



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.

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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	
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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.



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	

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NARRATIVE REPORT

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.

NARRATIVE REPORT

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.

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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.

NARRATIVE REPORT

	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.

NARRATIVE REPORT

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.

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.

NARRATIVE REPORT

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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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- **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.

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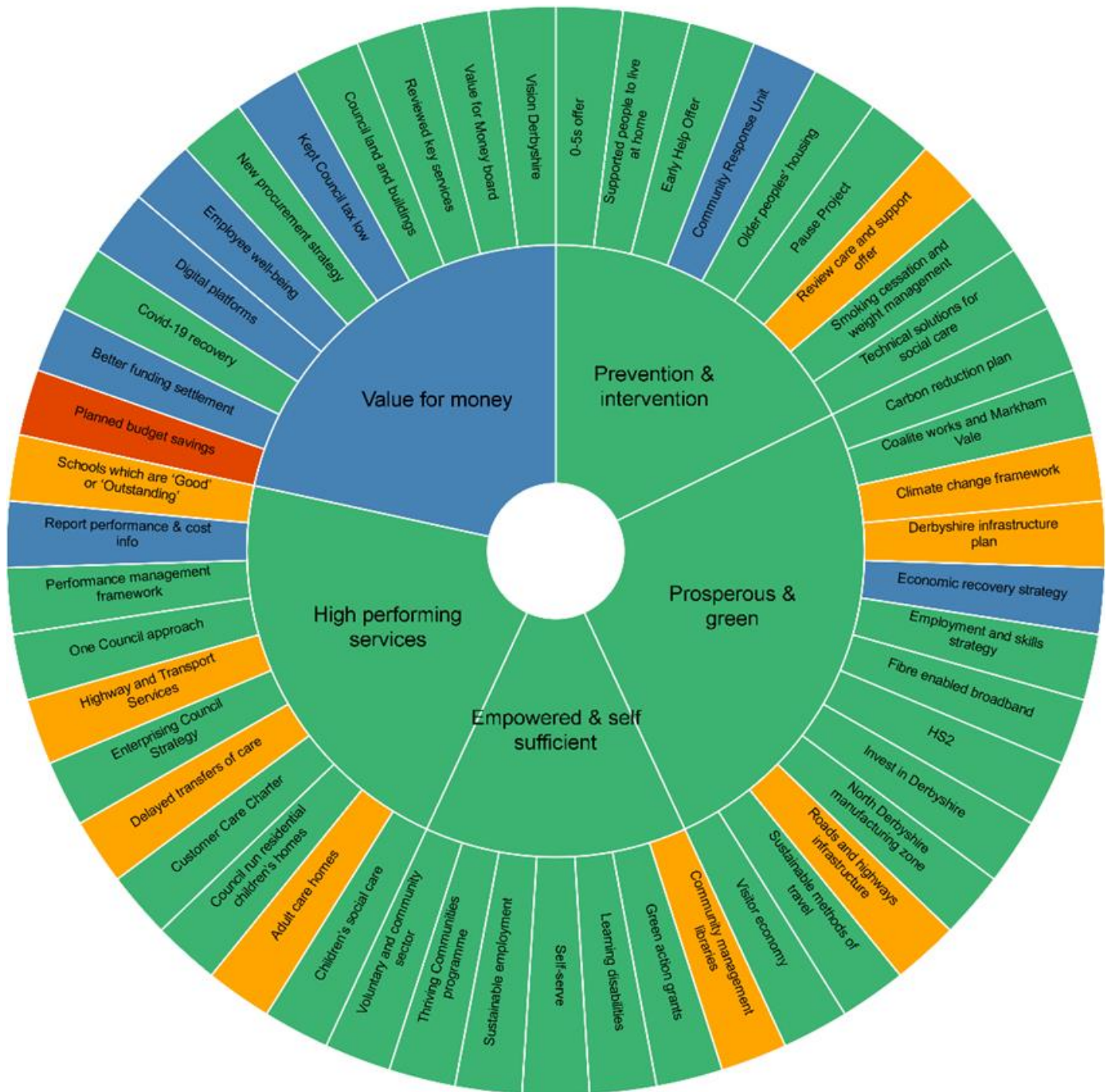
Good progress was made in delivering the priority for “A Focus on Prevention and Intervention” with one deliverable being rated as strong and seven deliverables as good. One deliverable has been rated as requiring review. The Community Response Unit continues to support those affected by Covid-19 and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

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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

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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.

