

**DERBYSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE**

**21 July 2020**

**Report of the Director of Finance & ICT**

**PRE-AUDIT STATEMENT OF ACCOUNTS 2019-20**

**1 Purpose of the Report**

To present the pre-audit Statement of Accounts 2019-20 to the Audit Committee.

**2 Information and Analysis**

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

The certified pre-audit Statement of Accounts were submitted to the Council's external auditors, Mazars, on 8 June 2020, the date agreed with external audit and just eight days after the deadline in a normal year.

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

The core financial statements in the Statement of Accounts are:

- Comprehensive Income and Expenditure Statement (CIES)

- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Pension Fund Accounts
- Annual Governance Statement

To date, no adjustments have been made to the numbers in the core financial statements presented in the pre-audit Statement of Accounts.

It is anticipated that approval of the post-audit Statement of Accounts will be sought at the Audit Committee meeting on 22 September 2020. Should further adjustments be identified during the course of the continuing external audit, these will be included in the report presented at that meeting.

The approved Statement of Accounts will be reported to full Council following approval. The Pension Fund Accounts will be reported to the Pensions and Investment Committee following approval.

A copy of the pre-audit Statement of Accounts is appended to this report at Appendix One. Audit Services will present the Annual Governance Statement to Audit Committee before inclusion in the Statement of Accounts for approval by Audit Committee.

### **3 Financial Considerations**

Details are set out in the report and appendix.

### **4 Legal Considerations**

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

### **5 Other Considerations**

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

### **6 Background Papers**

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

**7 Officer's Recommendation**

That Audit Committee considers the pre-audit Statement of Accounts 2019-20 prior to approval of the post-audit accounts at the Audit Committee meeting on 22 September 2020.

PETER HANDFORD

Director of Finance & ICT



# **Pre-Audit Statement of Accounts 2019-20**

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

<b>Version History</b>			
<b>Version</b>	<b>Date</b>	<b>Detail</b>	<b>Author</b>
1.0	08.06.20	Pre-audit accounts for signature and publication	E Scriven S Holmes
<b>This document has been prepared using the following ISO27001:2013 standard controls as reference:</b>			
<b>ISO Control</b>		<b>Description</b>	
A.8.2		Information classification	
A.7.2.2		Information security awareness, education and training	
A.18.1.1		Identification of applicable legislation and contractual requirements	
A.18.1.3		Protection of records	
A.18.1.4		Privacy and protection of personally identifiable information	

---

# CONTENTS

---

	<b>PAGE</b>
Narrative Report	2
Statement of Responsibilities for the Statement of Accounts	25
Comprehensive Income and Expenditure Statement	26
Balance Sheet	27
Cash Flow Statement	28
Movement in Reserves Statement	29
Notes to the Core Financial Statements	30
Accounting Policies	113
Auditor's Opinion - Derbyshire County Council Accounts	140
Pension Fund Accounts	144
Auditor's Opinion - Pension Fund Accounts	199
Glossary of Terms	202
Contact Information	218
Annual Governance Statement	219

---

# NARRATIVE REPORT

---

## Introduction

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

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

## Basis of Preparation and Presentation

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

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

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

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

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

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

---

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

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

## Revenue Expenditure

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

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

The table below summarises the Council’s outturn position, highlighting the Cabinet Member Portfolio net overspend and Corporate net underspend. The overall Council underspend for the year is £3.857m. Spending on schools is funded by the Dedicated Schools Grant (DSG), from Government. The Council received £359.020m in 2019-20. Note 39 sets out the DSG grant in more detail. The Council also has responsibility for Public Health funding. A total of £39.477m was received in 2019-20 in the form of a ring-fenced grant from Government to pay for Public Health services. There was an overspend against the balance of the grant of £0.022m. The outturn table shows the positions net of the impact of these grants, other ring fenced grants and income from other third parties and their associated spend.



## NARRATIVE REPORT

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

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

---

## NARRATIVE REPORT

---

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

Although the Adult Care portfolio reported a breakeven position for 2019-20, this was affected by two large end of year adjustments. The first was for a credit loss allowance against its debtors at 31 March 2020. The loss allowance was £2.222m higher than in 2018-19 because of Covid-19 influencing the expected likelihood of recovery of amounts owed. It may be possible to offset any loss which is ultimately realised against grant funding provided by Government towards the costs of Covid-19. There was also a transfer to earmarked reserves of £3.807m towards funding the Better Lives Project, which is a joint initiative with Newton Europe, in which Adult Care is reviewing and revising its work processes, especially around the assessment of need and selection of the most appropriate care packages for Derbyshire's residents. The Adult Care portfolio underspend before these two adjustments was £5.997m. This underspend occurred because of a number of factors, including reductions in high cost placements, reduced spend on the Integrated Community Equipment Service and high levels of unfilled vacancies in the Social Work and Finance teams.

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

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

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

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

---

## NARRATIVE REPORT

---

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

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

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

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

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

### **Capital Expenditure**

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

---

## NARRATIVE REPORT

---

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

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

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

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

### **Assets and Liabilities**

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

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

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

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

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

---

## NARRATIVE REPORT

---

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

### **Cashflow**

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

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

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

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

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

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

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

---

## NARRATIVE REPORT

---

### Provisions and Contingencies

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

### Reserves

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

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

During 2019-20, the Earmarked Reserves balance has decreased by £4.310m, to £229.135m. Earmarked Reserves are held for specific purposes and are regularly reviewed by Cabinet as part of the budget monitoring cycle. A more detailed analysis is available in Note 30 to the Accounts.

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

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

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

### Pensions Liability

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

---

## NARRATIVE REPORT

---

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

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

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

### **Organisation and Governance**

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

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

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

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

---

# NARRATIVE REPORT

---

## Local Enterprise Partnership

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

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

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

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

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

## Derbyshire Developments Limited

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

- To generate a source of revenue income and capital investment return.
- To make effective use of the Council's land.
- To create employment opportunities within Derbyshire, including for apprentices and the Council's care leavers.
- To maintain ethical and environmental standards in specification, development and construction of properties.



---

## NARRATIVE REPORT

---

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

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

### **Vertas Derbyshire Limited and Concertus Derbyshire Limited**

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

### **Strategy and Resource Allocation**

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

### **Outcomes**

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

# NARRATIVE REPORT

## Performance

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

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



### Key

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

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

### Completed deliverables

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

### Ongoing deliverables

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

# NARRATIVE REPORT

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



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

**Key** ★ Strong ✓ Good ◻ Review ◻ Action ◻ No Target

Measure performance against target

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

---

## NARRATIVE REPORT

---

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

In summary, key areas of success are:

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

---

## NARRATIVE REPORT

---

Key areas for consideration are:

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

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

## Outlook, Risks and Opportunities

### Funding

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

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

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

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

---

## NARRATIVE REPORT

---

Clearly, the Covid-19 crisis will impact on the FYFP assumptions, increasing risk, as well as the Council's 2020-21 budget and achievement of savings targets. The challenges the Council faces in responding to the Covid-19 crisis, its impacts on funding and expenditure, are considered below. The Council's 2020-21 Revenue Budget is being revised and will be reported to Cabinet on 6 July 2020.

### **Expenditure**

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

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

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

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

### **Events after the balance sheet date**

#### **Trust Funds**

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

#### **Springwell Community College, Staveley**

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

---

## NARRATIVE REPORT

---

### **Fire at Harrington Junior School, Long Eaton**

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

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

### **Covid-19**

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

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

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

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

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



---

## NARRATIVE REPORT

---

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

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

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

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

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

---

## NARRATIVE REPORT

---

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

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

### **Increased Demand for Services**

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

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

### **Social Care**

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

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

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

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

---

## NARRATIVE REPORT

---

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

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

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

### **Waste**

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

The Council and Derby City Council entered into an Inter Authority Agreement (IAA) on 20 August 2014 in relation to the operation and management of a Public Private Partnership (PPP) contract with Resource Recovery Solutions (Derbyshire) Limited (RRS) for the construction of the long term New Waste Treatment Facility (NWTF) in 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.

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

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

---

## NARRATIVE REPORT

---

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

### **Climate Change**

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

### **Opportunities**

#### **Enterprising Council**

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

Being an Enterprising Council means:

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

#### **Vision Derbyshire**

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

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

- Economic development.
- Social mobility.

---

## NARRATIVE REPORT

---

- Climate change.
- Transport infrastructure.

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

### **Learning from Covid-19**

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

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

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

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

---

## **STATEMENT OF RESPONSIBILITIES**

---

### **The Council's Responsibilities**

The Council is required to:

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

### **The Director of Finance & ICT's Responsibilities**

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

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

---

## **AUTHORISATION OF ACCOUNTS FOR ISSUE**

---

### **Certificate of Director of Finance & ICT**

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

Peter Handford BA(Hons) PGCert FCPFA  
Director of Finance & ICT  
8 June 2020

The Statement of Accounts will be approved by the Audit Committee following audit.

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		Note	2018-19			2019-20		
			Gross Exp £m	Gross Inc £m	Net Exp £m	Gross Exp £m	Gross Inc £m	Net Exp £m
A	Adult Care		385.238	(119.968)	265.270	406.098	(127.567)	278.531
B	Corporate Services (formerly Council Services)		42.333	(23.919)	18.414	29.295	(24.647)	4.648
C	Clean Growth and Regeneration (formerly Economic Development and Regeneration)		2.317	(0.915)	1.402	6.698	(0.519)	6.179
D	Health and Communities		48.660	(45.252)	3.408	50.655	(44.758)	5.897
E	Highways, Transport and Infrastructure		122.625	(20.490)	102.135	127.893	(20.981)	106.912
F	Strategic Leadership, Culture and Tourism		13.588	(1.404)	12.184	13.710	(1.273)	12.437
G	Young People		684.134	(464.813)	219.321	668.912	(444.324)	224.588
<b>A-G</b>	<b>Net Cost of Services</b>		<b>1,298.895</b>	<b>(676.761)</b>	<b>622.134</b>	<b>1,303.261</b>	<b>(664.069)</b>	<b>639.192</b>
H	Other Operating Expenditure	6			232.752			174.670
I	Financing and Investment Income and Expenditure	7			36.562			47.885
J	Taxation and Non- Specific Grants	8			(596.675)			(559.115)
<b>A-J</b>	<b>Deficit on Provision of Services</b>				<b>294.773</b>			<b>302.632</b>
	<b>Items that will not be Reclassified to Deficit on Provision of Services</b>							
K	Gain on Revaluation of Non-Current Assets	15			(70.739)			(82.752)
L	Loss on Revaluation of Non-Current Assets	15			169.999			33.966
M	Remeasurement of Net Pension Liability/ (Asset)	50			169.099			(300.934)
<b>K-N</b>	<b>Other Comprehensive Expenditure/ (Income)</b>				<b>268.359</b>			<b>(349.720)</b>
<b>A-N</b>	<b>Total Comprehensive Expenditure/ (Income)</b>				<b>563.132</b>			<b>(47.088)</b>

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

## BALANCE SHEET

31 Mar 2019			31 Mar 2020
£m		Note	£m
1,860.060	Property Plant & Equipment	15	1,752.894
50.301	Heritage Assets	17	49.570
2.249	Intangible Assets	19	1.529
98.665	Non-Current Investments	22	85.933
1.093	Non-Current Debtors	21	0.169
<b>2,012.368</b>	<b>Total Non-Current Assets</b>		<b>1,890.095</b>
145.999	Current Investments	22	81.805
1.953	Assets Held for Sale	20	2.341
2.212	Inventories	23	1.977
80.105	Current Debtors	24	76.133
41.659	Cash and Cash Equivalents	25	74.159
<b>271.928</b>	<b>Total Current Assets</b>		<b>236.415</b>
(37.574)	Loans and Borrowing	22	(59.007)
(129.932)	Creditors	26	(142.737)
<b>(167.506)</b>	<b>Total Current Liabilities</b>		<b>(201.744)</b>
(246.075)	Non-Current Borrowing	22	(242.566)
(14.573)	Provisions	27	(12.232)
(1,003.978)	Other Non-Current Liabilities	28	(770.718)
<b>(1,264.626)</b>	<b>Total Non-Current Liabilities</b>		<b>(1,025.516)</b>
<b>852.164</b>	<b>NET ASSETS</b>		<b>899.250</b>
366.732	Usable Reserves	14	331.648
485.432	Unusable Reserves	14	567.602
<b>852.164</b>	<b>TOTAL RESERVES</b>		<b>899.250</b>

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



## CASH FLOW STATEMENT

2018-19 £m		Note	2019-20 £m
<b>(294.773)</b>	<b>Net Surplus or (Deficit) on the provision of services</b>		<b>(302.634)</b>
144.406	Adjustments for non cash movements	44	150.993
174.037	Adjustments for investing activities	44	166.854
	Net cashflow from:		
<b>23.670</b>	<b>Operating Activities</b>	<b>43</b>	<b>15.213</b>
(37.904)	Investing Activities	41	4.541
10.639	Financing Activities	42	12.742
<b>(3.595)</b>	<b>Movement in Cash &amp; Cash Equivalent</b>		<b>32.497</b>
45.254	Cash & Cash Equivalents at the start of the year	25	41.659
<b>41.659</b>	<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>25</b>	<b>74.156</b>

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
<b>2019-20</b>								
<b>Balance at 31 March 2019</b>		<b>(64.570)</b>	<b>(233.445)</b>	<b>(56.285)</b>	<b>(12.433)</b>	<b>(366.731)</b>	<b>(485.432)</b>	<b>(852.162)</b>
<b>Movement in reserves during 2019-20</b>								
Total Comprehensive Income and Expenditure	CIES	<b>302.632</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>302.632</b>	<b>(349.720)</b>	<b>(47.088)</b>
Adjustments between accounting basis and funding basis under regulations	14	(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)
<b>Balance at 31 March 2020 carried forward</b>		<b>(53.547)</b>	<b>(229.135)</b>	<b>(41.552)</b>	<b>(7.415)</b>	<b>(331.647)</b>	<b>(567.604)</b>	<b>(899.250)</b>
<b>2018-19</b>								
<b>Balance at 31 March 2018</b>		<b>(65.033)</b>	<b>(187.567)</b>	<b>(36.906)</b>	<b>(17.987)</b>	<b>(307.491)</b>	<b>(1,078.577)</b>	<b>(1,386.068)</b>
IFRS 9 Measurement Adjustment		(29.224)	0.000	0.000	0.000	(29.224)	0.000	(29.224)
<b>Balance at 1 April 2018</b>		<b>(94.257)</b>	<b>(187.567)</b>	<b>(36.906)</b>	<b>(17.987)</b>	<b>(336.715)</b>	<b>(1,078.577)</b>	<b>(1,415.292)</b>
<b>Movement in reserves during 2018-19</b>								
Total Comprehensive Income and Expenditure	CIES	<b>294.771</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>294.771</b>	<b>268.359</b>	<b>563.130</b>
Adjustments between accounting basis and funding basis under regulations	14	(310.962)	0.000	(19.379)	5.554	(324.787)	324.787	0.000
Net Transfer to Reserves		45.878	(45.878)	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2018-19		29.687	(45.878)	(19.379)	5.554	(30.016)	593.146	563.130
<b>Balance at 31 March 2019 carried forward</b>		<b>(64.570)</b>	<b>(233.445)</b>	<b>(56.285)</b>	<b>(12.433)</b>	<b>(366.731)</b>	<b>(485.432)</b>	<b>(852.162)</b>

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.

