
Form of notice of acceptance of the invitation to opt in
(Please use the details and text below to submit to PSAA your body's formal notice of acceptance of the invitation to opt into the appointing person arrangements from 2023)

Email to: ap2@psaa.co.uk

Subject: **Derbyshire County Council**
Notice of acceptance of the invitation to become an opted-in authority

This e-mail is notice of the acceptance of your invitation dated 22 September 2021 to become an opted-in authority for the audit years 2023-24 to 2027-28 for the purposes of the appointment of our auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

I confirm that **Derbyshire County Council** has made the decision to accept your invitation to become an opted-in authority in accordance with the decision making requirements of the Regulations, and that I am authorised to sign this notice of acceptance on behalf of the authority.

Name: **[insert name of signatory]**
Title: **[insert role of signatory]** (authorised officer)
For and on behalf of: **Derbyshire County Council**
Date: **[insert date completed]**

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

7 December 2021

Report of the Assistant Director of Finance (Audit)

Audit Services Unit – Progress Against Audit Plan 2021-22

1. Purpose

1.1 To inform Members of the progress against the approved Audit Services Plan for 2021-22 as at 31 October 2021.

2. Information and Analysis

2.1 At the meeting of this Committee held on 23 March 2021, Members approved the Audit Services Plan for 2021-22. The Plan was formulated from a 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.

2.2 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 2021 and represents work undertaken during that period, which is detailed in Appendix 1 of the progress report. An analysis of the progress with the Unit's Key Performance Indicators (KPIs) are detailed in Appendix 2 of the progress report.

2.3 In common with previous years, some work forming part of last year's approved Audit Services Plan (2020-21) was completed and reported in the current year. Audit staff routinely follow up progress against agreed recommendations as part of subsequent work, in the area under review.

Operational Matters

2.4 Whilst the ongoing Covid-19 pandemic is affecting resources and staff availability throughout the Council, Audit have been working closely with Departments and service managers to schedule reviews to minimise the impact on front line services and back office functions. Although we are approaching the challenging winter months that are likely to bring further pressures, it is positive to report at this point in the year, that good progress has been made to enable reasonable coverage across the Council's services and within the 2021-22 approved Audit Plan. A number of reviews are currently in progress and it is envisaged that sufficient coverage will have been completed to enable an opinion to be provided at year end.

2.5 As previously reported to the Audit Committee, it will be a challenge to deliver the 2021-22 approved days for schools (174 days) and establishments (64 days) due to practicalities and restrictions in place at the local settings. To allow a base level assurance to be obtained across the Council's schools that may not be subject of a visit in this period, Audit staff are working on a desktop exercise across a number of core areas including finance and governance arrangements.

Audit Resources

2.6 Since the last meeting of the Audit Committee a Principal Auditor has left the Unit having completed their notice period. Whilst this has further reduced resources available within the Unit, an advert is currently on the Council's website and with other professional agencies, for two Principal Auditor positions and a six-month temporary post to cover maternity leave. Although the market is very challenging at the moment, it is hoped that the recruitment process is successful, and an update will be provided at the next Audit Committee in February 2022.

Audit Days

2.7 At 31 October 2021, a total of 1,434 productive days have been delivered against the pro-rata target of 1,588 days (total planned days for 2021-22 is 2,723).

3. Alternative Options Considered

3.1 The Council has a duty under the Public Sector Internal Audit Standards (PSIAS) to provide an annual Internal Audit Report and Opinion on its governance arrangements. Therefore, no alternative options have been considered.

4. Implications

4.1 Appendix 1 sets out the relevant implications considered in the preparation of the Report.

5. Consultation

5.1 No formal consultation was undertaken in the preparation of this report.

6. Background Papers

6.1 Electronic files and Audit working papers held by Audit Services, Finance & ICT Services, County Hall Complex.

7. Appendices

7.1 Appendix 1 – Implications.

7.2 Appendix 2 – Audit Services Progress Report up to 31 October 2021

8. Recommendation(s)

8.1 That Audit Committee are asked to note the performance of the Audit Services Unit during this period.

Report Authors:	**Contact details:**
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Appendix 1

Implications

Financial

1.1 None.

Legal

2.1 The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control, together with a duty to prepare an Annual Governance Statement.

2.2 Audit Services discharges the Council's statutory responsibilities under Regulation 5 of the Accounts & Audit Regulations 2015 and fulfils significant aspects of the Director of Finance & ICT's statutory duties under Section 151 of the Local Government Act 1972.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 The Annual Report and work of Audit staff supports the 2021-25 Council Plan key actions for high performing, value for money and resident focused services, by independently assessing Council services and activities.

Other (Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.

DERBYSHIRE
County Council

Audit Services Unit
Progress Against Audit Plan 2021-22
31st October 2021

Background to the Progress Report

At the meeting of this Committee held on 23 March 2021, Members approved the Audit Services Plan for 2021-22, 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. (including 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 five months to 31 October 2021 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 also included in **Appendix 1.**

Contents		Page

In common with previous years, elements of work forming part of last year's approved Audit Services Plan were completed and reported in the current year. Where appropriate, Audit staff routinely follow up progress against agreed recommendations as part of subsequent work, in the area under review.

All work undertaken by Audit Services' is conducted in accordance with the standards required by the PSIAS and in conformance with the International Standards for the Professional Practice of Internal Auditing. The work of the Unit complies with the Council's Audit Charter, Internal Audit Strategy and Quality Assurance and Improvement Programme which are subject to regular review.

Current Progress

Whilst the ongoing Covid-19 pandemic is affecting resources and staff availability throughout the Council, Audit have been working closely with Departments and service managers to schedule reviews to minimise the impact on front line services and back office functions. Although we are approaching the challenging winter months that are likely to bring further pressures, it is positive to report at this point in the year, that good progress has been made to enable reasonable coverage across the Council's services and within the 2021-22 approved Audit Plan. A number of reviews are currently in progress and it is envisaged that sufficient coverage will have been completed to enable an opinion to be provided at year end.

As previously reported to the Audit Committee, it will be a challenge to deliver the 2021-22 approved days for schools (174 days) and establishments (64 days) due to practicalities and restrictions in place at the local settings. To allow a base level assurance to be obtained across the Council's schools that may not be subject of a visit in this period, Audit staff are working on a desktop exercise across a number of core areas including finance and governance arrangements.