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Key

★ Strong
 ✓ Good
 □ Review
 🔺 Action
 ■ Data not available/Target not set

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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.

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- 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.

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- **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.

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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.

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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 providers 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.

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The Council and Derby City Council remain engaged in a project to develop a New Waste Treatment Facility (NWTF) in Sinfen, 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.

NARRATIVE REPORT

- 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.

NARRATIVE REPORT

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						
I	Financing and Investment Income and Expenditure	7						
J	Taxation and Non- Specific Grants	8						
A-J	Deficit on Provision of Services							
	Items that will not be Reclassified to Deficit on Provision of Services							
K	Gain on Revaluation of Non-Current Assets	14						
L	Loss on Revaluation of Non-Current Assets	14						
M	Remeasurement of Net Pension Liability/ (Asset)	48						
K-N	Other Comprehensive Expenditure/ (Income)							
A-N	Total Comprehensive Expenditure/ (Income)							

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

BALANCE SHEET

31 Mar 2020			31 Mar 2021
£m		Note	£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.

NOTES TO THE CORE 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 Sinfen 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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).

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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).

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 FIEE is therefore the default treatment.

Interest payable has been itemised in the table below.

2019-20		2020-21
£m		£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		2020-21
£m		£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		2020-21
£m		£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)

NOTES TO THE CORE FINANCIAL STATEMENTS

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		

NOTES TO THE CORE FINANCIAL STATEMENTS

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)

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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).

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Narrative	Note	Usable reserves				Total Unusable Reserves	Total
		General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £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

NOTES TO THE CORE FINANCIAL STATEMENTS

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)

NOTES TO THE CORE FINANCIAL STATEMENTS

Narrative	Note	Usable reserves				Total Unusable Reserves	Total
		General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £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

NOTES TO THE CORE FINANCIAL STATEMENTS

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)

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

*RR - Revaluation Reserve

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	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 £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Property Plant & Equipment £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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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)	

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	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

NOTES TO THE CORE FINANCIAL STATEMENTS

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)

NOTES TO THE CORE FINANCIAL STATEMENTS

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	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)

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Owning 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	1 Apr 2019	Transfers		31 Mar 2020	Transfers		31 Mar 2021
		In	Out		In	Out	
	£m	£m	£m	£m	£m	£m	£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)

NOTES TO THE CORE FINANCIAL STATEMENTS

	1 Apr 2019	Transfers		31 Mar 2020	Transfers		31 Mar 2021
		In	Out		In	Out	
	£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)

NOTES TO THE CORE FINANCIAL STATEMENTS

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		31 Mar 2021
£m		£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

NOTES TO THE CORE FINANCIAL STATEMENTS

The movements in unusable reserves in 2020-21 are detailed below.

Narrative	Note	Unusable reserves									Total Unusable Reserves £m
		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	
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

NOTES TO THE CORE FINANCIAL STATEMENTS

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)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Narrative	Note	Unusable reserves								Total Unusable Reserves £m
		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	
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)

NOTES TO THE CORE FINANCIAL STATEMENTS

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)

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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

NOTES TO THE CORE FINANCIAL STATEMENTS

*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				2020-21		
No of Employees				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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	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	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20*	2020-21
	actual	actual	actual	actual	actual	actual	actual	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%).