### 1. ACCOUNTING POLICIES

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

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

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

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

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

The Policies have been updated to reflect changes in respect of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

### 2. CRITICAL JUDGEMENTS WHEN APPLYING THE ACCOUNTING STANDARDS

#### **New Waste Treatment Facility**

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

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

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

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

### **Going Concern**

The county, district and city councils in the county are working towards a fundamentally new model of local government for Derbyshire and Derby, based on enhancing collaborations to deliver better outcomes for local people and places. To address Derbyshire's cross-cutting challenges, the councils have agreed several themes that would benefit the most from collaborative working. These are economic development, social mobility, climate change and transport infrastructure. This work marks a statement of intent from the councils to develop a fundamentally new way of working together to deliver differently for the people of Derbyshire. It is essential that the councils build on the engagement that has been achieved to capitalise on the potential benefits. The Accounting Statements and Notes to the Accounts have been prepared with the view that the Council is a going concern and will continue to operate in its current form, as a single entity, with disregard to any future structural changes that may or may not occur.

### **3. ACCOUNTING STANDARDS ISSUED AND NOT YET APPLIED**

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

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures. The Council had no Associates and Joint Ventures during 2019-20 and these amendments would not have impacted on the Council's 2019-20 accounts.
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle makes amendments to IFRS 3 and IFRS 11 in relation to joint operations, to IAS 12 in respect of the income tax consequences of dividends and to IAS 23 relating to the calculation of capitalisation rate on general borrowing. The improvements would not have impacted on the Council's 2019-20 accounts.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement – these amendments make it mandatory for the current service cost and the net interest for the period after a remeasurement to be determined using the assumptions used for the remeasurement and also clarifies the effect of a Plan amendment regarding what is known as the asset ceiling. In 2019-20 the Council had

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

a net asset of £8.415m arising from settlements and a net liability of £1.057m relating to past service cost including curtailments. Settlements may arise because of a difference between the IAS 19 liability and the amount paid to settle the liability and can arise because of outgoing bulk transfers from the Pension Fund, including Council schools converting to academy status. The Actuary has reported that in 2019-20 the assumptions used for remeasurements of current service cost and net interest cost as a result of curtailments and settlements have not been altered and there have been no Plan amendments, therefore these amendments to IAS 19 would not have impacted on the Council's 2019-20 accounts.

#### 4. PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments.

#### 5. ASSUMPTIONS MADE AND OTHER ESTIMATION UNCERTAINTY

##### **Property Plant and Equipment Valuation**

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

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

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

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

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

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

### **Britain leaving the European Union**

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

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

### **Defined Benefit Pension Scheme Liabilities**

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

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

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

### **Impact of McCloud Judgement**

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

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

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

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

---

## 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. Therefore, the Fund's Actuary has made an adjustment to its 2019-20 accounting roll-forward calculation. This adjustment estimates the liabilities for McCloud at 31 March 2020 from the 2019 valuation data, to ensure that the impact continues to be included within the Council's balance sheet at 31 March 2020 (in line with the 2019 accounting approach). The impact of this adjustment is included with other remeasurement of the net pension liability in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

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

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

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

### **Impact of GMP Equalisation**

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

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



---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

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

### **Financial Instruments Fair Value Estimates**

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

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

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

### **Business Rates**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### Waste Recycling Credits

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

### 6. OTHER OPERATING EXPENDITURE

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

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

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

Movements on Fixed Assets, including disposals, are shown in Note 15.

### 7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Movements in the fair value of the Council's investments in pooled investment funds were included in Financing and Investment Income and Expenditure (FIIE) in 2018-19 for the first time. These funds have been recognised and measured at Fair Value through Profit or Loss (FVPL) in accordance with IFRS 9 Financial Instruments. However, any gains or losses have been reversed out to the Financial Instruments Adjustment Account as required by the statutory temporary override that The Ministry of Housing, Communities and Local Government (MHCLG) has issued. The override is effective for financial years 2018-19 to 2022-23.

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

Interest payable has been itemised in the table below.

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

Interest receivable has been itemised in the table below.

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

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

### 8. TAXATION AND NON-SPECIFIC GRANT INCOME

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. EXPENDITURE AND FUNDING ANALYSIS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Note to the Expenditure and Funding Analysis

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

---

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

---

### **a - Adjustments for Capital Fund and Expenditure Purposes**

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

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

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

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

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

### **c - Other Differences**

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 10. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

### 11. AGENCY ARRANGEMENTS

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

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

### 12. RELATED PARTY TRANSACTIONS

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



---

## 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 £0.069m. There were no expenditure transactions during the year.

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

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

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

### Joint Venture Companies

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

**Central Government** has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other organisations. Grants received from Government departments are set out in the subjective analysis in Note 10. Grant receipts are also disclosed in Note 8 and Note 40.

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

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

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

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

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

**Members and Senior Officers** - Council Members and Senior Officers have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2019-20 is shown in Note 33. Income transactions in which Members and/or Senior Officers had an interest totalled £78.337m, of which £72.416m is in respect of NHS Derby and Derbyshire CCG, which has the Council's Director of Public Health on its Governing Body as a local authority representative. During 2019-20 works and services to the value of £2.339m, of which £0.945m is in respect of NHS Derby and Derbyshire CCG, were commissioned from companies in which Members and/or Senior Officers had an interest. There were no material outstanding balances at year end. Contracts were entered into in full compliance with the Council's Standing Orders.

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

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

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

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

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

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 33 and 34.

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

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

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

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

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

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

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

---

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

---

### **13. CONTINGENT ASSETS AND LIABILITIES AND SIMILAR COMMITMENTS**

At 31 March 2020 the Council was committed to make investments totalling £107.300m (twelve commitments ranging from £4.000m to £10.000m). There is no provision or creditor for this amount in the financial statements as the legal obligation to pay was not fulfilled at the year-end. This commitment will be met using funds received from the maturity of earlier investments and therefore has no impact to the financial position reported.

### **14. 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 £m	Total £m
		General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m		
<b>BALANCE AT 31 MARCH 2019</b>		<b>(64.570)</b>	<b>(233.445)</b>	<b>(56.285)</b>	<b>(12.433)</b>	<b>(485.429)</b>	<b>(852.162)</b>
<b>Comprehensive Income &amp; Expenditure</b>		<b>302.632</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(349.720)</b>	<b>(47.088)</b>
<b>Adjustments between accounting basis and funding basis</b>							
Depreciation of Non-Current Assets	15	(42.602)	0.000	0.000	0.000	42.602	0.000
Impairment of Non-Current Assets	15	(12.055)	0.000	0.000	0.000	12.055	0.000
Application of Capital Grants credited to the CIES	40	31.783	0.000	(31.783)	0.000	0.000	0.000
Disposal of Non-Current Assets	15	(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	50	(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	22	(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	22	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	22	(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	50	60.696	0.000	0.000	0.000	(60.696)	0.000
Capital receipts from Finance Lease Debtors	47	0.000	0.000	0.000	(0.007)	0.007	0.000
Financing of capital expenditure	18	0.000	0.000	46.516	7.834	(54.350)	0.000
<b>Adjustments between accounting basis and funding basis</b>		<b>(287.299)</b>	<b>0.000</b>	<b>14.733</b>	<b>5.018</b>	<b>267.548</b>	<b>0.000</b>
<b>Reserves movements</b>							
Transfer to Earmarked Reserves	30	58.564	(58.564)	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	30	(62.874)	62.874	0.000	0.000	0.000	0.000
<b>Total movements</b>		<b>(291.609)</b>	<b>4.310</b>	<b>14.733</b>	<b>5.018</b>	<b>267.548</b>	<b>0.000</b>
<b>BALANCE AT 31 MARCH 2020</b>		<b>(53.547)</b>	<b>(229.135)</b>	<b>(41.552)</b>	<b>(7.415)</b>	<b>(567.601)</b>	<b>(899.250)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Narrative	Note	Usable reserves				Total Unusable Reserves £m	Total £m
		General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m		
<b>BALANCE AS AT 31 MARCH 2018</b>		<b>(65.033)</b>	<b>(187.567)</b>	<b>(36.906)</b>	<b>(17.987)</b>	<b>(1,078.575)</b>	<b>(1,386.068)</b>
IFRS 9 Measurement Adjustment		(29.224)	0.000	0.000	0.000	0.000	(29.224)
<b>BALANCE AS AT 1 APRIL 2018</b>		<b>(94.257)</b>	<b>(187.567)</b>	<b>(36.906)</b>	<b>(17.987)</b>	<b>(1,078.575)</b>	<b>(1,415.292)</b>
<b>Comprehensive Income &amp; Expenditure</b>		<b>294.771</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>268.359</b>	<b>563.130</b>
<b>Adjustments between accounting basis and funding basis</b>							
Depreciation of Non-Current Assets	15	(42.569)	0.000	0.000	0.000	42.569	0.000
Impairment of Non-Current Assets	15	(30.544)	0.000	0.000	0.000	30.544	0.000
Application of Capital Grants credited to the CIES	40	74.294	0.000	(74.294)	0.000	0.000	0.000
Disposal of Non-Current Assets	15	(233.214)	0.000	0.000	(5.334)	238.548	0.000
Revenue Expenditure Funded from Capital Under Statute		(15.117)	0.000	0.000	0.000	15.117	0.000
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1.460)	0.000	0.000	0.000	1.460	0.000
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		1.907	0.000	0.000	0.000	(1.907)	0.000

## NOTES TO THE CORE FINANCIAL STATEMENTS

Reversal of items relating to retirement benefits debited or credited to the CIES	50	(126.372)	0.000	0.000	0.000	126.372	0.000
Statutory provision for the financing of capital investment		4.665	0.000	0.000	0.000	(4.665)	0.000
Principal repayments of transferred debt		(0.078)	0.000	0.000	0.000	0.078	0.000
Capital expenditure charged in the year to the General Reserve		0.000	0.000	0.000	0.000	0.000	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	22	(1.756)	0.000	0.000	0.000	1.756	0.000
Amount by which finance costs (proportion of previous years premiums) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	22	0.198	0.000	0.000	0.000	(0.198)	0.000
Amount by which finance costs (reversal of effective interest rate) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	22	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	50	59.049	0.000	0.000	0.000	(59.049)	0.000
Capital receipts from Finance Lease Debtors	47	0.035	0.000	0.000	(0.044)	0.009	0.000
Financing of capital expenditure	18	0.000	0.000	54.915	10.932	(65.847)	0.000
<b>Adjustments between accounting basis and funding basis</b>		(310.962)	0.000	(19.379)	5.554	324.787	0.000
<b>Reserves movements</b>							
Transfer to Earmarked Reserves	30	129.995	(129.995)	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	30	(84.117)	84.117	0.000	0.000	0.000	0.000
<b>Total movements</b>		<b>(265.084)</b>	<b>(45.878)</b>	<b>(19.379)</b>	<b>5.554</b>	<b>324.787</b>	<b>0.000</b>
<b>BALANCE AT 31 MARCH 2019</b>		<b>(64.570)</b>	<b>(233.445)</b>	<b>(56.285)</b>	<b>(12.433)</b>	<b>(485.429)</b>	<b>(852.162)</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. 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
<b>COST OR VALUATION</b>								
<b>At 1 April 2019</b>		<b>1,482.536</b>	<b>69.523</b>	<b>442.002</b>	<b>4.473</b>	<b>10.456</b>	<b>42.736</b>	<b>2,051.726</b>
Additions		21.401	5.412	20.792	0.041	0.000	27.601	<b>75.247</b>
Disposals		(138.623)	(5.826)	0.000	0.000	(1.021)	0.000	<b>(145.470)</b>
Disposals derecognition		(32.671)	0.000	(11.793)	(0.029)	0.000	0.000	<b>(44.493)</b>
Revaluation Gains to RR*	CIES	60.164	0.000	0.000	0.000	1.219	0.000	<b>61.383</b>
Revaluation Losses to RR	CIES	(32.365)	0.000	0.000	0.000	(0.500)	0.000	<b>(32.865)</b>
Revaluation Losses to CIES		(11.468)	0.000	0.000	0.000	(0.011)	0.000	<b>(11.479)</b>
Transfer within PPE		0.827	0.060	0.000	0.017	(0.904)	0.000	<b>0.000</b>
Transfer to Held for Sale		(0.467)	0.000	0.000	0.000	0.181	0.000	<b>(0.286)</b>
<b>At 31 March 2020</b>		<b>1,349.334</b>	<b>69.169</b>	<b>451.001</b>	<b>4.502</b>	<b>9.420</b>	<b>70.337</b>	<b>1,953.763</b>
<b>DEPRECIATION</b>								
<b>At 1 April 2019</b>		<b>(33.857)</b>	<b>(58.806)</b>	<b>(98.621)</b>	<b>(0.029)</b>	<b>(0.353)</b>	<b>0.000</b>	<b>(191.666)</b>
Charge for year		(27.632)	(2.146)	(12.016)	(0.004)	(0.045)	0.000	<b>(41.843)</b>
Revaluations to RR	CIES	20.457	0.000	0.000	0.000	0.077	0.000	<b>20.534</b>
Impairment to CIES		(0.240)	0.000	0.000	0.000	0.000	0.000	<b>(0.240)</b>
Disposals		3.643	5.787	0.000	0.000	0.031	0.000	<b>9.461</b>
Disposals derecognition		1.019	0.000	1.879	0.000	0.000	0.000	<b>2.898</b>
Transfer within PPE		0.038	(0.060)	0.000	0.000	0.022	0.000	<b>0.000</b>
Transfer to Held for Sale		0.000	0.000	0.000	0.000	(0.013)	0.000	<b>(0.013)</b>
<b>At 31 March 2020</b>		<b>(36.572)</b>	<b>(55.225)</b>	<b>(108.758)</b>	<b>(0.033)</b>	<b>(0.281)</b>	<b>0.000</b>	<b>(200.869)</b>
<b>OPENING VALUE</b>		<b>1,448.679</b>	<b>10.717</b>	<b>343.381</b>	<b>4.444</b>	<b>10.103</b>	<b>42.736</b>	<b>1,860.060</b>
<b>CLOSING VALUE</b>		<b>1,312.762</b>	<b>13.944</b>	<b>342.243</b>	<b>4.469</b>	<b>9.139</b>	<b>70.337</b>	<b>1,752.894</b>
<b>NATURE OF ASSET HOLDING</b>								
Purchased / Built		1,243.316	13.944	342.243	4.469	9.139	70.337	<b>1,683.448</b>
Finance Lease		10.839	0.000	0.000	0.000	0.000	0.000	<b>10.839</b>
Private Finance Initiative		58.607	0.000	0.000	0.000	0.000	0.000	<b>58.607</b>
		<b>1,312.762</b>	<b>13.944</b>	<b>342.243</b>	<b>4.469</b>	<b>9.139</b>	<b>70.337</b>	<b>1,752.894</b>