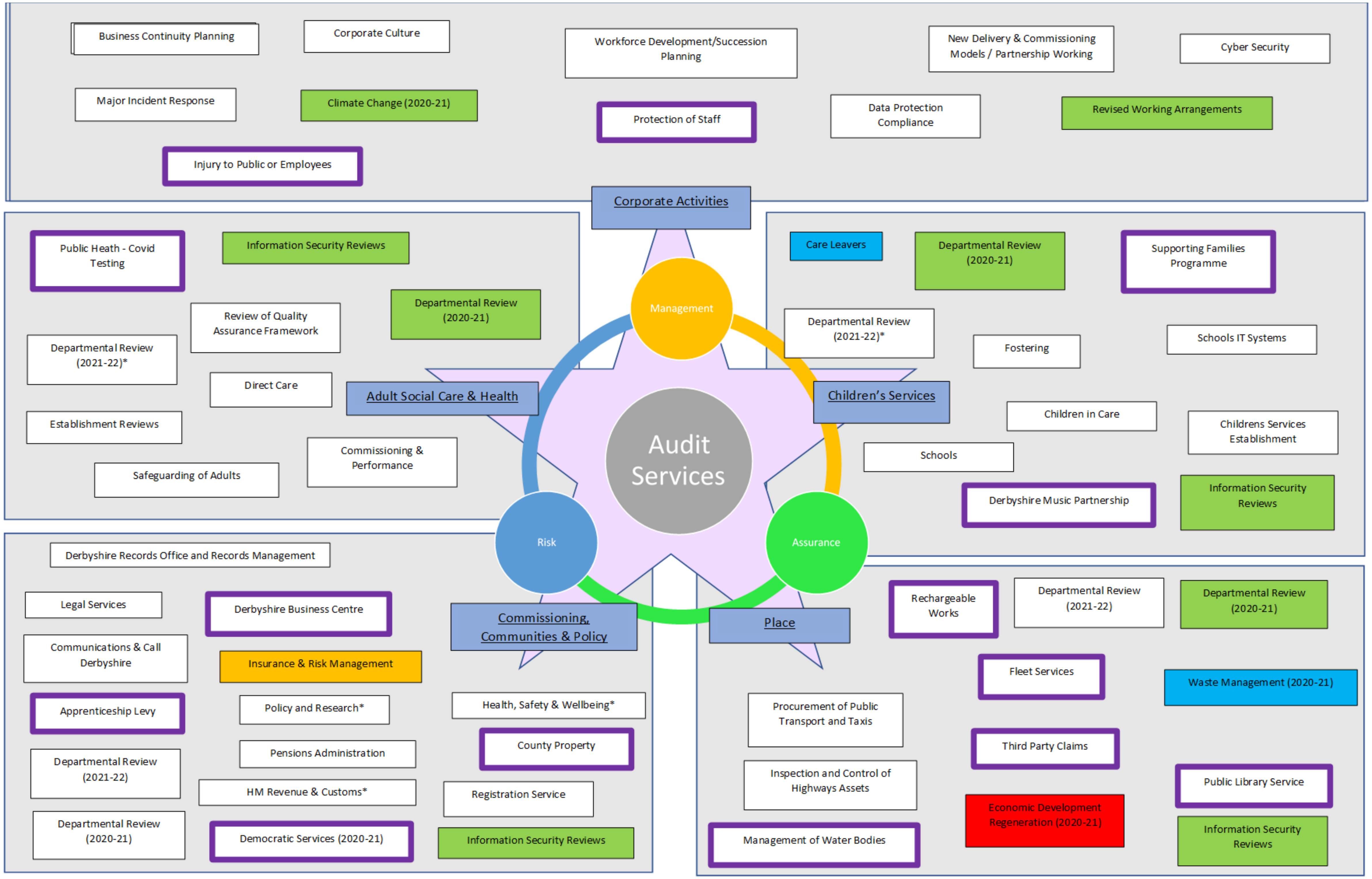
Whilst the Unit still has a shortfall in the number of productive days delivered against the plan, this is being constantly managed to maintain coverage over key risk areas. The continual improvement in staff absence levels has made a positive impact on the productive days available within the Unit.

The current Audit performance against the 2021-22 approved Plan is shown below:

2021-22 Progress	**At 31 October 2021**
Approved Audit Plan (2,723)	1,588
Actual Productive Days	1,434
Shortfall in Productive Days Delivered	**152**

Analysis of Audit work including a summary of Reports and Memoranda issued up to 31 October 2021, is provided at **Appendix 1,** with more detailed comments on individual reviews within the main body of this Report.

Summary of Audit Opinions (Reports Issued up to 31 October 2021)



Key Financial Systems	HR Management (2020-21)	Corporate Purchasing	Accounts Receivable	Accounts Payable	Asset Management System	Funds Management (2020-21)	Treasury Management	Accountancy, Budgetary Control and Financial Resilience (2020-21)
IT & IS Reviews	Network Infrastructure Review		Server Infrastructure Review		BACS Payment System Review*		Microsoft 365*	Corporate Database Review

Audit Opinions	Substantial	Qualified	Limited	No	*Review in Progress	Review nearly complete

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Audit Resources and Activities

<u>Staffing</u>

Since the last meeting of the Audit Committee a Principal Auditor has left the Unit having completed their notice period. Whilst this has further reduced resources available within the Unit, an advert is currently on the Council's website and with other professional agencies, for two Principal Auditor positions and a six-month temporary post to cover maternity leave. Although the market is very challenging at the moment, it is hoped that the recruitment process is successful, and an update will be provided at the next Audit Committee in February 2022.

<u>Key Performance Indicators (KPIs)</u>

Details of the Unit's KPIs are summarised in **Appendix 2.** Although the percentage of draft audit memoranda issued within 15 working days of fieldwork completion remains below target, there has been a slight improvement in the figures. It is envisaged that this should continue to improve as Audit management capacity has increased since September. The return of Audit client satisfaction questionnaires also remains low and whilst only a small number of reviews have been finalised and issued since the last progress report, a review of the questionnaires and process will be undertaken to increase the return rate.

<u>Counter Fraud Arrangements</u>

Work has commenced to review the Council's Counter Fraud Arrangements against the Cipfa Code of Practice on Managing the Risk of Fraud and Corruption and the Fighting Fraud and Corruption Locally Strategy. Progress will be reported to the Audit Committee alongside the National Fraud Initiative (NFI) update in February.

Detailed Analysis - Corporate Activities

Departmental Performance	2020-21	2021-22	Departmental Opinions	2020-21	2021-22
Days within the Approved Audit Plan	1,060	980	Substantial	-	1
Actual days delivered	546	417	Qualified	6	2
Percentage of Departmental Audits achieved	51.5%	43%	Limited	2	-
Number of Reports/ Memoranda Issued	11	5	No	-	-
			Other (including letters)	3	2

Outcome reported to the Audit Committee held on 21 September 2021

- ✓ Climate Change.

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Revised Working Arrangements

The Council has been working on the modern ways of working (MWoW) project for a number of months with the aim of reviewing working arrangements as things start to return to more normalised operations following the Covid-19 pandemic. The ongoing project involves many factors including suitability of buildings, digital capabilities and resilience to any future implications of Covid-19. Audit staff have been actively involved in supporting the various project workstreams and providing guidance to management on key risks and the control framework relating to the project. Throughout the initial phase of the project, Audit staff have undertaken site visits to County Hall to view arrangements for security of information including the disposal of confidential information. Within the two Audit Memoranda issued, recommendations were made to strengthen the guidance available to line managers, security and labelling of information, arrangements to monitor ICT equipment and resources available to the project.

Meetings and Support

Ongoing as reported to the Audit Committee held on 21 September 2021.

Detailed Analysis - Commissioning, Communities and Policy

Departmental Performance	2020-21	2021-22	Departmental Opinions	2020-21	2021-22
Days within the Approved Audit Plan	705	785	Substantial	5	2
Actual days delivered	679	540	Qualified	12	8
Percentage of Departmental Audits achieved	96%	69%	Limited	2	2
Number of Reports/ Memoranda Issued	21	12	No	-	-
			Other (including letters)	2	-

<u>Outcome reported to the Audit Committee held on 21 September 2021</u>

- ✓ Human Resources Management (2020-21).
- ✓ Accountancy, Budgetary Control and Financial Resilience (2020-21).
- ✓ Funds Management (2020-21).