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

2019-20	Pool Share		2020-21	Pool Share
£m	%	Income	£m	%
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		2020-21
£m	Expenditure	£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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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	
	Restated 2019-20	2020-21
Type of Goods/Service	£m	£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

NOTES TO THE CORE FINANCIAL STATEMENTS

	Income	
	Restated 2019-20	2020-21
Type of Goods/Service	£m	£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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	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.

NOTES TO THE CORE FINANCIAL STATEMENTS

39. GRANT INCOME

Revenue Grants		Income	
		Restated*	
		2019-20	2020-21
		£m	£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 Workforce 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Revenue Grants		Income	
		Restated*	
		2019-20	2020-21
		£m	£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	2020-21
		£m	£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

NOTES TO THE CORE FINANCIAL STATEMENTS

*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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	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:

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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):

NOTES TO THE CORE FINANCIAL STATEMENTS

	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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Present value of liabilities:		Present Value of assets:	(Surplus)/deficit in the Scheme:		Total
	LGPS £m	Discretionary Benefits £m		LGPS £m	Discretionary Benefits £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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	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 \(derbyshire.gov.uk\)](https://www.derbyshire.gov.uk)

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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)

NOTES TO THE CORE FINANCIAL STATEMENTS

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 (%)	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)

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Service Area	Covid-19 Gross Costs by Portfolio								TOTAL £m
	AC £m	CGR £m	CS £m	HC £m	HTI £m	SLCT £m	YP £m	Corporate Budgets £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

NOTES TO THE CORE FINANCIAL STATEMENTS

Service Area	Covid-19 Gross Costs by Portfolio								TOTAL £m
	AC £m	CGR £m	CS £m	HC £m	HTI £m	SLCT £m	YP £m	Corporate Budgets £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

NOTES TO THE CORE FINANCIAL STATEMENTS

Service Area	Covid-19 Gross Costs by Portfolio								TOTAL £m
	AC £m	CGR £m	CS £m	HC £m	HTI £m	SLCT £m	YP £m	Corporate Budgets £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

NOTES TO THE CORE FINANCIAL STATEMENTS

Service Area	Covid-19 Gross Costs by Portfolio								TOTAL £m
	AC £m	CGR £m	CS £m	HC £m	HTI £m	SLCT £m	YP £m	Corporate Budgets £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
Total Gross Costs and Income Losses	49.539	0.533	4.059	7.837	6.483	1.150	10.020	1.807	81.428

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Service Area	Covid-19 Costs and Funding					
	Gross Costs	Offsets	Covid-19 Emergency Funding for Local Government			
	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%

NOTES TO THE CORE FINANCIAL STATEMENTS

Service Area	Covid-19 Costs and Funding					
	Gross Costs	Offsets	Covid-19 Emergency Funding for Local Government			
	TOTAL £m	Specific Re-charges and Grant Income £m	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%

NOTES TO THE CORE FINANCIAL STATEMENTS

Service Area	Covid-19 Costs and Funding					
	Gross Costs	Offsets	Covid-19 Emergency Funding for Local Government			
	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%
Total Gross Costs and Income Losses	81.428	(47.639)	33.789	11.248	45.037	100.00%

A

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

		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)
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

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

ACCOUNTING POLICIES

- 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

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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:

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- 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.

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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.

ACCOUNTING POLICIES

- 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.

ACCOUNTING POLICIES

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.

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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.

ACCOUNTING POLICIES

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:

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- **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 is 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.

ACCOUNTING POLICIES

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

ACCOUNTING POLICIES

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.

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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.

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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

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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:

ACCOUNTING POLICIES

- 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.

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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.

ACCOUNTING POLICIES

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

ACCOUNTING POLICIES

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

ACCOUNTING POLICIES

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.

AUDITOR'S OPINION – DERBYSHIRE COUNTY COUNCIL ACCOUNTS

Audit Opinion to be inserted

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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	

PENSION FUND ACCOUNTS

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.

PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

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.

PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

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.

PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

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 riskier 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.

PENSION FUND ACCOUNTS

EXPLANATORY FOREWORD

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.

PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

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> .