\*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 22 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
<b>Land</b>	0.000	1.179	6.959	8.138
<b>Buildings</b>	0.000	0.412	0.589	1.001
	<b>0.000</b>	<b>1.591</b>	<b>7.548</b>	<b>9.139</b>

The 2018-19 position was:

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

\*RR - Revaluation Reserve

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

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

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

### 16. HERITAGE ASSETS NOT REPORTABLE IN THE BALANCE SHEET

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

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

### 17. NATURE AND SCALE OF HERITAGE ASSETS

The Council's Heritage Assets are mainly museum assets, historic buildings and structures.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Carrying Value	
	2018-19	2019-20
	£m	£m
<b>COST OR VALUATION</b>		
<b>At 1st April</b>	<b>54.988</b>	<b>50.301</b>
Additions	0.752	0.723
Impairment Losses/(reversals) through I&E	(0.042)	(0.336)
Revaluations	(0.054)	(1.089)
Reclassifications	(0.007)	0.000
Disposals derecognition	(5.336)	(0.029)
<b>At 31st March</b>	<b>50.301</b>	<b>49.570</b>
<b>DEPRECIATION</b>		
<b>At 1st April</b>	<b>0.005</b>	<b>0.000</b>
Revaluations	(0.005)	0.000
<b>At 31st March</b>	<b>0.000</b>	<b>0.000</b>
OPENING VALUE	54.993	50.301
<b>CLOSING VALUE</b>	<b>50.301</b>	<b>49.570</b>
<b>NATURE OF ASSET HOLDING</b>		
Purchased / Built	48.713	48.132
Donated	1.588	1.438
	<b>50.301</b>	<b>49.570</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### 19. INTANGIBLE ASSETS

Intangible assets relate to the purchase of software licences:

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 20. ASSETS HELD FOR SALE

	Carrying Value			RR
	GBV £m	Dpn £m	NBV £m	£m
<b>Held for Sale as at 31 March 2019</b>				
The Glebe Home for Older People	0.481	(0.031)	0.450	0.294
Hillcrest Home for Older People	0.275	(0.025)	0.250	0.075
High Peak Area Social Services Office	0.266	(0.013)	0.253	0.194
15 The Green North Wingfield	0.035	0.000	0.035	0.024
Dronfield Youth Centre	0.003	0.000	0.003	0.003
Gladys Buxton Centre	1.113	(0.151)	0.962	0.000
<b>Balance as at 31 March 2019</b>	<b>2.173</b>	<b>(0.220)</b>	<b>1.953</b>	<b>0.590</b>
<b>Sales during 2019-20</b>				
The Glebe Home for Older People	(0.481)	0.031	(0.450)	(0.294)
Hillcrest Home for Older People	(0.275)	0.025	(0.250)	(0.075)
15 The Green North Wingfield	(0.035)	0.000	(0.035)	(0.024)
<b>Transferred to/(from) Held for Sale during 2019-20</b>				
Chesterfield Register Office	0.467	0.000	0.467	0.210
Chesterfield Crossways	0.085	0.000	0.085	0.000
High Peak Area Social Services Office - transfer to surplus	(0.266)	0.013	(0.253)	(0.194)
<b>Other Movements</b>				
Gladys Buxton Centre - assets disposed of or demolished	(0.151)	0.151	0.000	0.000
Gladys Buxton Centre site - revaluation in class	0.825	0.000	0.825	0.825
Dronfield Youth Centre - assets demolished	0.000	0.000	0.000	0.000
<b>Balance as at 31 March 2020</b>	<b>2.342</b>	<b>0.000</b>	<b>2.342</b>	<b>1.038</b>

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

### 21. NON-CURRENT DEBTORS

31 Mar 2019 £m		Note	31 Mar 2020 £m
0.987	Transferred Debt	22	0.040
0.106	Other Long Term Debtors	22	0.129
<b>1.093</b>	<b>Total Non Current Debtors</b>		<b>0.169</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. FINANCIAL INSTRUMENTS

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

#### Current Financial Assets

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

#### Non-Current Financial Assets

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2019	31 Mar 2020	31 Mar 2019	31 Mar 2020
			£m	£m	£m	£m
Non-Current Transferred Debt	21	2	0.987	0.040	0.987	0.040
Non-Current Investments		2	98.665	85.932	100.244	87.740
Non-Current Trade Debtors	21	*	0.106	0.129	0.106	0.129
<b>Non-Current Financial Assets</b>			<b>99.758</b>	<b>86.101</b>	<b>101.337</b>	<b>87.909</b>

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

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

The following financial assets are pooled investment funds which the Council has measured at FVPL. 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 2019 £m	31 Mar 2020 £m	31 Mar 2019 £m	31 Mar 2020 £m
CCLA - LA Property Fund	24.106	23.243	24.106	23.243
CCLA Diversified Income Fund	4.969	4.523	4.969	4.523
Investec Diversified Income Fund	9.828	8.905	9.828	8.905
Kames - Diversified Income Fund	10.114	8.519	10.114	8.519
M&G - Optimal Income Fund	4.865	4.435	4.865	4.435
M&G - Global Dividend Fund	4.961	3.990	4.961	3.990
Schroder - Income Maximiser Fund	9.401	6.277	9.401	6.277
<b>Total</b>	<b>68.244</b>	<b>59.892</b>	<b>68.244</b>	<b>59.892</b>

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

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

### Dividend Income

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### Current Financial Liabilities

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

### Non-Current Financial Liabilities

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2019 £m	31 Mar 2020 £m	31 Mar 2019 £m	31 Mar 2020 £m
Transferred Debt		2	(0.161)	(0.155)	(0.161)	(0.155)
Public Works Loan Board		2	(230.340)	(226.847)	(349.058)	(347.472)
Other Long Term Loans		2	(15.574)	(15.563)	(21.535)	(21.985)
<b>Non-Current Borrowing</b>			<b>(246.075)</b>	<b>(242.565)</b>	<b>(370.754)</b>	<b>(369.612)</b>
PFI liability	28	3	(63.710)	(59.753)	(75.014)	(66.179)
Finance lease liability	28	*	(5.009)	(4.640)	(5.009)	(4.640)
<b>Non-Current Financial Liabilities</b>			<b>(314.794)</b>	<b>(306.958)</b>	<b>(450.777)</b>	<b>(440.431)</b>

\* Fair value disclosure not required

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Financial Liabilities by Measurement Classification

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

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

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

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

PFI and Finance Lease Liabilities are not quoted on active markets. The discounted cash flow method has been used to calculate the fair value of PFI liabilities. Refer to Note 48 for further details. The average interest rate across the Council's 18 finance leases is 10.79%. Refer to Note 47 for further details.

### Interest Income and Expenditure

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

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

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

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### Fee Income and Expenses

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

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

### Financial Instruments – Fair Values

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

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

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

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

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

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

### 23. INVENTORIES

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 24. CURRENT DEBTORS

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

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

### 25. CASH AND CASH EQUIVALENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 26. CREDITORS

The creditor balance can be analysed into the following categories:

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

### 27. PROVISIONS

	Insurance Fund	Exit Packages	Other	Total
	£m	£m	£m	£m
1 April 2018	7.203	4.277	1.081	12.561
New Provisions	2.361	0.000	3.356	5.717
Utilisation of Provision	(2.064)	(0.857)	(0.588)	(3.509)
Reversal of Provision	0.000	0.000	(0.196)	(0.196)
<b>1 April 2019</b>	<b>7.500</b>	<b>3.420</b>	<b>3.653</b>	<b>14.573</b>
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)
<b>31 March 2020</b>	<b>7.210</b>	<b>1.841</b>	<b>3.181</b>	<b>12.232</b>

#### Provision for Exit Packages

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

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



---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

### Insurance Fund Provision

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

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

### Other Provisions

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

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

## 28. OTHER NON-CURRENT LIABILITIES

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

Further information about the leases, PFI scheme and pension liabilities can be found in notes 47 to 50.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 29. 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 14 and 30.

### 30. TRANSFERS TO / FROM EARMARKED RESERVES

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### 31. UNUSABLE RESERVES

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

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

## 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	
<b>BALANCE AT 31 MARCH 2019</b>		<b>(0.655)</b>	<b>(826.988)</b>	<b>(605.363)</b>	<b>1.756</b>	<b>5.351</b>	<b>7.952</b>	<b>(2.740)</b>	<b>935.258</b>	<b>(485.429)</b>
<b>Comprehensive Income &amp; Expenditure</b>		<b>0.000</b>	<b>(48.786)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(300.934)</b>	<b>(349.720)</b>
<b>Adjustments between accounting basis and funding basis</b>										
Depreciation of Non-Current Assets	15	0.000	15.735	26.867	0.000	0.000	0.000	0.000	0.000	42.602
Impairment of Non-Current Assets	15	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	40	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Disposal of Non-Current Assets	15	(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	50	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	22	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	22	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	22	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	50	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(60.696)	(60.696)
Capital receipts from Finance Lease Debtors	47	0.007	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.007
Financing of capital expenditure	18	0.000	0.000	(54.350)	0.000	0.000	0.000	0.000	0.000	(54.350)
<b>Adjustments between accounting basis and funding basis</b>		<b>(0.169)</b>	<b>107.957</b>	<b>84.231</b>	<b>8.352</b>	<b>(0.244)</b>	<b>(1.498)</b>	<b>(3.081)</b>	<b>72.000</b>	<b>267.548</b>
<b>Reserves movements</b>										
Transfer to Earmarked Reserves	30	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	30	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>Total movements</b>		<b>(0.169)</b>	<b>107.957</b>	<b>84.231</b>	<b>8.352</b>	<b>(0.244)</b>	<b>(1.498)</b>	<b>(3.081)</b>	<b>72.000</b>	<b>267.548</b>
<b>BALANCE AT 31 MARCH 2020</b>		<b>(0.824)</b>	<b>(767.817)</b>	<b>(521.132)</b>	<b>10.108</b>	<b>5.107</b>	<b>6.454</b>	<b>(5.821)</b>	<b>706.324</b>	<b>(567.601)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The movements in unusable reserves in 2018-19 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	
<b>BALANCE AS AT 1 APRIL 2018</b>		<b>0.000</b>	<b>(1,066.765)</b>	<b>(721.854)</b>	<b>0.000</b>	<b>5.549</b>	<b>6.492</b>	<b>(0.833)</b>	<b>698.836</b>	<b>(1,078.575)</b>
<b>Comprehensive Income &amp; Expenditure</b>		<b>0.000</b>	<b>99.260</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>169.099</b>	<b>268.359</b>
<b>Adjustments between accounting basis and funding basis</b>										
Depreciation of Non-Current Assets	15	0.000	16.561	26.008	0.000	0.000	0.000	0.000	0.000	42.569
Impairment of Non-Current Assets	15	0.000	0.000	30.544	0.000	0.000	0.000	0.000	0.000	30.544
Application of Capital Grants credited to the CIES	40	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Disposal of Non-Current Assets	15	(0.664)	123.956	115.256	0.000	0.000	0.000	0.000	0.000	238.548
Revenue Expenditure Funded from Capital Under Statute		0.000	0.000	15.117	0.000	0.000	0.000	0.000	0.000	15.117
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	1.460	0.000	0.000	1.460
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	0.000	(1.907)	0.000	(1.907)