<u>Insurance & Risk Management</u>

The review of Risk and Insurance Management was undertaken prior to the transfer of the management responsibility to the Assistant Director of Finance (Audit). The review considered the rollout of the Risk Strategy 2020-21, identification, evaluation and escalation of risks and administration of insurance claims. In addition, several elements of risk and insurance for which responsibility rests with Property Services was examined. This included the revaluation of Council assets (to inform the valuations provided to the Council's insurers on the 'List of Insurable Assets') and the maintenance of the Pollution Liability Register.

Despite recommendations being raised within the previous Audit review of the need to ensure that both these records are maintained, this had not been undertaken. This has resulted in the Council being liable for additional rebuild costs at Harrington Junior School due to the difference between the actual rebuild cost and the value of the School as per the List of Insurable Assets at the time of the School fire in May 2020. The failure to maintain this List and the Pollution Liability Register, places the Council at risk of incurring significant additional future liabilities as the value of assets held and associated risks may not be quantified and/or accurately recorded.

At the exit meeting, it was confirmed that funding has been secured to start the revaluation process and improve training of existing valuation staff. A review of the procedures has also been agreed to ensure a program is in place to record pollution liability on any Corporate properties.

Commissioning, Communities and Policy IT Systems and Information Security

Ongoing as reported to the Audit Committee held on 21 September 2021.

Meetings and Support

Ongoing as reported to the Audit Committee held on 21 September 2021.

Audits in Progress

Work on the Audit of the Policy and Research Section is at an early stage, with the review of Health, Safety & Wellbeing still requiring further work to complete this piece of work. The Audits of the Derbyshire Business Centre, Third Party Claims, County Property and HM Revenue & Customs Compliance, should be in a position to arrange an exit meeting with management to discuss the findings shortly. Whilst exit meetings for the review of the Apprenticeship Levy and Democratic Services have been held, a completed action plan is still awaited.

Detailed Analysis – Children's Services

Departmental Performance	2020-21	2021-22	Departmental Opinions	2020-21	2021-22
Days within the Approved Audit Plan	650	475	Substantial	1	1
Actual days delivered	390	114	Qualified	19*	2
Percentage of Departmental Audits achieved	60%	24%	Limited	1*	-
Number of Reports/ Memoranda Issued	22*	3	No	-	-
			Other (including letters)	1	-

(*2020-21 - Includes 11 primary school 'virtual' audits).

<u>Outcome reported to the Audit Committee held on 21 September 2021</u>

- ✓ Children's Services Departmental Review (2020-21).
- ✓ Care Leavers.

<u>Children's Services IT Systems and Information Security</u>

Ongoing as reported to the Audit Committee held on 21 September 2021.

<u>Audits in Progress</u>

Currently work has recently commenced on the Departmental review for 2021-22, with the Audit of the Derbyshire Music Partnership nearing a conclusion. Audit staff continue to undertake assurance work on the Supporting Families Programme as and when a claim requires review.

Detailed Analysis – Adult Social Care and Health

Departmental Performance	2020-21	2021-22	Departmental Opinions	2020-21	2021-22
Days within the Approved Audit Plan	299	303	Substantial	0	-
Actual days delivered	245	145	Qualified	5	4
Percentage of Departmental Audits achieved	82%	48%	Limited	3	-
Number of Reports/ Memoranda Issued	9	4	No	-	-
			Other (including letters)	1	-

Outcome reported to the Audit Committee held on 21 September 2021

- ✓ Adult Social Care and Health Departmental Review.

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Adult Social Care and Health IT Systems and Information Security

Ongoing as reported to the Audit Committee held on 21 September 2021.

Audits in Progress

Currently work has recently commenced on the Departmental review for 2021-22, with the Audit fieldwork of the Covid-19 Community Testing arrangements due to be concluded shortly. In the next few weeks work will begin on the Review of Quality Assurance Framework and Derbyshire Shared Care Record.

Detailed Analysis – Place

Departmental Performance	2020-21	2021-22	Departmental Opinions	2020-21	2021-22
Days within the Approved Audit Plan	170	180	Substantial	-	1
Actual days delivered	132	218	Qualified	3	3
Percentage of Departmental Audits achieved	77%	121%	Limited	-	-
Number of Reports/ Memoranda Issued	4	5	No	-	1
			Other (including letters)	1	-

<u>Outcome reported to the Audit Committee held on 21 September 2021</u>

- ✓ Waste Management.
- ✓ Economic Development Regeneration.

<u>Departmental Review (2020-21)</u>

The Departmental review evaluated compliance with statutory and regulatory requirements, strategic planning and governance arrangements, budgetary control, risk management, supply chain, human resources and the ISO27001 information security framework. Whilst the review confirmed that the majority of key administration procedures were operating satisfactorily, areas for further development were reported to senior management including staff overtime, time off in lieu and working hours.

<u>Place IT Systems and Information Security</u>

Ongoing as reported to the Audit Committee held on 21 September 2021.

<u>Audits in Progress</u>

Currently work is nearly complete on the Fleet Services review. Exit meetings to discuss the outcomes of Rechargeable Works, Management of Water Bodies and the Public Library Service have been arranged.

Appendix 1 - Progress Against the 2021-22 Audit Plan

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
Corporate Activities – The 2021-22 Audit Plan included an allocation of 980 days over the following areas												
Corporate Projects												
➢ VP018 East Midlands Broadband (emPSN)	-	-	2	-	-	-	-	-	-	-	-	
VP037 Workforce Development/ Succession Planning	30	-	1	-	-	-	-	-	-	-	-	
VP044 D2N2 LEP	45	-	37	Qualified	Substantial	↑	0	0	3	0	(1H)	
➢ VP050 Review of Grants Admin	-	-	6	-	-	-	-	-	-	-	-	
VP053 Cyber Security Review	20	-	-	-	-	-	-	-	-	-	-	
VP055 Corporate Culture	30	-	-	-	-	-	-	-	-	-	-	
VP058 Serious & Organised Crime	10	-	1	-	-	-	-	-	-	-	-	
➢ VP060 Protection of Staff	-	-	11	-	-	-	-	-	-	-	-	
➢ VP061 Injury to Public or Employees re. Use of Land, Buildings & Assets	-	-	6	-	-	-	-	-	-	-	-	
VP062 Data Protection Compliance	20	-	-	-	-	-	-	-	-	-	-	
VP064 New Delivery & Commissioning Models/Partnership Working	30	-	2	-	-	-	-	-	-	-	-	
VP067 Climate Change	30	20	5	N/A	Qualified	↔	0	1	3	2	-	Memo relates to 2020-21
VP068 Major Incident Response	30	-	-	-	-	-	-	-	-	-	-	
VP070 Revised Working Arrangements	30	-	31	N/A	Qualified	↔	0	4	5	1	-	
Total	**275**	**20**	**102**	**-**	**1 x Substantial 2 x Qualified**	**-**	**0**	**5**	**11**	**3**	**1**	
Corporate Governance												
CO002 Business Continuity Planning	20	-	7	-	-	-	-	-	-	-	-	
CR001 Embedding Corporate Governance	70	-	40	-	-	-	-	-	-	-	-	
CR006 Corporate Health Check	20	-	-	-	-	-	-	-	-	-	-	
CR007 Information Governance Group & Support	20	-	27	-	-	-	-	-	-	-	-	
CR009 Data Protection Compliance	20	-	32	-	-	-	-	-	-	-	-	