PENSION FUND ACCOUNTS

FUND ACCOUNT

FUND ACCOUNT

2019-20			2020-21
£m		Note	£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

PENSION FUND ACCOUNTS

NET ASSETS STATEMENT

NET ASSETS STATEMENT

31 Mar 2020			31 Mar 2021
£m		Note	£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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND 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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND 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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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 $\pm 5.8\%$, 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, 'riskier' 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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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%.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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:

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

	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).

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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%).

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NOTES TO THE PENSION FUND ACCOUNTS

- 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.

PENSION FUND ACCOUNTS

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	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.

PENSION FUND ACCOUNTS

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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.

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- 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:

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NOTES TO THE PENSION FUND ACCOUNTS

	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

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	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.

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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

PENSION FUND ACCOUNTS
NOTES TO THE PENSION FUND ACCOUNTS

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

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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:

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	Value at	Assessed	Value	Value
	31 Mar 2021	valuation	on increase	on decrease
	£m	range	£m	£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	Assessed	Value	Value
	31 Mar 2020	valuation	on increase	on decrease
	£m	range	£m	£m
		%		
Level 3 sensitivity				
Direct property	239.650	15.0	275.598	203.702
Diversified multi-asset credit funds	189.421	5.0	198.892	179.950
Equity index tracking funds	842.771	2.0	859.626	825.915
Global investment grade credit fund	291.883	5.0	306.477	277.289
Indirect property	149.857	15.0	172.336	127.378
Infrastructure	261.905	12.5	294.643	229.167
Private debt	103.868	10.0	114.255	93.481
Private equity	96.047	20.0	115.256	76.838
	2,175.402	7.5	2,337.083	2,013.720

PENSION FUND ACCOUNTS

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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

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	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

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	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.

PENSION FUND ACCOUNTS
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	Utmost		Standard	Clerical	
	Life	Prudential	Life	Medical	Total
	£m	£m	£m	£m	£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	31 Mar 2021
	£m	£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.

PENSION FUND ACCOUNTS

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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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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

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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.

PENSION FUND ACCOUNTS

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

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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:

		Change in average default risk rate	
	Value at 31 Mar 2020		Value at 31 Mar 2021
	£m	£m	£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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

	Value at	Benchmark	Change in	Effect	Effect
	31 Mar 2021	duration	prevailing	-100bps	+100bps
	£m	Years	market	£m	£m
			interest rate		
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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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		Value	Value
	31 Mar 2021	Change	on increase	on decrease
	£m	%	£m	£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

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

The 2019-20 position was:

	Value at		Value	Value
	31 Mar 2020	Change	on increase	on decrease
	£m	%	£m	£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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

	Value at		Value	Value
	31 Mar 2021	Change	on increase	on decrease
	£m	%	£m	£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		Value	Value
	31 Mar 2020	Change	on increase	on decrease
	£m	%	£m	£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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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

	31 Mar 2020	31 Mar 2021
Year ended (% p.a.)	%	%
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:

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

	Males	Females
<i>Current Pensioners</i>	21.3 years	23.9 years
<i>Future Pensioners*</i>	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
<i>0.5% p.a. increase in the Pension Increase Rate</i>	9	772
<i>0.5% p.a. increase in the Salary Increase Rate</i>	1	87
<i>0.5% p.a. decrease in the Real Discount Rate</i>	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.

PENSION FUND ACCOUNTS

NOTES TO THE PENSION FUND ACCOUNTS

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

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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 activities. 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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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 either 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 Of 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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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

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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.