## NOTES TO THE CORE FINANCIAL STATEMENTS

Reversal of items relating to retirement benefits debited or credited to the CIES	50	0.000	0.000	0.000	0.000	0.000	0.000	0.000	126.372	126.372
Statutory provision for the financing of capital investment		0.000	0.000	(4.665)	0.000	0.000	0.000	0.000	0.000	(4.665)
Principal repayments of transferred debt		0.000	0.000	0.078	0.000	0.000	0.000	0.000	0.000	0.078
Capital expenditure charged in the year to the General Reserve		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	22	0.000	0.000	0.000	1.756	0.000	0.000	0.000	0.000	1.756
Amount by which finance costs (proportion of previous years premiums) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	22	0.000	0.000	0.000	0.000	(0.198)	0.000	0.000	0.000	(0.198)
Amount by which finance costs (reversal of effective interest rate) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	22	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	50	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(59.049)	(59.049)
Capital receipts from Finance Lease Debtors	47	0.009	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.009
Financing of capital expenditure	18	0.000	0.000	(65.847)	0.000	0.000	0.000	0.000	0.000	(65.847)
<b>Total movements</b>		<b>(0.655)</b>	<b>140.517</b>	<b>116.491</b>	<b>1.756</b>	<b>(0.198)</b>	<b>1.460</b>	<b>(1.907)</b>	<b>67.323</b>	<b>324.787</b>
<b>BALANCE AT 31 MARCH 2019</b>		<b>(0.655)</b>	<b>(826.988)</b>	<b>(605.363)</b>	<b>1.756</b>	<b>5.351</b>	<b>7.952</b>	<b>(2.740)</b>	<b>935.258</b>	<b>(485.429)</b>



## 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
<b>31 March 2020</b>			
Property, Plant and Equipment	15	1,752.894	722.003
Heritage Assets	17	49.570	44.776
Assets Held for Sale	20	2.341	1.038
		<b>1,804.805</b>	<b>767.817</b>
<b>31 March 2019</b>			
Property, Plant and Equipment	15	1,860.060	780.534
Heritage Assets	17	50.301	45.864
Assets Held for Sale	20	1.953	0.590
		<b>1,912.314</b>	<b>826.988</b>

### 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.

### 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.

## 32. EXTERNAL AUDIT COSTS

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

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

### 33. MEMBERS' ALLOWANCES

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

2018-19		2019-20
£m		£m
1.021	Allowances	1.042
0.055	Expenses	0.039
<b>1.076</b>		<b>1.081</b>

### 34. OFFICERS'

### REMUNERATION

The definition of senior officer is:

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

2018-19						2019-20			
Salary	Employer's Pension Contributions	Head of Paid Service	Compensation for Loss of Employment	Total Remuneration 2018-19		Salary	Employer's Pension Contributions	Compensation for Loss of Employment	Total Remuneration 2019-20
£	£	£	£	£		£	£	£	£
38,855	0	306	0	<b>39,161</b>	Executive Director of Adult Care	0	0	0	<b>0</b>
67,116	13,423	0	0	<b>80,539</b>	Executive Director of Adult Care	102,142	23,236	0	<b>125,378</b>
19,567	3,913	0	0	<b>23,480</b>	Acting Executive Director of Adult Care	47,798	9,560	0	<b>57,357</b>
118,438	23,688	0	0	<b>142,126</b>	Executive Director of Children's Services	123,681	24,736	0	<b>148,417</b>
123,711	24,742	0	0	<b>148,453</b>	Executive Director of Commissioning, Communities and Policy	126,185	25,237	0	<b>151,422</b>
123,711	0	0	0	<b>123,711</b>	Executive Director of Economy, Transport & Environment	126,185	0	0	<b>126,185</b>
96,984	19,397	0	0	<b>116,381</b>	Director of Finance and ICT	98,924	19,785	0	<b>118,709</b>
91,841	13,207	0	0	<b>105,048</b>	Director of Public Health	95,926	13,794	0	<b>109,720</b>
84,644	16,929	0	0	<b>101,573</b>	Director of Community Services	86,337	17,267	0	<b>103,604</b>
76,079	15,215	0	0	<b>91,294</b>	Director of Legal Services	54,742	10,948	30,727	<b>96,418</b>
0	0	0	0	<b>0</b>	Acting Director of Legal Services	30,016	6,003	0	<b>36,019</b>
88,634	17,727	0	0	<b>106,361</b>	Director of Organisation, Development and Policy	92,656	18,531	0	<b>111,187</b>
90,230	18,046	0	0	<b>108,276</b>	Director of Property	94,284	18,857	0	<b>113,141</b>

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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### 35. TERMINATION BENEFITS

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

## 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	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
	actual	actual	actual	actual	actual	actual	actual	actual
							£m	£m
£0-£20k	58	79	61	105	119	184	0.717	1.064
£20k-£40k	5	5	9	23	14	28	0.369	0.807
£40k-£60k	1	3	3	7	4	10	0.183	0.467
£60k-£80k	1	3	0	2	1	5	0.067	0.355
£80k - £100k	1	5	0	0	1	5	0.081	0.438
£100k-£150k	3	1	1	0	4	1	0.460	0.100
£150k-£200k	0	0	0	1	0	1	0.000	0.156
£200k-£250k	0	1	0	0	0	1	0.000	0.223
	<b>69</b>	<b>97</b>	<b>74</b>	<b>138</b>	<b>143</b>	<b>235</b>	<b>1.878</b>	<b>3.610</b>

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

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

### 36. POOLED BUDGETS

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

#### Better Care Fund

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

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

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

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

## 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.

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

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

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

### 37. TRUST FUNDS

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

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

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

### 38. 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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Income	
	2018-19 £m	2019-20 £m
<b>Type of Goods/Service</b>		
<b>Strategic Leadership, Culture and Tourism</b>		
Other	0.405	0.302
<b>Sub Total</b>	<b>0.405</b>	<b>0.302</b>
<b>Young People</b>		
Catering	8.222	8.287
Sport/Outdoor Education	0.400	1.621
Training/Advice to Educational Entities	0.000	0.669
Adult Education	0.521	0.449
Early Intervention	0.949	0.378
Behaviour Support	0.403	0.299
Services for Teenagers	0.302	0.222
Other	1.636	0.635
<b>Sub Total</b>	<b>12.433</b>	<b>12.560</b>
<b>Overall Total</b>	<b>83.484</b>	<b>86.250</b>

For the purpose of this analysis, income received by schools has been excluded.

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

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

Receivables and Contract Assets are included within Amounts Owed to the Council in the Debtors analysis (Note 24).

Contract Liabilities are included within Income in Advance to the Council in the Creditors analysis (Note 26).

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Property Repairs, Maintenance, Cleaning and Facilities Management

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

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

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

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

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

### **39. DEDICATED SCHOOLS GRANT (DSG)**

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

DSG grant income in Note 40 below is the sum of 'Total DSG after Academy Recoupment for 2019-20' and the £0.058m 'In-year Adjustment' in the table above.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 40. GRANT INCOME

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### 41. CASH FLOW – INVESTING ACTIVITIES

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

### 42. CASH FLOW – FINANCING ACTIVITIES

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 43. CASH FLOW – OPERATING ACTIVITIES

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

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 45. MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT

	31 Mar 2019 £m	31 Mar 2020 £m	Movement £m
Current Investments	145.999	81.805	<b>(64.194)</b>
Non Current Investments	98.665	85.933	<b>(12.732)</b>
Cash and Cash Equivalents	41.659	74.159	<b>32.500</b>
Current Borrowing	(37.574)	(59.007)	<b>(21.433)</b>
Non Current Borrowing	(246.075)	(242.566)	<b>3.509</b>
PFI and Finance Lease Liabilities	(68.720)	(64.394)	<b>4.326</b>
	<b>(66.046)</b>	<b>(124.070)</b>	<b>(58.024)</b>

	31 Mar 2018 £m	IFRS 9 Measurement Adjustment £m	1 Apr 2019 £m	31 Mar 2019 £m	Movement £m
Current Investments	166.415	0.000	166.415	145.999	<b>(20.416)</b>
Non Current Investments	60.655	0.000	60.655	98.665	<b>38.010</b>
Cash and Cash Equivalents	45.251	0.000	45.251	41.659	<b>(3.592)</b>
Current Borrowing	(15.303)	0.000	(15.303)	(37.574)	<b>(22.271)</b>
Non Current Borrowing	(283.471)	29.224	(254.247)	(246.075)	<b>8.172</b>
PFI and Finance Lease Liabilities	(71.595)	0.000	(71.595)	(68.720)	<b>2.875</b>
	<b>(98.048)</b>	<b>29.224</b>	<b>(68.824)</b>	<b>(66.046)</b>	<b>2.778</b>

Reconciliation between the cash movement and the movement in net debt for 2019-20 and 2018-19:

2018-19 £m		2019-20 £m
<b>(3.592)</b>	<b>(Increase)/Decrease in Cash &amp; Cash Equivalents</b>	<b>32.500</b>
(778.330)	Investments repaid (and accrued interest)	(1,104.264)
797.680	New investments (and accrued interest)	1,035.690
(1.756)	Revaluation of investments	(8.352)
(297.169)	Loans Raised (and interest accrued)	(551.586)
283.070	Loans Repaid (includes accrued interest)	533.662
2.875	Payment of PFI and Lease Principal	4.326
<b>2.778</b>		<b>(58.024)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 46. RECONCILIATION OF CASH FLOWS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

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

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

### 47. 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 15 shows the net value of assets held under Finance Leases.

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### OPERATING LEASES – COUNCIL AS LESSEE

The Council has a number of property assets (within PPE) under operating leases for:

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

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

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

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

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

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

### FINANCE LEASES – COUNCIL AS LESSOR

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

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

The Council also leases out the first floor offices of Ripley Library to Derbyshire Healthcare NHS Foundation Trust for £14,000 each year. The rental income and the unguaranteed

## NOTES TO THE CORE FINANCIAL STATEMENTS

residual value of the asset, which relates to the estimated value of the property at the end of the lease (i.e. an estimated sale value), will be received over the following periods:

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

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

### OPERATING LEASE – COUNCIL AS LESSOR

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

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

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

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

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.

### 48. 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:

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

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

### **Payments**

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

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 15.

## **49. DEFINED CONTRIBUTION PENSION SCHEMES**

### **Teachers' Pension Scheme**

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

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

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

### **NHS Pension Scheme**

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

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

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

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

### **50. DEFINED BENEFIT SCHEME**

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

The Council participates in two post-employment schemes:

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

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

The following transactions have been made during the year:



## NOTES TO THE CORE FINANCIAL STATEMENTS

	Notes/ Statement	LGPS		Teachers	
		2018-19	2019-20	2018-19	2019-20
		£m	£m	£m	£m
Current service cost		101.043	117.012	0.000	0.000
Net interest cost	7	17.748	21.542	1.697	1.500
Past service costs & curtailments		14.510	1.057	0.000	0.000
Settlements		(8.626)	(8.415)	0.000	0.000
<b>Benefits charged to the CIES</b>		<b>124.675</b>	<b>131.196</b>	<b>1.697</b>	<b>1.500</b>
Remeasurement loss/(gain)		166.669	(294.190)	2.430	(6.744)
<b>Total Loss/(Gain)</b>		<b>291.344</b>	<b>(162.994)</b>	<b>4.127</b>	<b>(5.244)</b>
<b>Movements in Reserves Statement:</b>					
Reversal of charges made	31	(124.675)	(131.196)	(1.697)	(1.500)
Contributions - unfunded benefits	31	2.490	2.446	0.000	0.000
Employers' contributions payable	31	52.053	53.823	4.506	4.427

### Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

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

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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### Scheme History

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the Actuary have been:

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

### 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:

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Forecast for next year

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

### 51. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

#### Overall Procedures for Managing Risk

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

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

#### Credit risk

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

The Council 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

The Council's potential maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions is £30.955m. These financial assets include trade debtors (£30.481m), transferred debt (£0.040m), contract assets (£0.298m) and lease receivables (£0.136m). The Council recognised an allowance for credit losses which reduced the carrying amount of these financial assets by £5.165m. Customers for goods and services are vetted, taking into account their financial position, past experience and other factors. The Council does not generally allow credit for its trade debtors.