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
Total	**130**	**-**	**106**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Corporate Fraud Prevention												
CZ100 External Audit Liaison	5	-	1	-	-	-	-	-	-	-	-	
CZ200 National Fraud Initiative	20	-	54	-	-	-	-	-	-	-	-	
CZ300 National Anti-Fraud Network	10	1	4	-	-	-	-	-	-	-	-	
CZ400 RIPA Management & Admin	10	1	-	-	-	-	-	-	-	-	-	
ZZ000 Internal Audit-Special Investigations General*	280	26	63	N/A	1 x Report 1 x Letter	N/A	0	1	2	0	0	
Total	**325**	**28**	**122**	**-**	**1 x Report 1 x Letter**	**-**	**0**	**1**	**2**	**0**	**0**	
Strategic Management												
VW001 Strategic Management	50	-	39	-	-	-	-	-	-	-	-	
Total	**50**	**-**	**39**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Audit Planning Contingency												
XX000 Audit Planning Contingency	200	-	-	-	-	-	-	-	-	-	-	
Total	**200**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Corporate Activities Total	**980**	**48**	**369**	**-**	**1 x Report 1 x Substantial 2 x Qualified 1 x Letter**	**-**	**0**	**6**	**13**	**3**	**1**	

***Update - Time charged to VP069 Fraud Awareness (10 days) within the 31 August 2021 Progress Report reallocated to ZZ000 Internal Audit-Special Investigations General.**

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
Commissioning, Communities and Policy Department - The 2021-22 Audit Plan included an allocation of 785 days over the following areas												
Departmental Review - Management & Administration (CCP)												
CA100 Commissioning, Communities and Policy Departmental Review	60	7	6	Qualified	Qualified	⟺	0	4	12	2	(6H, 4M, 2L)	Memo relates to 2020-21 audit
CA102 External Grants and Certifications	10	-	26	-	-	-	-	-	-	-	-	
Total	**70**	**7**	**32**	**-**	**1 x Qualified**	**-**	**0**	**4**	**12**	**2**	**12**	
CCP Operational Reviews												
CO003 Derbyshire Business Centre	20	-	14	-	-	-	-	-	-	-	-	
CO006 Public Library Service (Transferred to Place wef 1 July 2021)	20	-	24	-	-	-	-	-	-	-	-	
➢ CO007 Democratic Services	-	28	-	-	-	-	-	-	-	-	-	
CO008 Communications and Call Derbyshire	25	-	-	-	-	-	-	-	-	-	-	
CO010 Policy and Research	25	-	4	-	-	-	-	-	-	-	-	
CO011 Legal Services	25	-	-	-	-	-	-	-	-	-	-	
➢ CO012 Derbyshire Records Office & Records Management	-	-	16	-	-	-	-	-	-	-	-	
CO013 Apprenticeship Levy	10	-	14	-	-	-	-	-	-	-	-	
Total	**125**	**28**	**72**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Divisional Activity – Major Systems												
MA100 Core Financial Systems – General Queries	5	-	11	-	-	-	-	-	-	-	-	
MB100 Human Resources Management	40	19	-	Substantial	Qualified	⇩	0	1	6	6	(1M,3L)	Memo relates to 2020-21 audit
MC100 Accounts Payable	40	-	41	-	-	-	-	-	-	-	-	
MD100 Corporate Purchasing	40	22	-	Qualified	Qualified	⟺	0	2	6	5	(3M)	
ME100 Accounts Receivable	35	-	33	-	-	-	-	-	-	-	-	
MG100 Accountancy, Budgetary Control and Financial Resilience	45	-	-	Qualified	Substantial	⇧	0	0	9	6	(5M,1L)	Memo relates to 2020-21 audit
MK100 Asset Management System	30	-	31	-	-	-	-	-	-	-	-	
ML100 Funds Management	50	2	-	Substantial	Substantial	⟺	0	0	2	3	(1M,1L)	Memo relates to 2020-21 audit
➢ MM100 Treasury Management	-	-	30	-	-	-	-	-	-	-	-	
Total	**285**	**43**	**146**	**-**	**2 x Substantial**	**-**	**0**	**3**	**23**	**20**	**15**	

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
					2 x Qualified							
Divisional Activity – Probity and Compliance												
DC200 HM Revenue & Customs Compliance	20	-	22	-	-	-	-	-	-	-	-	
DC300 Health, Safety & Wellbeing	20	-	7	-	-	-	-	-	-	-	-	
DC400 Financial Regulations & Standing Orders	5	-	-	-	-	-	-	-	-	-	-	
DE101 Cash Audit & ISO 27001 Visits	20	-	16	N/A	Qualified	⟺	0	0	0	0	-	
DE400 Pensions Administration	25	-	-	-	-	-	-	-	-	-	-	
DE500 Insurance & Risk Management	30	-	30	Qualified	Limited	⬇	1	1	3	2	(1H,5M,1L)	
Total	**120**	**-**	**75**	**-**	**1 x Qualified 1 x Limited**	**-**	**1**	**1**	**3**	**2**	**7**	
Divisional Activity – Corporate/ Departmental IT Systems												
CK003 Network Infrastructure Review	20	-	-	-	-	-	-	-	-	-	-	
CK004 Server Infrastructure Review	20	-	-	-	-	-	-	-	-	-	-	
CK006 Bacs Payment System Review	20	-	2	-	-	-	-	-	-	-	-	
CK002 Corporate Database Review	15	-	-	-	-	-	-	-	-	-	-	
Information Security and Follow Up Reviews	60	1	79	N/A	4 x Qualified 1 x Limited	⟺	0	17	23	5	0	Including existing corporate IT solutions and new IT systems or information security reviews, which require approval by the Director of Finance & ICT. Audit worked on a number of different projects throughout in this period: • AVC Wise IT solution • Member Self Service IT solution • Mobile Device Management IT solution • Externally hosted Mental Health Assessment solution • Derbyshire Health Trainers
Total	**135**	**1**	**81**	**-**	**4 x Qualified 1 x Limited**	**-**	**0**	**17**	**23**	**5**	**0**	
Divisional Activity – County Property Division												
DV100 Property Services Review	30	-	55	-	-	-	-	-	-	-	-	
Total	**30**	**-**	**55**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Regulatory												

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
QE100 Registration Service Audit Review	20	-	-	-	-	-	-	-	-	-	-	
Total	**20**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Departmental Total	**785**	**79**	**461**	**-**	**2 x Substantial 8 x Qualified 2 x Limited**	**-**	**0**	**25**	**61**	**29**	**34**	

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
Children's Services Department – The 2021-22 Audit Plan included an allocation of 475 days over the following areas												
Departmental Review – Management & Administration (CS)												
AA001 Children's Services – Departmental Review	45	1	4	Qualified	Qualified	⟺	0	3	9	3	(2H,4M,3L)	Memo relates to 2020-21 audit
AA004 Information Security and Follow Up Reviews	35	-	7	N/A	Qualified	⟺	0	1	5	0	0	Including new and enhanced IT systems or information security reviews, which require approval by the Director of Finance & ICT. Audit worked on a number of different projects throughout in this period: • S4S Traded Services IT solution
External Grants and Certifications	15	-	17	-	-	-	-	-	-	-	-	
Total	**95**	**1**	**28**	**-**	**2 x Qualified**	**-**	**0**	**4**	**14**	**3**	**9**	
Primary, Nursery & Special Schools												
Primary, Nursery & Special Budget	160	-	-	-	-	-	-	-	-	-	-	
Total	**160**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Secondary Schools												
Secondary Schools	14	-	-	-	-	-	-	-	-	-	-	
Total	**14**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Schools General Support												
Schools General Support	30	-	13	-	-	-	-	-	-	-	-	
Total	**30**	**-**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	
School - Information Security Reviews												
Information Security Reviews	35	-	-	-	-	-	-	-	-	-	-	
Total	**35**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Children's Homes												
Children's Homes	16	-	-	-	-	-	-	-	-	-	-	
Total	**16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Themed and Operational												
AO009 Care Leavers	-	-	32	Qualified	Substantial	⇧	0	0	3	3	(2M,1L)	
AO013 Supporting Families	30	-	14	-	-	-	-	-	-	-	-	