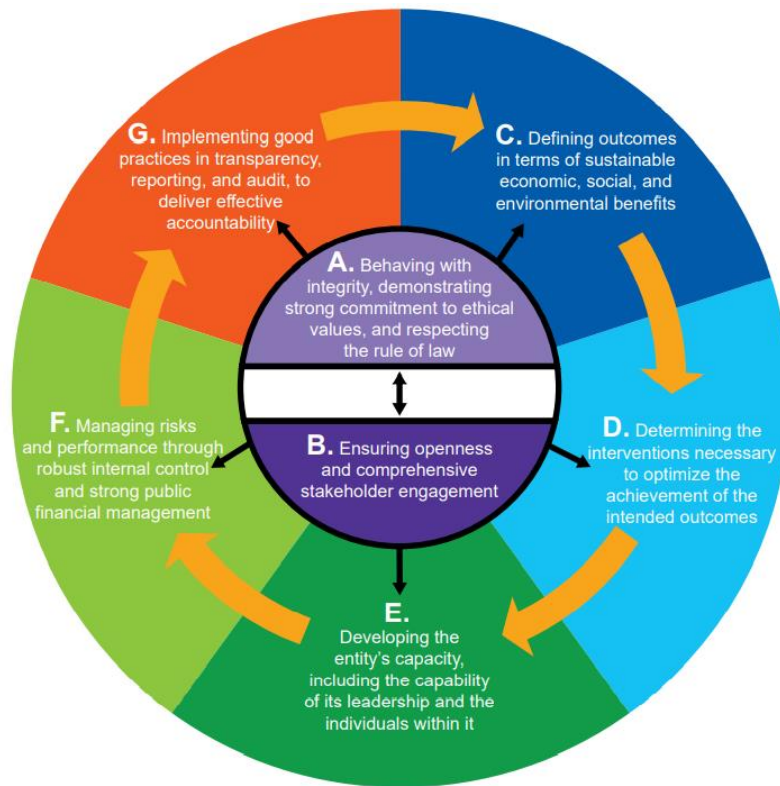
Derbyshire County Council is committed to effective corporate governance and has prepared the Annual Governance Statement by:-

- 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.



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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”.

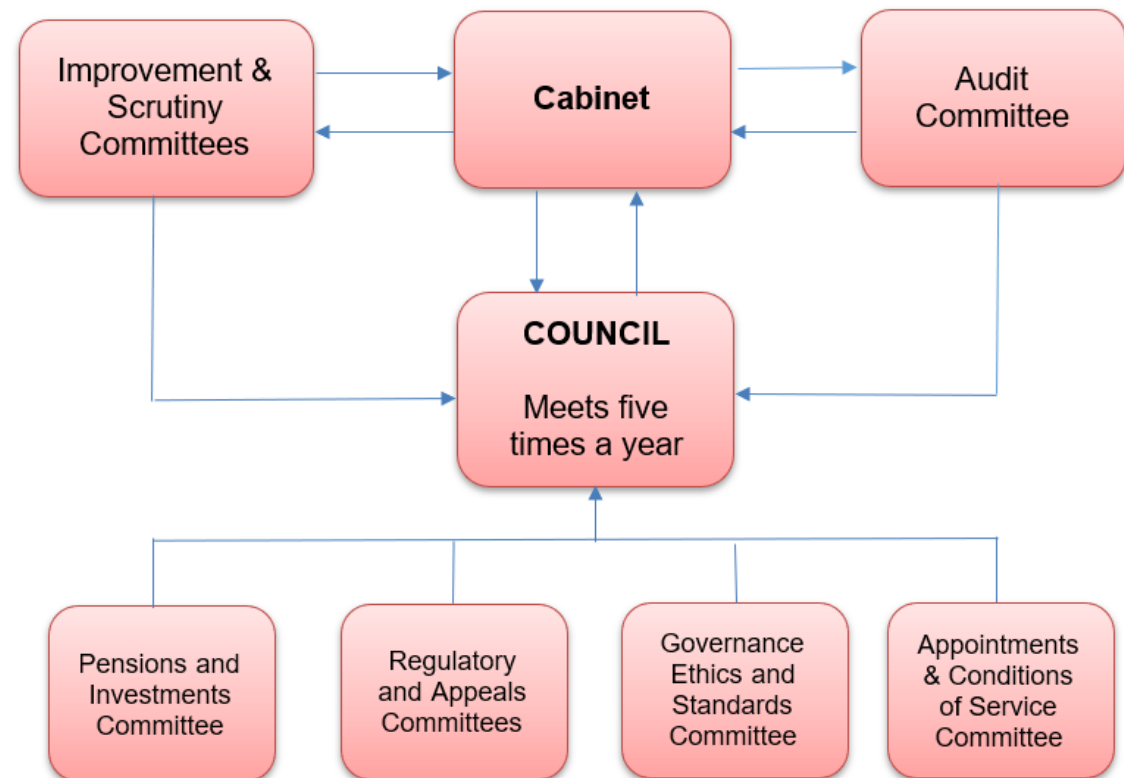
This Statement explains how the Council demonstrates compliance with the Framework and also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