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

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

	AAA or equivalent £m	AA or equivalent £m	A or equivalent £m	Rated Not Strong £m	Not Rated £m	Trade Debtors and Transferred Debt £m	Total £m
Cash and cash equivalents	0.000	50.015	24.146	0.000	0.000	0.000	74.161
Investments	0.000	56.707	40.096	0.000	70.933	0.000	167.736
Trade Debtors and Transferred Debt	0.000	0.000	0.000	0.000	0.000	25.790	25.790
<b>Total Net Carrying Amount</b>	<b>0.000</b>	<b>106.722</b>	<b>64.242</b>	<b>0.000</b>	<b>70.933</b>	<b>25.790</b>	<b>267.687</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	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
<b>Loss Allowance is measured at 12-month expected credit losses because:</b>							
There has been no significant increase in credit risk since initial recognition	0.000	0.000	58.637	0.000	0.000	0.000	<b>58.637</b>
<b>Loss Allowance is measured at lifetime expected credit losses because:</b>							
Credit risk has increased significantly since initial recognition	0.000	0.000	0.000	0.000	12.268	0.000	<b>12.268</b>
Financial assets have become credit impaired	0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
Allowed under the simplified approach, i.e. Trade Debtors	0.000	0.000	0.000	0.000	0.000	22.892	<b>22.892</b>
<b>No Loss Allowance as relevant statutory provisions prevent default:</b>							
Counterparty is Central Government or another local authority	0.000	106.722	0.000	0.000	0.000	8.063	<b>114.785</b>
<b>No Loss Allowance, Other:</b>							
Financial assets measured at Fair Value	0.000	0.000	0.000	0.000	59.892	0.000	<b>59.892</b>
Cash balances	0.000	0.000	5.642	0.000	0.000	0.000	<b>5.642</b>
<b>Total Gross Carrying Amount</b>	<b>0.000</b>	<b>106.722</b>	<b>64.279</b>	<b>0.000</b>	<b>72.160</b>	<b>30.955</b>	<b>274.116</b>
Loss Allowances	0.000	0.000	(0.036)	0.000	(1.227)	(5.165)	<b>(6.428)</b>
<b>Total Net Carrying Amount</b>	<b>0.000</b>	<b>106.722</b>	<b>64.243</b>	<b>0.000</b>	<b>70.933</b>	<b>25.790</b>	<b>267.688</b>

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

	31 Mar 2019 £m	31 Mar 2020 £m
Less than three months	16.957	14.995
Three to six months	1.789	5.581
Six months to one year	1.406	2.796
More than one year	5.925	7.109
<b>Total</b>	<b>26.077</b>	<b>30.481</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

\* 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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Reconciliation of Credit Loss Allowances

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

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

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

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

### Liquidity risk

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

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

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

### 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)
<b>Financial assets</b>	<b>236.256</b>	1.000	209.215	26.041	2.21	1
<b>Financial liabilities</b>	<b>(299.485)</b>	0.000	(57.075)	(242.410)	3.89	18

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

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

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

### 52. SUBSEQUENT EVENTS

#### Trust Funds

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

#### Springwell Community College, Staveley

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

#### Fire at Harrington Junior School, Long Eaton

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

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

#### Covid-19

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

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

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

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

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

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

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

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

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

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

---

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

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

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

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

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

## ACCOUNTING POLICIES

### INTRODUCTION

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

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

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

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

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

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

---

# ACCOUNTING POLICIES

---

## ACCOUNTING PRINCIPLES

### 1.1. Going Concern

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

### 1.2. Accruals Concept

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

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

### 1.3. Cost of Services

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

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

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

### 1.4. Value Added Tax

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

### 1.5. Changes in Accounting Policy

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

- The nature of the change in accounting policy;

---

## **ACCOUNTING POLICIES**

---

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

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

### **1.6. Prior Year Adjustments**

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

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

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

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

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

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

### **1.7. Unidentified Income**

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



---

## **ACCOUNTING POLICIES**

---

### **1.8. Events after the Balance Sheet Date**

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

### **1.9. Exceptional Items**

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

### **1.10. Contingent Assets and Liabilities**

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

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

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

## **CAPITAL ACCOUNTING**

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

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

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

and defines them as :-

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

The initial measurement of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

---

## ACCOUNTING POLICIES

---

- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Council incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.

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

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

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

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

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

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

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

---

## ACCOUNTING POLICIES

---

rights over the assets and the future economic benefits/service potential of school assets flow to the Council or rights to use the assets have been transferred from another entity.

### 1.12. Donated Assets

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

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

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

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

### 1.13. Non-Current Asset Classification

The Council manages its assets in the following categories:

#### ➤ Intangible Assets

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

#### ➤ Property, Plant and Equipment Assets

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

##### ○ Land and/or Buildings Assets.

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

---

## ACCOUNTING POLICIES

---

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

- **Community Assets**

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

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

- **Infrastructure Assets**

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

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

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

- **Non-Operational (Surplus) Assets**

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

- **Investment Property Assets**

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

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

---

## **ACCOUNTING POLICIES**

---

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

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

➤ **Heritage Assets**

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

➤ **Assets Held for Sale**

The Council will classify assets as held for sale where all of the following criteria have been met:

- The asset must be available for immediate sale in its present condition. However, if a sale is dependent on planning permission being obtained, reclassification is suspended until that permission has been given.
- The asset's sale is highly probable.
- The asset must be actively marketed for sale.
- The completion of the sale is expected within 12 months from the date of classification.

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

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

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

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

---

## ACCOUNTING POLICIES

---

### 1.14. Non-Current Asset Valuation Methodology

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

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

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

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

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

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

IFRS 13 requires all assets to be measured at Current Value and the basis of valuation will be determined using the following criteria:

---

## ACCOUNTING POLICIES

---

- 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

The Council uses valuation techniques, as required by IFRS13, which maximise the use of relevant observable inputs and minimise the use of unobservable inputs and that are appropriate in the circumstances and for which sufficient data is available.

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

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

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

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

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

Upon the revaluation of a Surplus Asset at the 31<sup>st</sup> March of the financial year, based on the inputs available at the date of valuation the valuer will establish the IFRS 13 Valuation Input Level for the valuation and will compare this with the IFRS 13 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 IFRS 13 as follows:

---

## ACCOUNTING POLICIES

---

- **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. 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 from 1 April 2015 are to be valued at Fair Value in accordance with section 2.10 IFRS 13.

### 1.15. Impairment of Non-Current Assets

This accounting policy has been created in accordance with IAS 36.



---

## **ACCOUNTING POLICIES**

---

Impairment is the amount to which the carrying value of an asset exceeds the recoverable amount.

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

The Council recognises impairment as:

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

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

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

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

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

Sale proceeds of £10,000 and below are credited straight to the Comprehensive Income and Expenditure Statement.

### **1.17. Depreciation / Amortisation Methodology**

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

---

## ACCOUNTING POLICIES

---

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.

---

## ACCOUNTING POLICIES

---

### 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 fixed assets needed to provide the services passes to the PFI contractor. PFI and similar contracts are assessed against criteria within IFRIC 12 Service Concession Arrangements to determine whether the risks and rewards incidental to ownership lie with the Council or the contractor.

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

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

PFI Credits are treated as general revenue government grants.

---

## **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

---

## ACCOUNTING POLICIES

---

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.

---

## ACCOUNTING POLICIES

---

The change in the net pension liability is analysed into seven components:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement within the relevant service area dependant on staff employed at the Council. The current service cost includes an allowance for administration expenses
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Interest Income on Plan Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Movement in Reserves Statement.
- Employer Contributions – cash paid by the Council to the Pension Fund.

In relation to retirement benefits, statutory provisions require the General Reserve to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. Adjustments are therefore made in the Movement in Reserves Statement.

- **Early Retirement, Discretionary Payments** – the Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies which are applied to the Local Government Pension Scheme.

### 1.31. Lessee Accounting for an Operating Lease

Costs associated with operating leased assets where the Council is the lessee are charged immediately to the Comprehensive Income and Expenditure Statement within the Net Cost of Services on an accruals basis.



---

## **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.

---

## **ACCOUNTING POLICIES**

---

The total amount paid in terms of Members Allowances is disclosed in the notes to the accounts.

### **1.38. Council Tax and Business Rates Recognition**

Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement includes the Council's share of accrued income recognised by billing authorities in the production of the Collection Fund Statements.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

### **1.39. Inventories and Work in Progress**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Inventory is recorded in terms of average cost, with the exception of fleet parts where the cost is recorded on a first in, first out basis.

Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

### **1.40. Loss Allowance for Expected Credit Losses**

The Council maintains a loss allowance for any amounts it is due to receive from its debtors or investments which might become uncollectable.

At each Balance Sheet date the Council makes a two-stage assessment as to whether impairment losses need to be recognised:

- Firstly, whether there is evidence of impairment for individual debtor or investment that are significant, and
- Secondly, whether there is evidence of impairment for groups of similar debtors or investments.

Assessment is made based on the risk 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.

---

## **ACCOUNTING POLICIES**

---

The Council adopts the simplified approach of measuring the loss allowance for debtors at an amount equal to the total lifetime credit losses expected from a default event, from the time a debtor is initially recognised.

No loss allowance is recognised for expected credit losses where the debtor or investment issuer is central government or another local authority for which relevant statutory provisions prevent default.

Loss allowances are offset against the debtor or investment amount shown as an asset. The movement in the allowance is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

### **TREASURY MANAGEMENT**

#### **1.41. Definition of Treasury Management Activities**

The Council has adopted the following definition of Treasury Management activities:

The management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

The Council acknowledges that effective treasury management will provide support towards the achievement of its service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

#### **1.42. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in the value.

#### **1.43. Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost.

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal

---

## ACCOUNTING POLICIES

---

repayable plus any interest accrued to 31 March and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Any premiums or discounts, incurred on the early repayment of loan debt, arising from 1 April 2007 are taken immediately to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repayment. However, the amount is then credited or debited to the General Reserve and transferred to the Financial Instruments Adjustment Account via the Movement in Reserves Statement as required by statute.

The regulations allow that the premium or discount is amortised over periods specified in the statutory guidance. In accordance with the guidance the Council has a policy of spreading the premium or discount over the remaining term of the original loan, or a minimum of 10 years in the case of discounts. This amortisation is managed by a transfer from the Financial Instruments Adjustment Account to the General Reserve via the Movement in Reserves Statement.

Where a loan has been restructured, by a modification to the terms of the existing loan or by an exchange of debt instruments with the existing lender, and the terms are substantially different, the original financial liability is extinguished and a new financial liability is recognised. The difference between the carrying amount of the new and extinguished liability and any consideration transferred is recognised in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Where the terms of a loan debt exchange or the modification to the terms of an existing loan are not substantial, the carrying amount of the liability is adjusted to the value of the remaining cash flows required by the new terms, including any premiums or discounts paid/received, discounted to present value at the original loan's effective interest rate. Any gain or loss on modification is credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

A modification of terms is deemed to be substantially different if the present value of the cash flows under the new terms, including any premiums or discounts paid/received, is at least 10% different from the present value of the cash flows under the old terms. In both cases the present value is calculated by reference to original loan's effective interest rate.

### **1.44. Financial Assets**

Financial assets are classified into three types according to the Council's business model for managing those assets and the characteristics of the cash flows of the asset:

---

## ACCOUNTING POLICIES

---

- 1) Financial Assets Measured at Amortised Cost** – assets where it is the Council’s intention to hold the asset to collect the contractual cash flows and those cash flows consist solely of payments of principal and interest which arise on specified dates

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any interest accrued to 31 March and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, the Council could make loans to organisations at less than market rates (soft loans).

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Reserves is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Investments are represented on the balance sheet depending on their remaining life at the Balance Sheet date:

- Investments entered into for 90 days or less - debited to the cash balance as cash equivalents and represented within the cash flow statement.
- Investments entered into for more than 90, with less than 365 days until maturity – debited to current asset investments
- Investments due to expire in more than 365 days – debited to non-current asset investments

- 2) Financial Assets Measured at Fair Value Through Other Comprehensive Income** – assets where it is the Council’s intention to hold the asset both to sell the asset and to collect the contractual cash flows and those cash flows consist solely of payments of principal and interest which arise on specified dates, or assets which are equity instruments which it is the Council’s intention to hold for more than 12

---

## ACCOUNTING POLICIES

---

months and which the Council has irrevocably elected to present changes to their fair value in Other Comprehensive Income and Expenditure

These assets are initially measured and carried at fair value. Where the asset has determinable payments of dividends or interest, these are credited to the Comprehensive Income and Expenditure Statement. Interest receivable is based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends are recognised when the Council's right to receive the payment has been established and the amount can be measured reliably.

Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in the Financial Instrument Revaluation Reserve and the gain/loss is recognised in Other Comprehensive Income and Expenditure and the Movement in Reserves Statement. Impairment of these assets, due to expected credit losses, is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement and credited to a loss allowance account which reduces the carrying value of the financial asset. Any gains and losses that arise on de-recognition of the asset are credited/debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

**3) Financial Assets Measured at Fair Value Through Profit or Loss** – assets which are neither measured at amortised cost nor where changes to fair value are presented in Other Comprehensive Income and Expenditure

These assets are initially measured and carried at fair value. Where the asset has determinable payments of dividends or interest, these are credited to the Comprehensive Income and Expenditure Statement. Interest receivable is based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends are recognised when the Council's right to receive the payment has been established and the amount can be measured reliably.

Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

---

## ACCOUNTING POLICIES

---

### 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**

---

**AUDITOR'S OPINION – DERBYSHIRE COUNTY COUNCIL ACCOUNTS**

---

**Audit Opinion to be inserted**

---

**AUDITOR'S OPINION – DERBYSHIRE COUNTY COUNCIL ACCOUNTS**

---

**Audit Opinion to be inserted**

---

**AUDITOR'S OPINION – DERBYSHIRE COUNTY COUNCIL ACCOUNTS**

---

**Audit Opinion to be inserted**

# Pre-Audit Statement of Accounts Derbyshire Pension Fund 2019-20

<b>Version History</b>			
<b>Vsn</b>	<b>Date</b>	<b>Detail</b>	<b>Author</b>
1.0	08.06.20	Pre-audit accounts for signature and publication	E Scriven R Dosanjh
<b>This document has been prepared using the following ISO27001:2013 standard controls as reference:</b>			
<b>ISO Control</b>	<b>Description</b>		
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 300 participating employers and over 100,000 members, either active contributors, pensioners or deferred pensioners (people who have stopped paying into the scheme but are not yet receiving a pension).

The benefits payable to members within the Fund are determined by regulations and are guaranteed. Assets in the Fund meet members' benefit payments when they fall due and are accumulated through a combination of contributions from employees and employers within the Fund and from investment returns (both income and capital). The Fund continues to be cashflow positive, with combined contributions and investment income exceeding benefit payments.

At the end of March 2020, the value of the Fund's assets had fallen to just over £4.6bn. Supportive monetary policy helped to deliver positive investment returns in the first three quarters of 2019-20 despite concerns about lower economic growth, the fall-out from the US-China Trade War, the uncertainty surrounding Brexit and increasing political concerns in the run up to the US Presidential Election. Global equity indices achieved all-time highs in February 2020 before the spread of the coronavirus hit markets sharply in the final quarter of the financial year, resulting in a negative investment return of 4.7% for the year ended 31 March 2020. The benefits of diversification were well demonstrated in 2019-20, with the UK equity market losing around 19% in value, whilst losses in major overseas equities markets ranged from 2%-13% in sterling terms and government bonds delivered positive returns.