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
AO005 Fostering	25	-	-	-	-	-	-	-	-	-	-	
AO020 Derbyshire Music Partnership	20	-	26	-	-	-	-	-	-	-	-	
AO022 Impact of Children in Care	25	-	-	-	-	-	-	-	-	-	-	
AO016 Starting Point	25	-	-	-	-	-	-	-	-	-	-	
Total	**125**	**-**	**72**	**-**	**1 x Substantial**	**-**	**0**	**0**	**3**	**3**	**3**	
Departmental Total	**475**	**1**	**113**	**-**	**1 x Substantial 2 x Qualified**	**-**	**0**	**4**	**17**	**6**	**12**	

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Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
Adult Social Care and Health Department – The 2021-22 Audit Plan included an allocation of 303 days over the following areas												
Departmental Management and Administration Review												
BA001 Departmental Review Management and Administration	45	1	9	Qualified	Qualified	⟺	0	4	12	10	(5H,3M,5L)	Memo relates to 2020-21 audit
Total	**45**	**1**	**9**	**-**	**1 x Qualified**	**-**	**0**	**4**	**12**	**10**	**13**	
Public Health												
BD001 Public Health	25	-	47	-	-	-	-	-	-	-	-	
Total	**25**	**-**	**47**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Information Security and Follow Up Reviews												
Information Security and Follow Up Reviews	70	9	44		3 x Qualified	⟺	0	2	10	0	0	Including new and enhanced IT systems or information security reviews, which require approval by the Director of Finance & ICT. Audit worked on a number of different projects throughout in this period: • Welfare Rights • Mosaic Client Management IT solution • S12 Solutions App • Stakeholder Engagement Family Weight Management Project • Derbyshire Health Trainers Project • Relationship & Sexual Education Project
Total	**70**	**9**	**44**	-	**3 x Qualified**	-	**0**	**2**	**10**	**0**	**0**	
External Grants and Certifications												
External Grants and Certifications	15	-	25	-	-	-	-	-	-	-	-	
Total	**15**	**-**	**25**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Social Care – Elderly Residential												
Elderly Residential	16	-	-	-	-	-	-	-	-	-	-	
Total	**16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Social Care - Day Care - Physical/Mental Disability												
Day Care - Physical/Mental Disability	12	-	-	-	-	-	-	-	-	-	-	
Total	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Social Care - Day Care & Hostels												

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
Day Care & Hostels	12	-	-	-	-	-	-	-	-	-	-	
Total	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Social Care - Community Care Centres												
Community Care Centres	8	-	-	-	-	-	-	-	-	-	-	
Total	**8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Themed and Operational												
➢ BO017 Disabled Facilities Grants Administration	-	4	-	-	-	-	-	-	-	-	-	Preliminary enquiries undertaken. A more detailed review of the service will be considered as part of the planning for the 2022/23 Audit Plan.
BO026 Review of Quality Assurance Framework	25	-	-	-	-	-	-	-	-	-	-	
BO010 Commissioning and Performance	25	-	-	-	-	-	-	-	-	-	-	
BO028 Safeguarding of Adults	25	-	3	-	-	-	-	-	-	-	-	
BO029 Direct Care	25	-	3	-	-	-	-	-	-	-	-	
Total	**100**	**4**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Departmental Total	**303**	**14**	**131**	**-**	**4 x Qualified**	**-**	**0**	**6**	**22**	**10**	**13**	

Name	Planned Days	Actual Days 20-21	Actual Days 21-22	Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations Critical	High	Medium	Low	Previous Recs Not Implemented	Comments
Place Department – The 2021-22 Audit Plan included an allocation of 180 days over the following areas												
Departmental Management & Administration Review												
HA100 Place – Departmental Review	45	14	4	Qualified	Qualified	⟺	0	1	10	4	(2M,4L)	Memo relates to 2020-21 audit
Total	**45**	**14**	**4**	**-**	**1 x Qualified**	**-**	**0**	**1**	**10**	**4**	**6**	
Information Security and Follow Up Reviews												
HA103 Information Security and Follow Up Reviews	15	-	44	N/A	2 x Qualified	⟺	0	2	8	0	0	Including new and enhanced IT systems or information security reviews, which require approval by the Director of Finance & ICT. Audit worked on a number of different projects throughout in this period: • Fuel Card Procurement • Chipside Parking Enforcement • Highways Materials Laboratory • DHART Project • Asset Management Solution
Total	**15**	**-**	**44**	**-**	**2 x Qualified**	**-**	**0**	**2**	**8**	**0**	**0**	
External Grants and Certifications												
External Grants and Certifications*	20	-	40	-	-	-	-	-	-	-	-	
Total	**20**	**-**	**40**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Themed and Operational												
HO001 Waste Management	10	23	-	Substantial	Substantial	⟺	0	0	1	3	(1L)	Memo relates to 2020-21 audit
➢ HO013 Third Party Claims Review	-	-	24	-	-	-	-	-	-	-	-	
HO020 Procurement of Public Transport and Taxis (including Home to School Transport and Vetting Contractors	25	-	-	-	-	-	-	-	-	-	-	
➢ HO024 Economic Development Regeneration	-	4	-	Qualified	No Assurance	⇩	0	4	10	3	(4H,10M,3L)	Memo relates to 2020-21 audit
HO025 Fleet Services	25	-	21	-	-	-	-	-	-	-	-	
HO030 Inspection and Control of Highway Assets	20	-	-	-	-	-	-	-	-	-	-	
HO032 Management of Water Bodies	20	-	27	-	-	-	-	-	-	-	-	

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
➢ HO034 Rechargeable Works	-	-	17	-	-	-	-	-	-	-	-	
Total	**100**	**27**	**89**	**-**	**1x Substantial 1 x No Assurance**	**-**	**0**	**4**	**11**	**6**	**18**	
Departmental Total	**180**	**41**	**177**	**-**	**1x Substantial 3 x Qualified 1 x No Assurance**	**-**	**0**	**7**	**29**	**10**	**24**	

***Update - Time charged to HO033 Community Renewal Fund within the 31 August 2021 Progress Report has been reallocated to External Grants and Certifications.**

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 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.

Audit Recommendations are prioritized depending upon the level of associated risk and impact upon the management control framework as follows:

Level	Category	Explanation and significance
1	**Critical**	Significant strategic, financial or reputational risks where immediate remedial action is considered essential.
2	**High**	The absence of, significant weakness 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.