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.



ANNUAL GOVERNANCE STATEMENT

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

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

ANNUAL GOVERNANCE STATEMENT

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.

ANNUAL GOVERNANCE STATEMENT

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.

ANNUAL GOVERNANCE STATEMENT

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 issues 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.

ANNUAL GOVERNANCE STATEMENT

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	<ul style="list-style-type: none"> ➤ 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 	<ul style="list-style-type: none"> ➤ 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; ➤ 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

ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement				
Core Principles of the Framework	Overall Assessment	Strengths		Areas for Improvement
		<p>framework and has conducted a major review during the previous year;</p> <ul style="list-style-type: none"> ➤ 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. 	<p>intention of delivering this by December 2021.</p> <ul style="list-style-type: none"> ➤ Review of the Derbyshire Partnership Toolkit should be completed by end September 2021. 	
Principle B Ensuring openness and comprehensive stakeholder engagement	Good	<ul style="list-style-type: none"> ➤ 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; 	<ul style="list-style-type: none"> ➤ 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	
		<ul style="list-style-type: none"> ➤ 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. 	<p>Communities Chief Executive Lead on the Board has been secured which should lead to a greater understanding by September 2021.</p>	
Principle C Defining outcomes in terms of sustainable economic, social and environmental benefits	Review	<ul style="list-style-type: none"> ➤ 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; 	<ul style="list-style-type: none"> ➤ 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; 	

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What is working well and areas for improvement				
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement	
		<ul style="list-style-type: none"> ➤ The Strategic Risk Register is subject to regular review; ➤ Capital investment is structured and in line with the Investment Strategy. 	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> ➤ 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 	

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What is working well and areas for improvement				
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement	
			<p>approach to review existing change projects and programmes and embed robust project management across the Council;</p> <p>➤ 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.</p>	
Principle E Developing the entity's capacity, including the capability of its leadership and the individuals within it	Review	<p>➤ Members and officers work together to deliver a common purpose with clearly defined functions and roles;</p> <p>➤ The arrangements for Member training and development are reviewed through the Member Development Working Group;</p> <p>➤ 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;</p> <p>➤ Senior Leadership and Leadership Forums are embedded;</p> <p>➤ The Council is implementing its Performance and Development Review (PDR) process to identify training and development opportunities.</p>	<p>➤ 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;</p> <p>➤ 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;</p> <p>➤ 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.</p>	

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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	<ul style="list-style-type: none"> ➤ 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 		<ul style="list-style-type: none"> ➤ 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.
				<ul style="list-style-type: none"> ➤ 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	
		<p>Procedures endorsed in the recent Corporate Peer Review by the Local Government Association;</p> <ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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 	<ul style="list-style-type: none"> ➤ 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 	

ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement				
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement	
		<p>Committee Management System to aid transparency of the democratic process;</p> <ul style="list-style-type: none"> ➤ 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. 	<p>2021 and working group meetings taking place fortnightly;</p> <ul style="list-style-type: none"> ➤ 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. 	

ANNUAL GOVERNANCE STATEMENT

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
Leader of the Council

Date

On behalf of Derbyshire County Council

Emma Alexander
Managing Executive Director

Date

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