During the year, the Pension Fund Team successfully used Altair, the new pension administration system implemented in the first quarter of 2019, and the rollout of the associated i-Connect system, which will enable employers to automate the submission of their data, commenced.

The actuarial valuation of the Fund's assets and liabilities as at 31 March 2019 was undertaken during the financial year. As part of the valuation process, the Fund's Actuary reviewed funding plans and set contribution rates for the Pension Fund's participating employers for the period from 1 April 2020 to 31 March 2023.

A separate Annual Report is produced for the Fund which, in addition to the Fund's accounts, includes the governance arrangements for the Fund, detailed performance information and the Fund's approved policy statements. The Annual Report is available on Derbyshire Pension Fund's website:

<https://derbyshirepensionfund.org.uk/about-the-fund/annual-report/annual-report.aspx>

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

### Membership Statistics

	Actuals		
	31 Mar 2018	31 Mar 2019	31 Mar 2020
Contributors	41,010	41,157	40,125
Pensioners and Dependants	27,959	30,024	31,548
Deferred Pensioners	32,099	31,136	33,164

### Employers' Contributions

Employers pay pension contributions into the Fund. The contribution rates payable by the County, Unitary and District Councils expressed as a percentage of pensionable payroll and fixed cash amounts are:

Council	2019-20	2020-21
Derbyshire County	14.5% plus £15.536m	15.5% plus £15.536m
Derby City	13.5% plus £6.981m	14.5% plus £6.981m
Amber Valley Borough	14.0% plus £1.057m	15.0% plus £1.057m
District of Bolsover	13.9% plus £0.962m	14.9% plus £0.962m
Chesterfield Borough	14.2% plus £1.991m	15.2% plus £1.991m
Derbyshire Dales	13.6% plus £0.645m	14.6% plus £0.561m
Erewash Borough	13.1% plus £1.125m	14.1% plus £0.999m
High Peak Borough	12.4% plus £1.833m	13.4% plus £1.833m
North East Derbyshire	13.7% plus £1.527m	14.7% plus £1.527m
South Derbyshire	13.8% plus £0.678m	14.8% plus £0.678m

The percentage rates that were determined by the Actuary in the valuation of the Fund at 31 March 2016, for 2017-18 to 2019-20, and in the valuation of the Fund at 31 March 2019, for 2020-21 to 2022-23, are intended to cover the cost of future service of active Fund members, with the past service deficit being addressed by an annual fixed cash amount.

### Members' Contributions

For 2019-20 the contribution rates payable by members into the Fund are determined by The Local Government Pension Scheme 2013 Regulations. The rates are between 5.5% and 12.5% of members' pay, including non-contractual overtime, depending on their pay banding. There is no change to these rates for 2020-21.

# PENSION FUND ACCOUNTS

## EXPLANATORY FOREWORD

### Investment Policy

During 2019-20 responsibility for policy matters rested with a Pensions and Investments Committee which is comprised of eight County Councillors, two Derby City Councillors and two non-voting Trade Union representatives. The Pensions and Investments Committee received advice from the Director of Finance & ICT and from one independent external adviser.

Day-to-day management of the Fund is delegated to the Director of Finance & ICT and his in-house staff, operating within a policy framework laid down by the Committee.

Policy is determined by reference to The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which require that advice is taken at regular intervals and place an onus on administering authorities to determine the balance of their investments and take account of risk.

The Fund has a central (strategic) benchmark asset allocation which is designed to meet the performance requirements for the level of risk agreed by the Pensions and Investments Committee. There were no changes to the benchmark allocation in 2019-20, following the change part-way through 2018-19, which re-balanced the Fund's assets from Growth Assets (e.g. Equities and Private Equity) to Income Assets (e.g. Infrastructure, Multi Asset Credit and Property). The Pensions and Investments Committee has a degree of flexibility around the central benchmark allocation and decides the specific allocations (weights) for each asset class at its quarterly meetings. In the table below, the column showing the benchmark return is what would have been achieved via neutrally weighted index returns, whereas the actual Fund returns are a function of both active asset allocation and active stock selection decisions.

### Investment Returns

The table below shows the Fund's returns over 1, 3, 5 and 10 years to 31 March 2020, compared to those of its strategic benchmark, as well as the impact of inflation on Fund returns.

Periods to 31 Mar 2020	Return		Inflation		Fund Real Return	
	Derbyshire Fund	Benchmark	CPI	RPI	Versus CPI Inflation	Versus RPI Inflation
	% pa	% pa	%	%	%	%
1 Year	(4.7)	(5.4)	1.5	2.6	(6.2)	(7.3)
3 Years	1.5	1.0	2.3	3.1	(0.8)	(1.6)
5 Years	4.8	4.3	1.6	2.5	3.2	2.3
10 Years	6.7	6.4	2.2	3.0	4.5	3.7



---

## **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

---

On a year by year basis, returns tend to fluctuate significantly according to economic and market conditions. Long-term returns are a more appropriate guide to the performance of the Fund.

The Fund out-performed over the one, three, five and ten year periods relative to the benchmark. It is important to note that the Fund delivered real returns over the five and ten year periods, with returns ahead of inflation in these periods. Real returns over the one and three year periods have been impacted by the Covid-19 pandemic.

After several years of positive returns and ever higher equity markets, returns in 2019-20 were adversely impacted by a sharp sell-off in February and March 2020 in response to the Covid-19 pandemic. The economic impact of the containment measures imposed across the globe were unprecedented, as was the resultant policy response from the central banks. In April 2020, the International Monetary Fund (IMF) projected that the global economy would contract by -3% in 2020, in excess of the contraction experienced during the 2008-09 Global Financial Crisis.

The Fund's 2019-20 return of -4.7% compared with a return of 5.6% in 2018-19. In the twelve months to March 2020, equity returns to Sterling investors ranged from -2.1% in Japan to -18.5% in the United Kingdom, with overseas equity returns being positively impacted, on translation, by a weaker pound relative to the major overseas currencies. Returns were positive in the first nine months of the year but fell sharply in the final quarter of the year in response to the Covid-19 pandemic. This is illustrated by UK equity returns in 2019-20. In the first nine months of 2019-20, UK equities returned 8.9% but fell by 25.1% in the final quarter of the year, resulting in a total return for the year of -18.5%.

Government bond returns were positive in 2019-20, with UK Gilts returning 9.9% and UK Index-Linked returning 2.2%. These assets demonstrated their defensive qualities in Q4 2019-20, with prices rising as central banks reduced interest rates and restarted quantitative easing. However, corporate bonds and high-yield bonds fell sharply in Q4 2019-20, as investors switched into less risky assets (e.g. cash and sovereign bonds). Yield spreads widened significantly, reflecting concerns about the effect of lockdowns on corporate profits. UK Investment Grade Bonds returned -4.7% in the final quarter of 2019-20, whereas Sterling-hedged Global High Yield Bonds returned -14.2% in the final quarter.

Property (60% direct/40% indirect) returned 0.5% in 2019-20, down from 4.3% in 2018-19. The full effect of the Covid-19 pandemic has yet to flow through to the property sector, reflecting the illiquid nature of the asset class and it is highly likely that capital values and rental income collections will be adversely impacted in 2020-21.

---

## 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.

Assumptions used in the March 2019 actuarial valuation:

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

	<b>Assumption</b>
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**

2018-19 £m		Note	2019-20 £m
	<b>Dealings with Members, Employers and Others Directly Involved in the Fund</b>		
193.715	Contributions	6,23	160.457
10.324	Transfers in from Other Pension Funds	7	11.195
<b>204.039</b>			<b>171.652</b>
(160.930)	Benefits	8,23	(172.634)
(12.976)	Payments to and on Account of Leavers	9	(17.676)
<b>(173.906)</b>			<b>(190.310)</b>
<b>30.133</b>	<b>Net Additions/(Reductions) from Dealings with Members, Employers and Others Directly Involved in the Fund</b>		<b>(18.658)</b>
(28.129)	Management Expenses	10	(30.104)
<b>2.004</b>	<b>Net Additions/(Withdrawals) Including Fund Management Expenses</b>		<b>(48.762)</b>
	<b>Returns on Investments</b>		
100.816	Investment Income	11	93.983
0.033	Taxes on Income	12	(0.037)
181.703	Profits and Losses on Disposal of Investments and Changes in Value of Investments	13	(316.288)
<b>282.552</b>	<b>Return on Investments</b>		<b>(222.342)</b>
<b>284.556</b>	<b>Net Increase in the Net Assets Available for Benefits During the Year</b>		<b>(271.104)</b>
4,644.031	Opening Net Assets of the Fund		4,928.587
<b>4,928.587</b>	<b>Closing Net Assets of the Fund</b>		<b>4,657.483</b>

**PENSION FUND ACCOUNTS**  
**NET ASSETS STATEMENT**

**NET ASSETS STATEMENT**

<b>31 Mar 2019</b>			<b>31 Mar 2020</b>
<b>£m</b>		<b>Note</b>	<b>£m</b>
4,905.599	Investment Assets	13-15	4,640.864
(4.874)	Investment Liabilities	13-15	(8.768)
32.336	Current Assets	17	31.420
(4.474)	Current Liabilities	18	(6.033)
<b>4,928.587</b>	<b>Net Assets of the Scheme Available to Fund Benefits at the Period End</b>		<b>4,657.483</b>

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 2019-20 (“the Code”), which is based upon International Financial Reporting Standards (IFRS), which require the Fund’s accounts to comply with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations for the Public Sector detailed in the Code and the Statement of Recommended Practice 2015 (“SORP”): Financial Reports of Pension Schemes insofar as it is relevant.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investments Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 22 of these accounts.

The amount of separately invested Additional Voluntary Contributions (“AVCs”) paid by members during the year and their value at the net assets statement date are not included in the Pension Fund financial statements in accordance with Regulation 4 (1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

---

## **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.

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



---

## **PENSION FUND ACCOUNTS**

### **NOTES TO THE PENSION FUND ACCOUNTS**

---

- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement – these amendments make it mandatory for the current service cost and the net interest for the period after a remeasurement to be determined using the assumptions used for the remeasurement and also clarifies the effect of a Plan amendment regarding what is known as the asset ceiling. These amendments to IAS 19 would not have impacted on the Fund's 2019-20 accounts.

#### **4. Critical judgements made in applying the accounting policies**

In applying the accounting policies in Note 2, it has not been necessary to make any critical judgements.

#### **5. Assumptions made and other estimation uncertainty**

##### **Covid-19**

The outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has had, and continues to have, a significant impact on global financial markets. The majority of the countries in which the Fund invests have implemented severe restrictions on the movement of populations, with a resultant significant impact on economic activity. The impact of these restrictions, including the subsequent lifting of restrictions, will vary from country to country. The actions taken by the various governments and central banks around the world, including those of the United Kingdom, provide an indication of the potential severity of the downturn and post-recovery environment, which could be significantly different to past crises and take much longer. The Covid-19 outbreak has led to weaker GDP in many of the countries in which the Fund invests, and the impact is likely to differ significantly by country, and by industry and sector. It is not possible to predict the future trajectory of the Covid-19 outbreak, including the future impact on global financial markets, asset prices and bond yields.

The Fund's basis of valuation for each class of financial investment is set out in greater detail in Note 15 to these accounts, and there have been no changes to the valuation techniques used in the year. A significant proportion of the Fund's financial investments relate to Level 1 assets where there is a readily available daily bid market price, Level 2 assets where the fair value can be determined based on other market data or market prices, and cash deposits.

The remainder of the Fund's financial investments relate to Level 3 assets, including unquoted private equity, infrastructure, private debt investments and indirect property assets. These assets are valued using the most recently reported net assets statement for that investment, adjusted for drawdowns and distributions to the final day of the accounting period, if the net assets statement is not produced to that date.

---

## **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 Savills at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. In their March 2020 Valuation Report, Savills noted that "market activity is being impacted in many sectors and at the valuation date we do not consider that we can rely upon previous market evidence to fully inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of 'material valuation uncertainty' as indicated in Global Valuation Technical and Performance Standards and Practice Guidance Applications VPS 3 and VPGA 10 of the Royal Institute of Chartered Surveyors (RICS) Red Book Global Standards, containing mandatory rules, best practice guidance and related commentary for all members undertaking asset valuations. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that the valuation of these properties are kept under frequent review".

The value of the Fund's Level 3 assets at 31 March 2020 was £2,175.402m, accounting for 46.9% of total investment assets. The estimated impact of price risk in respect of Level 3 assets is  $\pm 7.5\%$ , equating to £161.681m at 31 March 2020. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, '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.

---

## **PENSION FUND ACCOUNTS**

### **NOTES TO THE PENSION FUND ACCOUNTS**

---

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

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

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

The Fund’s Actuary made no estimated allowance for the McCloud judgement in its 2019 actuarial valuation, following instruction from the LGPS Scheme Advisory Board to value liabilities in the 31 March 2019 funding valuations in line with the current LGPS Regulations benefit structure.

The Government Actuary’s Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD’s paper, dated 10 June 2019. The Fund’s Actuary has adjusted GAD’s estimate to better reflect the Derbyshire Pension Fund’s (Fund) local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to the Fund, is that total liabilities (i.e. the increase in active members’ liabilities expressed in terms of the employer’s total membership) could be around 0.5% higher as at 31 March 2020, an increase of approximately £31.1m for the Fund as a whole. The Actuary has made an allowance for this potential increase in liabilities in its disclosure of the actuarial present value of promised retirement benefits, in Note 22, the Report of the Actuary.

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

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

---

## **PENSION FUND ACCOUNTS**

### **NOTES TO THE PENSION FUND ACCOUNTS**

---

#### **Indexation and equalisation of Guaranteed Minimum Pensions (GMP)**

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

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

For the 2019 valuation, given the Government's preference for conversion to scheme benefits, the Fund Actuary has assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers (known as a full GMP indexation allowance). Full GMP indexation allowance is therefore included in the Fund Actuary's disclosure of the actuarial present value of promised retirement benefits, in Note 22, the Report of the Actuary.