Appendix 2 - Key Performance Indicators 2021-22

Indicator	Target	2019-20	2020-21	2021-22	Comments
Audit Plan – Achievement of planned Audit days	**95%**	**84.4%**	**86.7%**	**-**	
Staff Productivity – Achievement of target Audit days	**95%**	**95%**	**104%**	**-**	
Completion of Audit staff MyPlan reviews and training identified	**100%**	**100%**	**100%**	**100%**	
Undertake a risk based Annual Audit Plan formulation exercise	**N/A**	✓	✓	✓	
Undertake quality assurance reviews of Audits (1 for each Principal Auditor per year)	**100%**		**100%**	**-**	
Limited Audit Opinions reviewed by Assistant Director of Finance (Audit) within 10 days of completion of Draft Memorandum	**100%**		**57%**	**100%**	
Percentage of Draft Audit Memoranda issued within 15 working days of fieldwork completion	**95%**		**48.68%**	**34.48%**	(Increase from 31 August 2021 – 31.58%)
Percentage of Final Audit Memoranda issued within 28 working days of issue of Draft Audit Memorandum	**95%**		**47.37%**	**75.86%**	(As at 31 August 2021 – 75%)
Percentage of Recommendations made which are implemented at the time of follow up Audit	**90%**		**71%**	**65.29%**	(As at 31 August 2021 – 66.85%)
Audit Assurance – To provide an assurance to the Authority on the adequacy and effectiveness of risk management, control and governance processes	**N/A**	✓	✓	**-**	
Client Satisfaction – Percentage of questionnaire responses rating the Audit Product as good or very good	**90%**	**92.31%**	**87.50%**	**0%**	2 Responses relating to schools with limited assurance in 2020-21
Annual Survey of Key Stakeholders	**N/A**	✓	✓	**-**	
Delivery of Audit Opinion to Management and Audit Committee in time to inform AGS	**N/A**	✓	✓	**-**	

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Audit Completion Report

Derbyshire County Council
Year ended 31 March 2021

November 2021

Agenda Item 14

mazars

Contents

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.
Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.
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Members of the Audit Committee
Derbyshire County Council
County Hall
Matlock
DE4 3AG

Mazars LLP

2 Chamberlain Square
Birmingham
B3 3AX

25 November 2021

Dear Committee Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021.

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 23 March 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We 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 at mark.surridge@mazars.co.uk.

Yours faithfully

Mark Surridge

Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 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 on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Valuation of Net Defined Benefit Pension Liability
- Valuation of land and buildings;
- Expenditure Recognition (cut-off);
- Revenue Recognition (cut-off);
- Covid-19 Grants Recognition;
- Accounting for the waste management treatment plant (SinFin); and
- Minimum Revenue Provision (MRP).

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; there are two unadjusted misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, a few matters remaining outstanding as outlined in section 2. If necessary we will provide an update to you in relation to the matters outstanding by issuing a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions.

Audit opinion
We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money
We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.

Whole of Government Accounts (WGA)
We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.

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. No questions or objections have been received.

02

Section 02:

Status of the audit

2. Status of the audit

Our work is nearly complete; there are currently no matters of which we are aware that would require modification of our audit opinion, subject to completion of work in the areas detailed below.

Audit area	Status	Description of the outstanding matters
Queries and completion		Completion of a few elements of our work, including final confirmations and discussions on compliance with laws and regulations.
WGA		We are awaiting further guidance from central government in relation to the 2020/21 process, therefore, this work is yet to start and this may impact on the timing of issuing our audit certificate to formally conclude and close the audit.
Closing procedures		Our work is subject to further quality control review procedures by the Engagement Lead and Engagement Quality Control Reviewer. In addition, some procedures, such as the review for post balance sheet events, the annual governance statement, going concern assertion, final casting check on the financial statements and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.

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.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £30.650m using a benchmark of 2% of gross operating expenditure.

Our final assessment of materiality, based on the final financial statements and qualitative factors is £30.37m, using the same benchmark.

Specific materiality thresholds also used are:

Threshold	£'000s
Senior Officer remuneration (Bandings within the note are £5k, so therefore a one band move is considered material)	5

Reliance on internal audit

No reliance has been placed on internal audit for the 2020/21 financial audit. Enquiries have been undertaken to aid our understanding of the control environment at the Council.

Use of experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We communicated our planned approach in the Audit Strategy Memorandum, which is confirmed as follows:

Items of account	Management's expert	Our expert
Property valuations	**Internal Valuer** Valuer employed by the Council	We have engaged with our own internal valuer to help support challenge and review. We have used third party evidence provided via the NAO to support our challenge of valuation assumptions.
Defined benefit pension liability	**Hymans Robertson** Actuary for the Derbyshire Pension Fund	NAO's Consulting Actuary (PwC)
Financial Instrument disclosures	**Arlingclose** Treasury management advisors	None

Service organisations

At the planning stage we did not identify any service organisations which impact on the production of the financial statements. This remains the case at the completion stage.

04

Section 04:

Significant findings

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4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other 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 19 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; and
- any significant difficulties we experienced during the audit.

4. Significant findings

Significant risks

1. Management override of controls	**Description of the risk** 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. 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 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 considerations of estimates is set out on page 18. We did not identify any significant transactions outside the normal course of business. We applied a combination of audit judgement and computer aided audit tools to analyse and perform tests over journal entries. Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of management override of controls.

Page 430

4. Significant findings

Significant risks

2. Valuation of Net Defined Benefit Pension Liability	**Description of the risk** The 2020/21 financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement. Relevant Account Balances (taken from the 2020/21 draft financial statements provided for audit): • Local Government Pension Scheme (LGPS) - £1026m
	How we addressed this risk We reviewed the appropriateness of the LGPS Pension Asset and Liability valuation methodologies applied by the actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by our consulting actuary. We agreed the IAS 19 valuation report provided by the actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. We liaised with the auditors of Derbyshire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed effectively. This included 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.
	Audit conclusion From the work performed, we have proposed a £10m adjustment arising from a difference between the valuation information supplied to the actuary and the updated valuations in the revised accounts of Derbyshire Pension Fund. This is shown on page 29 of this report as an unadjusted misstatement. Aside from this, our work has provided the assurance sought.

Page 431

4. Significant findings

Significant risks

3.	**Valuation of land and buildings**	**Description of the risk** Property related assets are a significant balance on the council's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated with such valuations, we have determined there is a significant risk in this area. This risk covers (figures have been taken from the draft 2020/21 financial statements): • Land & Buildings (£1,198m - Note 14)
		How we addressed this risk We addressed this risk by: • critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • testing a sample of valuations, including using our own expert to review the Council's valuation of the Markham Vale Enterprise Centre; • assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends; and • assessing the approach that the Council adopts to ensure that assets are not subject to revaluation in 2020/21 are 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 completion of our quality control procedures, our work has provided the assurance we sought in the above areas. We engaged our own specialist to support our review of the Markham Vale Enterprise Centre, this found that the overall valuation was reasonable, but the methodology was not entirely appropriate where part of the valuation should have been as a finance lease not an operating lease, but the overall effect to the valuation was trivial.

4. Significant findings

Significant risks

4.	**Expenditure recognition (cut off)**	**Description of the risk** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council (FRC), which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Having considered the factors for expenditure recognition, we believe the risk is focused on the year-end balance sheet and in particular whether cut-off (recognition in the correct financial year) is materially accurate. Having considered the make-up of expenditure, we believe the risk is prevalent in to premises, transport, and supplies & services (being £695m in Note 10 of the 2020/21 financial statements).
		How we addressed this risk We addressed this risk by performing work in the following areas: • ensuring the accounting policies in relation to expenditure recognition and recognition of accruals was appropriate and consistently applied; and • carrying out cut-off testing, and testing for unrecorded liabilities, to confirm expenditure had been coded to the correct accounting year.
		Audit conclusion As set out on page 19, we have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances. The work performed has obtained the assurances we sought and there are no matters to bring to the attention of Members.

4. Significant findings

Significant risks

5. Revenue recognition (cut off)	**Description of the risk** 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 whether cut-off (recognition in the correct financial year) is materially accurate. Having considered the make-up of revenue, we believe the risk is prevalent in fees, charges and other service income (being £192m in Note 10 of the 2020/21 financial statements).
	How we addressed this risk We addressed this risk by performing work in the following areas: • ensuring the accounting policies in relation to revenue recognition and recognition of accruals were appropriate and consistently applied; and • carrying out cut-off testing to confirm revenue had been charged to the correct accounting year.
	Audit conclusion As set out on page 19, we have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances. Our work has provided the assurance sought and there are no matters to bring to Members' attention.

4. Significant findings

Significant risks

6. Covid-19 Grants recognition	**Description of the risk** Over March and April 2020, the government provided £3.2 billion of emergency grant funding and over £5 billion of cashflow support to support local authorities through COVID-19. Throughout 2020/21, the Government has continued to provide substantial sums of financial support to local authorities, including Derbyshire County Council. Management have had to exercise a level of judgement in relation to these specific COVID-19 grants, including: • the extent to which the Council is acting as an agent or principal and therefore whether to account for the grant income on a gross or net basis; and • whether conditions associated with the grants have been met at the reporting date. Overall therefore, we believe there is a significant audit risk relating to the completeness and accuracy of Covid-19 grant income in the 2020/21 financial statements.
	How we addressed this risk We addressed this risk by performing work in the following areas: • reviewing the Council's approach to determine whether grants are or are not ringfenced for specified areas of expenditure; • testing grant income recorded in the ledger to grant allocations/ notifications; and • reviewing a sample of grants to ensure conditions to recognise the income in 2020/21 have been met or not.
	Audit conclusion Our work has provided the assurance sought.

4. Significant findings

Other key areas of management judgement and enhanced risks

7. SinFin Waste Recycling

Description of the issue

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 asset in 2020/21.

How we addressed this issue

We evaluated the basis of the accounting judgement and the impact on the financial statements for 2020/21 including the adequacy of disclosures.

Audit conclusion

Our work has provided the assurance sought and we are satisfied that costs continue to be recorded as an Asset Under Construction, with a supporting disclosure in Note 2.

8. Minimum revenue provision (MRP)

Description of the issue

Local authorities are normally required each year to set aside some of their revenues as a 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 issue

We addressed this judgement by:

- reviewing the Council's MRP policy to ensure that it had been developed with regard to the statutory guidance;
- assessing whether the provision had been calculated and recorded in accordance with the Council's policy;
- assessing whether the amount provided for the period was appropriate, taking into account the Council's Capital Financing Requirement; and
- confirming that any charge had been accounted for in accordance with the Code.

Audit conclusion

Our work has provided the assurance sought, with the Council's charge of £13.8m shown in Note 17.

4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

We agreed to reschedule our audit to give the Council more time to compile the financial statements and a good quality set of accounts was received from the Council on 30 July 2021.

Our expert valuer undertook a detailed review of the valuation of the Markham Vale Enterprise Centre, which identified that the valuation approach and assumptions applied for Plot 2 were not entirely appropriate and part of the valuation should have been as a finance lease not an operating lease. The asset was specifically chosen for review because it was considered to be 'unusual'. Based on the valuation undertaken by the internal valuer at £70,053 in 2021, we consider the initial lease premium received for the 99 year lease interest in 2011 at £42,750 is likely to have constituted all or the majority of the value of the land at the time of the transaction. In our view, this is therefore likely to result in the classification of the lease as a finance lease rather than an operating lease. We do however accept that such valuation judgements are not straightforward and the difference in the overall value is below triviality. We also acknowledge that the circumstances involved are unique to this particular specialised asset. The Council has improved its valuation processes in recent years and we see this issue as indicative of the need for ongoing work to ensure the valuation approach is appropriate for novel assets and not indicative of wider failings in the detailed valuation process that could lead to an error in valuations.

Going Concern

The Council's financial statements are prepared on the assumptions that it is a going concern and will continue its operations for the foreseeable future. International Auditing Standard ISA (UK) 570, requires auditors to 'obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern'.

Following the issue of Supplementary Guidance Note 1 (SGN1) by the National Audit Office, we have adopted a sector-specific approach to our work on going concern, which follows the principles of Practice Note 10 (PN10) and the guidance provided in SGN1. The SGN1 and PN10 make it clear that the auditor's focus for non-trading public sector bodies should be on the extent to which there are any indications that the services provided by an entity will cease or transfer outside of the public sector (termed the Continued Provision of Service approach ('CPoS')).

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

4. Significant findings

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 2020/21 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 questions or objections have been raised.

Audit fees

As set out in our Audit Strategy Memorandum, we identified the need for a variation to the published scale fee to take account of several matters. Our current estimate is set out below:

- Additional testing as a result of changes arising from increased audit quality expectations involving the work on the valuation of land and buildings and on the local government pension scheme - **£12,000**
- Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; and ISA570 (Revised) Going Concern – **£4,000**
- Additional testing as a result of new significant audit risk relating to Covid-19 grants - **£2,000**
- Additional work as a result of the new Code of Audit Practice and VFM reporting – ongoing with our estimate being **£14,000 - £19,000**.

We will agree the final fee, and any further variations with management prior to reporting final fees to the Audit Committee.

05

Section 05:

Internal control recommendations

Page 439

5. Internal control recommendations

The purpose of our audit was 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 in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal controls or 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 controls 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 have assigned 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 categories in the table opposite.

Our work this year has identified 2 issues to bring to your attention.

Follow up of previous internal control points

We raised 6 internal control points in the prior year. An update on these matters is detailed on pages 25-27.

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 controls or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal controls should be strengthened in these additional areas when practicable.	2

5. Internal control recommendations

Deficiencies in internal control – Level 3

Description of deficiency

Controls in place in regard to the preparation of the provisions note

All provisions had initially been classified as non-current, but on investigation elements of the provision for exit packages and insurance fund provision were expected to be settled within one year of the balance sheet date. This error has been corrected in the final version of the financial statements.

Potential effects

Risk of error in relation to the disclosure made.

Recommendation

Management should review and strengthen its controls relating to the preparation of the provisions note.

Management response

TBC

5. Internal control recommendations

Deficiencies in internal control – Level 3 (cont'd)

Description of deficiency

Controls in place in regard to deferred income

During our testing of accounts payable, some long-standing non-material deferred income balances with NHS entities did not appear to have been recently reviewed to ensure that the income was either recognised appropriately at the year end or classified as a creditor.

As a result there is circa £1.1m of deferred income that is now under review by the Council as it could be classified incorrectly. Based on the work performed, we have highlighted an extrapolated £1.751m unadjusted misstatement on page 29 of this report.

Potential effects

Risk of error in relation to the disclosure made.

Recommendation

Management should review and strengthen its controls relating to the review of deferred income from NHS entities.