#### **Britain leaving the European Union**

There remains a high level of uncertainty around the implementation of the 2016 Brexit referendum result. The United Kingdom left the European Union on 31 January 2020 and is now in a transition period until 31 December 2020, while the UK and European Union negotiate additional arrangements. Brexit developments have caused volatility in asset prices and hence also in bond yields. It is not possible to predict future Brexit developments with any degree of certainty, including the trading arrangements put in place with both the European Union and other non-European Union trading partners but these are likely to cause further volatility in asset prices and bond yields and therefore impact future actuarial assumptions. However, pronouncements from the US Federal Reserve on the future direction of US interest rates and developments with respect to the Covid-19 pandemic and in global politics have the potential to cause similar levels of volatility in asset prices and bond yields and to materially impact future actuarial assumptions.

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

**6. Contributions**

	<b>2018-19</b>	<b>2019-20</b>
	<b>£m</b>	<b>£m</b>
<b>Employers</b>		
Normal	96.261	89.191
Deficit Funding	57.276	29.346
<b>Members</b>		
Normal	40.178	41.920
	<b>193.715</b>	<b>160.457</b>

Employers' contributions rates payable in 2018-19 and 2019-20 were set as part of the 2016 valuation which revealed an overall funding level of 86.7%.

On 12 June 2018 Derby City Council paid employer contributions of £39.716m to the Fund, covering the period May 2018 to March 2020. During 2018-19, normal employer contributions due from Derby City Council amounted to £14.429m. The balance of Derby City's employer contributions received during 2018-19 were disclosed as deficit funding employer contributions and this is the main reason for the decrease in employer's deficit funding contributions and normal contributions in 2019-20.

**7. Transfers in from other pension funds**

	<b>2018-19</b>	<b>2019-20</b>
	<b>£m</b>	<b>£m</b>
Individual transfers in from other pension funds	<b>10.324</b>	<b>11.195</b>

**8. Benefits**

	<b>2018-19</b>	<b>2019-20</b>
	<b>£m</b>	<b>£m</b>
Pensions	127.949	134.375
Commutation of pensions and lump sum retirement benefits	29.033	33.597
Lump sum death benefits	3.948	4.662
	<b>160.930</b>	<b>172.634</b>

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

**9. Payments to and on account of leavers**

	<b>2018-19</b>	<b>2019-20</b>
	<b>£m</b>	<b>£m</b>
Refund of contributions to members leaving the Fund	0.650	0.383
Group transfers out to other pension funds	0.048	0.000
Individual transfers out to other pension funds	12.278	17.293
	<b>12.976</b>	<b>17.676</b>

Group transfers out in 2018-19 relate to the transfer of members from Derby City Council to the Department of Education.

Individual transfers out to other pension funds have increased in 2019-20, from £12.278m to £17.293m. During the year, the Pension Fund Team successfully used Altair, the new pension administration system. The speed at which transfer requests are processed has increased, with more cases being completed than in the previous year. In addition, actuarial factors for calculating cash equivalent transfer values (CETVs) were amended, with effect from November 2018, part way through the previous year. In most cases these were increased. CETVs calculated using the new factors are therefore higher than they would have been before the change.

**10. Management expenses**

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

	<b>2018-19</b>	<b>2019-20</b>
	<b>£m</b>	<b>£m</b>
Investment management expenses	24.829	26.054
Administrative costs	2.085	2.599
Oversight and governance costs	1.215	1.451
	<b>28.129</b>	<b>30.104</b>

Oversight and governance costs increased by £0.236m in 2019-20, largely reflecting higher LGPS Central Limited governance, operator and product development costs (£0.057m) and higher actuarial costs resulting from the triennial valuation (£0.161m). Oversight and governance costs includes audit fees of £0.019m (2018-19: £0.022m).

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

Administration costs increased by £0.514m in 2019-20, reflecting investment into the headcount and systems to support improvements in service delivery to scheme members and employers. Pension administration costs per member were £24.79 in 2019-20 (2018-19: £20.38).

Investment management expenses are analysed below:

	2018-19	2019-20
	£m	£m
Fund value based management fees	23.653	25.129
In house management fees	0.338	0.365
Transaction costs	0.798	0.527
Custody fees	0.040	0.033
	<b>24.829</b>	<b>26.054</b>

Fund value based management fees increased by £1.476m, to £25.129m in 2019-20, reflecting an increase in the average value of underlying investments during the year. Based on average investment assets across the year, management fees as a proportion of average investment assets were 0.49% in both 2018-19 and 2019-20.

Transaction costs relate to the following asset classes:

	2018-19	2019-20
	£m	£m
Equities	0.797	0.527
Bonds	0.001	0.000
	<b>0.798</b>	<b>0.527</b>

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment financial asset or liability. An incremental cost is one that would not have been incurred if the scheme had not acquired or disposed of the financial instrument. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties.

Commissions decreased by £0.028m in 2019-20, to £0.301m. Stamp duty decreased by £0.244m in 2019-20, to £0.226m, reflecting the termination of the Fund's discretionary mandate in respect of UK equities and the resultant transition into a pooled product.

Directly held investment properties are not financial assets and transaction costs in respect of them are capitalised into their initial cost, rather than expensed.

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

Direct transaction costs do not include debt premiums or discounts, financing costs or internal administration or handling costs.

Costs are incurred indirectly by the Fund on sales and purchases of pooled investment vehicles through the difference between the highest price a buyer of a security or other asset is willing to pay and the lowest price a seller is willing to offer (bid-offer spread).

Such costs are not separately identifiable but are reflected in the cost of these investment purchases and in the proceeds from their sale (Note 13).

#### 11. Investment income

	2018-19	2019-20
	£m	£m
Income from equities	65.274	46.751
Income from bonds	9.623	10.130
Net rents from properties	10.087	10.230
Income from pooled investment vehicles	13.491	24.236
Interest on cash deposits	2.341	2.636
	<b>100.816</b>	<b>93.983</b>

Income from equities has decreased by £18.523m in 2019-20, to £46.751m, reflecting a reduction in UK dividend income following the transition of the Fund's direct UK equity portfolio into an accumulation unit pooled product, which is a pooled investment vehicle where dividend income is reinvested and not distributed. Income from pooled investment vehicles has increased by £10.745m in 2019-20, to £24.236m reflecting on-going investment into income generating pooled investment vehicles, principally in respect of infrastructure and private debt funds.

Rents from properties are net of £1.198m of property expense (2018-19, net of £0.528m of property expense), which includes a £0.191m credit loss allowance adjustment for property rent debtors at the year end. The income or expense each year is the net of property management expenses recovered by service charges to tenants and irrecoverable property management expenses, for instance, rates on vacant properties.

#### 12. Taxes on income

	2018-19	2019-20
	£m	£m
Taxation (receivable)/payable	<b>(0.033)</b>	<b>0.037</b>



**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

From 6 April 2016 there are no notional tax charges for UK dividends. Taxes on income relate to withholding taxes in respect of overseas investment income, which are recoverable by the Fund. In 2019-20 there is an overall tax debit because of withholding tax which has yet to be reclaimed.

**13. Investment assets and liabilities**

	Value at 31 Mar 2019	Purchases & hedging payments	Sales & hedging receipts	Profits & losses on disposal of investments & changes in value of investments	Value at 31 Mar 2020
	£m	£m	£m	£m	£m
<b>Investment assets</b>					
Equities	1,794.650	423.155	(1,345.678)	(59.461)	812.666
Bonds	553.372	45.821	(55.847)	32.837	576.183
Pooled investment vehicles	1,942.878	1,596.170	(539.664)	(279.330)	2,720.054
Properties	229.350	14.468	0.000	(4.168)	239.650
Currency hedging contracts	0.000	0.000	0.000	3.032	3.032
	<b>4,520.250</b>	<b>2,079.614</b>	<b>(1,941.189)</b>	<b>(307.090)</b>	<b>4,351.585</b>
Cash deposits & short term loans	371.103			0.000	275.110
Other investment balances	14.246			0.000	14.169
	<b>4,905.599</b>			<b>(307.090)</b>	<b>4,640.864</b>
<b>Investment liabilities</b>					
Currency hedging contracts	(1.534)	413.876	(403.144)	(9.198)	0.000
Other investment balances	(3.340)			0.000	(8.768)
	<b>(4.874)</b>			<b>(9.198)</b>	<b>(8.768)</b>
	<b>4,900.725</b>			<b>(316.288)</b>	<b>4,632.096</b>

The total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities has decreased the Fund's value by £316.288m during 2019-20 (2018-19, £181.703m increase). This total includes all increases and decreases in the market value of investments held at any time during the year and profits and losses realised on sales of investments during the year.

At 31 March 2020 the Fund's investments accounting for more than 5% of the total value of the Fund's net assets available for benefits were:

- UBS Life Europe Ex-UK Equity Tracker Fund £368.025m, representing 7.9% (2019, £489.312m, 9.9%).
- LGIM UK Equity Index Fund £692.277m, representing 14.9% (2019, nil).

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts relating to sovereign fixed income holdings. The Fund's objective is to decrease risk in the portfolio by entering into forward contracts to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets.

At the year end, there was one currency hedging contract, with less than six months to expiry, with a gross contract value of £112.323m (2019, one contract, with less than six months to expiry, with a gross contract value of £93.094m).

Investment assets are further analysed below:

	<b>31 Mar 2019</b>	<b>31 Mar 2020</b>
	<b>£m</b>	<b>£m</b>
<b>Equities</b>		
UK quoted	1,014.080	165.255
UK unquoted	1.315	1.315
Overseas quoted	779.255	646.096
	<b>1,794.650</b>	<b>812.666</b>
<b>Bonds</b>		
UK quoted	455.958	462.177
UK unquoted	0.685	0.685
Overseas quoted	96.729	113.321
	<b>553.372</b>	<b>576.183</b>
<b>Pooled Investment Vehicles</b>		
Property – unquoted	139.751	149.857
Property - quoted	22.502	20.575
Other quoted	1,010.635	763.727
Other unquoted	769.990	1,785.895
	<b>1,942.878</b>	<b>2,720.054</b>
<b>Properties</b>		
UK freehold	177.750	191.550
UK leasehold	51.600	48.100
	<b>229.350</b>	<b>239.650</b>

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	31 Mar 2019	31 Mar 2020
	£m	£m
<b>Cash deposits and short term loans</b>		
Sterling cash deposits	34.215	22.525
Money market funds	0.000	5.000
Other Sterling short term loans	330.700	244.500
Foreign currency	6.188	3.085
	<b>371.103</b>	<b>275.110</b>

The proportion of the market value of net investment assets managed in-house and by each external manager at the year end is set out below. The analysis at 31 March 2019 has been restated to separately disclose investment assets managed by Legal and General Investment Management (LGIM).

	Restated 31 Mar 2019		31 Mar 2020	
	£m	%	£m	%
In-house	2,675.282	54.6	2,398.881	51.8
Colliers Capital Holdings Ltd	230.869	4.7	241.845	5.2
Legal and General Investment Management	67.459	1.4	842.719	18.2
LGPS Central Ltd	885.126	18.1	291.642	6.3
UBS Global Asset Management Life Ltd	489.312	10.0	367.990	7.9
Wellington Management International Ltd	552.677	11.2	489.019	10.6
	<b>4,900.725</b>	<b>100.0</b>	<b>4,632.096</b>	<b>100.0</b>

All fund managers operating the pooled investment vehicles are registered in the United Kingdom except for:

<b>Fund</b>	<b>Country of registration of fund manager</b>
Aberdeen Global Japan Smaller Companies Fund	Luxembourg
AMP Capital Infrastructure Debt Fund III	Luxembourg
Barings Global Private Loan Fund I	Luxembourg
Barings Global Private Loan Fund II	Luxembourg
Barings Global Private Loan Fund III	Luxembourg
CVC Credit Partners European Direct Lending Fund II	Luxembourg
Fidelity Eurozone Select Real Estate Fund	Luxembourg
Invesco Real Estate Europe Fund	Luxembourg
J P Morgan Funds Latin American Equity Fund	Luxembourg
M&G European Property Fund	Luxembourg
Macquarie European Infrastructure Fund 5 (MEIF 5)	Luxembourg

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

Macquarie European Infrastructure 5 Co Investment Fund	Luxembourg
Macquarie European Infrastructure Fund 6 (MEIF 6)	Luxembourg
Macquarie European Infrastructure 6 Co Investment Fund	Luxembourg
Macquarie GIG Renewable Energy Fund 2 SCSp	Luxembourg
Polunin Emerging Markets Developing Countries Fund	Luxembourg
SL Capital Infrastructure Fund II	Luxembourg
Baring Australia Fund	Republic of Ireland
CQS Credit Multi Asset Fund	Republic of Ireland
JO Hambro Capital Management Japan Fund	Republic of Ireland
Montanaro UK Smaller Companies Fund	Republic of Ireland
Adam Street 2017 Global Fund Program	Cayman Islands
3i Infrastructure Plc	Channel Islands
Baird Capital Partners Europe Fund	Channel Islands
Epiris II LP Fund	Channel Islands
Foresight Solar	Channel Islands
HICL Infrastructure Company Limited	Channel Islands
International Public Partnerships Limited	Channel Islands
Partners Group – Global Value 2008 Fund	Channel Islands
Princess Private Equity Holding Limited	Channel Islands
The Renewables Infrastructure Group Limited	Channel Islands

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

	31 Mar 2019		31 Mar 2020	
	£m	%	£m	%
UK	2,600.120	53.1	2,286.628	49.4
N America	775.745	15.8	783.607	16.9
Europe	703.542	14.4	695.025	15.0
Asia and other	821.318	16.7	866.836	18.7
	<b>4,900.725</b>	<b>100.0</b>	<b>4,632.096</b>	<b>100.0</b>

UK investments fell in both absolute terms and as a percentage of total investment assets between 31 March 2019 and 31 March 2020 as on-going changes to the asset allocation, together with weaker relative returns from UK assets, reduced the Fund's exposure to UK investment assets. As the proportion of UK investment assets fell, allocations to North American, European and Asian assets increased, driven by higher levels of Private Equity, Infrastructure, Multi-Asset Credit and Indirect Property fund draw-downs. The North American geographical allocation also benefited from stronger relative returns.