Management response

TBC

5. Internal control recommendations

Follow-up on previous internal control points - Level 3

Description of deficiency: Controls in place in regard to the completeness of related party declarations

During our 2019/20 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.

2020/21 update

The 2020/21 related party information was prepared correctly and similar issues were not encountered.

Description of deficiency: 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 original 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

2020/21 update

For 2020/21 all the supporting information regarding the PFI was not available and similar issues were encountered. However, as the It should however be noted that due to Covid-19 access to the offices has been limited so finding the original PFI documentation will be addressed at a future date.

5. Internal control recommendations

Follow-up on previous internal control points - Level 3

Description of deficiency: 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.

2020/21 update

For 2020/21 similar issues were not encountered.

Description of deficiency

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).

2020/21 update

There are a limited number of four users who can transport changes to the system, these are Basis staff not developers. We understand the rationale for this arrangement.

5. Internal control recommendations

Follow-up on previous internal control points - Level 3

Description of deficiency: 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

2020/21 update

For 2020/21 similar issues were not encountered.

Description of deficiency: 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).

2020/21 update

For 2020/21 based on the 100% test of all leavers, we noted that 14 user accounts for leavers were still active in SAP. This is an improvement on the position for 2019/20 and we accept there will usually be a time lag in disabling the access rights of leavers.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £911,000. There are two unadjusted misstatements in the accounts above the trivial threshold.

The unadjusted misstatements in the primary statements are set out in the table below. Adjustments to the disclosure notes are described on the next page.

		Comprehensive Income and Expenditure Statement		**Balance Sheet**	
Unadjusted misstatements		**Dr (£'000)**	**Cr (£'000)**	**Dr (£'000)**	**Cr (£'000)**
1	Dr: Other Long Term Liabilities (Pensions)			10,034	
	Cr: Unusable Reserves (Pensions)				10,034
	Our work at the Derbyshire Pension Fund indicated a difference between the valuation information supplied by the actuary (and used in Derbyshire County Council's accounts) and the updated valuations in the revised accounts of Derbyshire Pension Fund of £24.6m representing a 0.43% increase in the fund value. The Council's share of this increase is approximately £10.0m. This adjustment reflects a change in value based on updated information between estimates made by the actuary and the final year end assets performance. We are required to report this adjustment as it is above the trivial threshold. However, as this difference is below materiality and not reflected in a formal updated actuarial valuation repot the Council does not intend to update its accounts in this regard. In our view, this approach is reasonable, given that it does not have a material impact and would require significant additional work to amend the accounts.				
2	Dr: Creditors/Income			1,751	
	Cr: Deferred Income				1,751
	During our testing of accounts payable, some long-standing non-material deferred income balances with NHS entities did not appear to have been recently reviewed to ensure that the income was either recognised appropriately at the year end or classified as a creditor. As a result there is circa £1.1m of deferred income that is now under investigation by the Council as it could be classified incorrectly between deferred income and creditors. From the work performed, we have highlighted an extrapolated £1.751m unadjusted misstatement in relation to this matter.				
	Total unadjusted misstatements			11,785	11,785

6. Summary of misstatements

Disclosure amendments

During our review of the financial statements we identified a number of amendments that were required to disclosures, including, but not limited to:

- Note 2 - text added to clarify the Council has considered the accounting treatment for the waste recycling facility and that it has been determined that it will be recognised on the balance sheet as an Asset under Construction due to the asset not yet being been brought into service;
- Note 14 - the council had disclosed valuation dates for heritage assets, intangible assets and assets held for sale which was not required in the rolling valuation table;
- Note 15/17 – clarification on the transfer of heritage assets from assets under construction
- Note 26 - updated to include a maturity profile of provisions;
- Note 27 - updated to show non-current liabilities for pensions separately from other non current liabilities:
- Note 51 - contingent liability text added to clarify the position regarding the waste recycling facility.

A number of other minor amendments were made to the accounts as a result of our audit work.

The Council has amended the financial statements to address these matters and the finalised version has been updated accordingly.

07

Section 07:

Value for Money

7. Value for Money

Approach to Value for Money

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Our assessment of what constitutes a significant weakness is a matter of professional judgement, based on our evaluation of the subject matter in question, including adequacy of the Trust's responses. The National Audit Office's guidance states that a weakness may though be said to be significant if it:

- Exposes (or could reasonably be expected to expose) the body to significant financial loss or risk;
- Leads to (or could reasonably be expected to lead to) significant impact on the quality or effectiveness of service or on the body's reputation;
- Leads to (or could reasonably be expected to lead to) unlawful actions; or
- Involves a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

To arrive at our assessment, we perform a variety of work to obtain an understanding of the Council's arrangements for each specified reporting criteria. This included performing a detailed risk assessment, drawing from a variety of sources, including, but not limited to:

- Meeting with management;
- Reviewing supporting guidance from the National Audit Office, including indicators of significant weaknesses;
- Considering our understanding of sector developments and any local issues;
- Reading and reviewing Committee reports;
- Reviewing the Annual Governance Statement;
- Considering the outcomes from the work of internal audit;
- Reading risk registers and risk management reporting; and
- Considering the work of regulators and inspectorates.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement. The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

From:

Peter Handford
Director of Finance & ICT
Derbyshire County Council
County Hall
Matlock
Derbyshire
DE4 3AG

To:

Mr Mark Surridge
Director
Mazars LLP
45 Church Street
Birmingham
B3 2RT

Date: 7 December 2021

Derbyshire County Council - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of Derbyshire County Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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 myself that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;

Appendix A: Draft management representation letter

- additional information that you have requested from me 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 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).

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 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 Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

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Appendix A: Draft management representation letter

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 statement of accounts 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 (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code. 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 and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code 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.

Covid-19

We confirm that we have carried out an assessment of the on-going impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects 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 on-going 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

Appendix A: Draft management representation letter

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 and internal control recommendations

I confirm that the effects of the uncorrected misstatements and internal control recommendations set out at Appendix A are immaterial, both individually and in aggregate, to the financial statements as a whole.

[PLEASE ATTACH AN APPENDIX SETTING OUT THE UNADJUSTED MISSTATEMENTS]

Yours sincerely

Director of Finance & ICT

Date………………

Appendix B: Draft audit report

Independent auditor's report to the members of Derbyshire County Council [subject to finalisation]

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Derbyshire County Council ("the Council") for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Statement of Cash Flows, Movement in Reserves 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2021 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 2020/21.

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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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance & ICT's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance & ICT with respect to going concern are described in the relevant sections of this report.

Other information

The Director of Finance & ICT is responsible for the other information. The other information comprises the other 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.

Appendix B: Draft audit report (continued)

Responsibilities of the Director of Finance & ICT for the financial statements

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 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 2020/21, 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 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21) , the Local Government Finance Acts of 1988, 1992 and 2012, the Local Government and Housing Act 1989 and the Local Audit and Accountability Act 2014 and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Director of Finance & ICT's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to :

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to :

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Finance & ICT's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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 audit report (continued)

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

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.

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 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; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

[*Signature*]

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. In this regard we wish to clarify that our appointment to carry out assurance services in relation to the Teachers Pensions Return outlined in our Audit Strategy Memorandum has been confirmed.

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	We have not identified any evidence to cause us to disagree with the Director of Finance & ICT that Derbyshire County Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements. We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.
Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management and the Council, confirming that a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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