---

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

---

#### 15. Fair value – Basis of valuation

The basis of valuation of each class of financial investment asset and liability is set out below. There has been no change in the valuation techniques used during the year. All investment assets and liabilities have been valued using fair value techniques as follows:

- Market quoted investments, where there is a readily available market price, are valued at the bid market price on the final day of the accounting period.
- Quoted bonds are valued at net market value excluding accrued income.
- Pooled investment vehicles are included at closing bid price for funds with bid/offer spreads, or if single priced, at the closing price. For unquoted pooled investment vehicles this is at the price advised by the fund manager.
- Unquoted investments are valued at fair value, at the price or net asset value advised by the fund manager, or for private equity investments, based on the Fund's share of net assets at the year end, using the latest financial information available from the respective fund managers, adjusted for drawdowns and distributions to the final day of the accounting period, if the latest financial information is not produced to that date.
- Property is included at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. The property portfolio was independently valued by Savills, Property Advisers.
- Fair value for investment property is calculated using the investment method of valuation, the premise of which is that all current and future income streams are capitalised at a rate or rates compared against yields achieved in market investment transactions and adjusted for individual characteristics of the subject property, based on valuer's opinions, wholly derived from observable prices achieved in market transactions.
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract on that date.

Financial investment assets and liabilities valued using fair value techniques have been classified into the three levels of what is known as a fair value hierarchy. The hierarchy is ordered according to the quality and reliability of information used to determine recurring fair values, with Level 1 being of the highest quality and reliability.

- Level 1 – Assets and liabilities assigned to Level 1 in the fair value hierarchy are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Fund's investments classified as Level 1 are quoted UK and Overseas Equities and quoted UK and Overseas Bonds issued by governments.
- Level 2 – Assets and liabilities assigned to Level 2 in the fair value hierarchy are those where quoted market prices are not available, for instance in a market that is not considered to be active, or where observable valuation techniques are used to determine fair value. The Fund's investments classified as Level 2 are quoted Pooled Investment Vehicles, Currency Hedging Contracts and unquoted LGPSC Bonds and Equities.

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

- Level 3 – Assets and liabilities assigned to Level 3 in the fair value hierarchy are those where at least one input which could have a significant effect on an instrument's valuation is not based on observable market data. The Fund's investments classified as Level 3 are unquoted Pooled Investment Vehicles and Properties.

The Fund's fair value hierarchy of investment financial assets, loans and receivables and financial liabilities is as follows:

	31 Mar 2019	31 Mar 2020
	£m	£m
<b>Financial Assets</b>		
<b>Level 1</b>		
UK quoted equities	1,014.080	165.255
Overseas quoted equities	779.255	646.096
UK quoted bonds	455.958	462.177
Overseas quoted bonds	96.729	113.321
	<b>2,346.022</b>	<b>1,386.849</b>
<b>Level 2</b>		
Property - quoted pooled investment vehicles	22.502	20.575
Other quoted pooled investment vehicles	1,010.635	763.727
UK unquoted equities	1.315	1.315
UK unquoted bonds	0.685	0.685
Currency hedging contracts	0.000	3.032
	<b>1,035.137</b>	<b>789.334</b>
<b>Level 3</b>		
Property – unquoted pooled investment vehicles	139.751	149.857
Other unquoted pooled investment vehicles	769.990	1,785.895
UK freehold properties	177.750	191.550
UK leasehold properties	51.600	48.100
	<b>1,139.091</b>	<b>2,175.402</b>

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	31 Mar 2019	31 Mar 2020
	£m	£m
<b>Loans and Receivables at Amortised Cost</b>		
Sterling cash deposits	34.215	22.525
Money market funds	0.000	5.000
Other Sterling short term loans	330.700	244.500
Foreign currency	6.188	3.085
Other investment balances	14.246	14.169
	<b>385.349</b>	<b>289.279</b>
<b>Financial Assets</b>	<b>4,905.599</b>	<b>4,640.864</b>
<b>Financial Liabilities</b>		
<b>Level 2</b>		
Currency hedging contracts	(1.534)	0.000
	<b>(1.534)</b>	<b>0.000</b>
<b>Loans and Receivables at Amortised Cost</b>		
Other investment balances	(3.340)	(8.768)
	(3.340)	(8.768)
<b>Financial Liabilities</b>	<b>(4.874)</b>	<b>(8.768)</b>
	<b>4,900.725</b>	<b>4,632.096</b>

Below is a reconciliation of the movement in fair value measurements within Level 3 of the fair value hierarchy from the start to the end of 2019-20:

	Value at 31 Mar 2019	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	Value at 31 Mar 2020
	£m	£m	£m	£m	£m	£m
<b>Financial Assets</b>						
<b>Level 3</b>						
<b>Pooled investment vehicles</b>						
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
<b>Properties</b>						
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
	<b>1,139.091</b>	<b>1,610.490</b>	<b>(362.988)</b>	<b>(326.327)</b>	<b>115.136</b>	<b>2,175.402</b>

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal of investments and changes in value of investments line of the fund account.

The impact of the Covid-19 pandemic on investment values is considered in Note 5. Having analysed historical data and current market levels, the Fund has determined that the Level 3 values at 31 March 2020 above are likely to be accurate to within the ranges set out in the sensitivity analysis below:

	Value at 31 Mar 2020 £m	Assessed valuation range %	Value on increase £m	Value on decrease £m
<b>Level 3 sensitivity</b>				
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
	<b>2,175.402</b>	<b>7.5</b>	<b>2,337.083</b>	<b>2,013.720</b>

## 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.



---

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

---

On 1 January 2020, all members' AVCs with Equitable Life Assurance Society were transferred to Utmost Life and Pensions. Utmost Life and Pensions has been unable to provide AVC information to align with the production of the Fund's accounts for the year ended 31 March 2020. As a result of operational constraints, caused by the Covid-19 crisis, Utmost Life and Pensions had postponed production of financial information but this has now resumed. Utmost Life and Pensions are unable to provide a date when the financial information will be issued but will endeavour to do this to allow statutory deadlines to be met.

Including Utmost Life and Pensions funds at 31 March 2019 values, the total value of funds provided by AVC contributions at 31 March 2020 was:

	<b>31 Mar 2019</b>	<b>31 Mar 2020</b>
	<b>£m</b>	<b>£m</b>
<b>Utmost Life and Pensions</b>		
With profits fund	0.182	
Unit-linked funds	0.413	
Total Utmost Life and Pensions	<i>0.595</i>	<i>0.595</i>
<b>Standard Life</b>		
Managed fund	0.761	0.657
Multi asset managed fund	0.082	0.106
Protection fund	0.084	0.088
Ethical fund	0.104	0.088
With profits fund	0.326	0.334
Total Standard Life	<i>1.357</i>	<i>1.273</i>

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	31 Mar 2019	31 Mar 2020
	£m	£m
<b>Prudential Assurance Company Ltd</b>		
Deposit fund	2.427	2.290
With profits cash accumulation fund	4.111	4.874
Blackrock Aquila	0.040	0.000
Cash fund	0.130	0.236
Discretionary fund	0.689	0.656
Dynamic global equity passive fund	0.000	0.109
Dynamic growth funds	0.072	0.409
Fixed interest fund	0.091	0.127
Global equity fund	0.394	0.329
Index-linked fund	0.326	0.325
International equity fund	0.413	0.367
Long-term bond fund	0.000	0.006
Long-term gilt passive fund	0.195	0.229
Positive impact fund	0.000	0.131
Property fund	0.227	0.193
Socially responsible fund	0.116	0.000
UK equity fund	0.187	0.166
UK equity passive fund	0.333	0.120
<b>Total Prudential Assurance</b>	<b>9.751</b>	<b>10.567</b>
<b>Clerical Medical</b>		
With profits fund	0.218	0.156
Unit linked fund	0.158	0.073
<b>Total Clerical Medical</b>	<b>0.376</b>	<b>0.229</b>
<b>Total AVC Investments</b>	<b>12.079</b>	<b>12.664</b>
<b>Death in Service Cover</b>		
Utmost Life and Pensions	<b>0.117</b>	<b>0.117</b>

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

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.

	<b>Utmost</b>		<b>Standard</b>	<b>Clerical</b>	
	<b>Life</b>	<b>Prudential</b>	<b>Life</b>	<b>Medical</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Value at 31 Mar 2019</b>	<b>0.595</b>	<b>9.751</b>	<b>1.357</b>	<b>0.376</b>	<b>12.079</b>
<b>Income</b>					
Contributions received		2.260	0.021	0.005	2.286
Interest and bonuses and change in market value		0.084	(0.075)	(0.002)	0.007
Transfers in		0.049	0.000	0.000	0.049
<b>Expenditure</b>					
Life assurance premiums		0.000	0.000	0.000	0.000
Retirement benefits		(1.577)	(0.009)	(0.144)	(1.730)
Transfers out and withdrawals		0.000	(0.021)	(0.006)	(0.027)
<b>Value at 31 Mar 2020</b>	<b>0.595</b>	<b>10.567</b>	<b>1.273</b>	<b>0.229</b>	<b>12.664</b>

**17. Current assets**

	<b>31 Mar 2019</b>	<b>31 Mar 2020</b>
	<b>£m</b>	<b>£m</b>
Employers' contributions due	5.374	5.275
Employees' contributions due	1.924	2.000
Amounts owed by Derbyshire County Council	3.899	0.000
Sundry debtors	0.864	1.354
Cash balance	20.275	22.981
	<b>32.336</b>	<b>31.610</b>

---

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

---

Employers' and employees' contributions due at 31 March 2020 have been received since the year-end.

As at 31 March 2020, the Fund was owed rent totalling £0.763m in respect of 2019-20 (31 March 2019, nil, net rent prepayment). Whilst the Fund's discretionary direct property manager is actively managing the collection of this rent, the Covid-19 outbreak in Q4 2019-20 has had a significant impact on the trading and cash flows of some of the Fund's tenants, particularly those in the Retail and Leisure Sectors. As a result, the Fund has provided a credit loss allowance of £0.191m against these rents.

**18. Current liabilities**

	<b>31 Mar 2019</b>	<b>31 Mar 2020</b>
	<b>£m</b>	<b>£m</b>
Unpaid benefits	1.768	2.206
Sundry creditors	2.706	2.772
Amounts owed to Derbyshire County Council	0.000	1.056
	<b>4.474</b>	<b>6.034</b>

**19. Related party transactions**

**Derbyshire County Council**

The Council is the administering authority for the purposes of the Fund under The Local Government Pension Scheme Regulations 2013.

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

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

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 33 and 34 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 2020 (31 March 2019, £1.315m and £0.685m, respectively) and was owed interest of £0.036m on the loan to LGPSC on the same date (2018-19, £0.043m).

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

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

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

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

#### 20. Investment commitments

At the end of the financial year, investment commitments in respect of future payments were:

	31 Mar 2019	31 Mar 2020
	£m	£m
Unquoted investments	421.617	292.133
Other Sterling short-term loans	40.000	30.000
	<b>461.617</b>	<b>322.133</b>

Unquoted investments commitments are commitments to invest in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments, not yet drawn-down by the managers. Revisions to the Fund's approved Strategic Asset Allocation Benchmark between July 2015 and January 2019 increased the proportion of the Fund's investments required to be invested in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments from 5% to 22% in 2019-20.

---

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

---

This has resulted in a higher level of unquoted investment commitments than has been the case in previous years. The reduction of £129.484m between 31 March 2019 and 31 March 2020 principally reflects the payment of a USD 110 million commitment to an infrastructure fund on 1 April 2019.

Since the year-end, the Fund has signed-up to an additional £25m private equity commitment.

The Other Sterling short-term loans commitments are commitments to make short-term investments at the year-end. There is no provision or creditor for these amounts in the financial statements as the legal obligation to pay was not fulfilled at 31 March 2020. These commitments will be met using funds received from the maturity of earlier investments and therefore have no impact on the financial position reported.

There were two such commitments at 31 March 2020 (2019, four), which were secured to take advantage of higher rates available at that time because of a cash shortage in the market.

#### 21. Financial instruments

Many requirements of the financial instruments standards (IAS 39, IAS 32, IFRS 7 and IFRS 9), which govern the recognition, measurement, presentation and disclosure of financial instruments, are not applicable to the Fund's accounts, since all material financial instruments are carried in the net assets statement at fair value.

#### Nature and extent of risks arising from financial instruments

Certain financial risks are a necessary and appropriate component of the investment strategy of the Fund in order for it to achieve the targeted long term rate of return assumed by the Fund Actuary. This rate of return is used in drawing up the Funding Strategy Statement and setting employer contribution rates.

The overall financial risk for the Fund is that its assets could be insufficient to meet its liabilities to pay benefits. At the financial instrument level, the Fund's key risks are:

- **Credit risk** – the risk of the Fund suffering loss due to another party defaulting on its financial obligations;
- **Liquidity risk** – the risk that funds might not be available to meet commitments because the Fund's assets are not readily marketable or easily turned into cash;
- **Market risk** - the risk that the Fund's financial instruments may suffer an adverse change in value, which is common to an entire class of assets or liabilities.

---

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

---

Responsibility for Fund investments has been delegated to the Council's Pensions and Investments Committee (the Committee). Day to day responsibility for the management of the Fund is delegated to the Director of Finance and ICT; the investments are managed by a combination of internal and external investment managers and investment advice is provided by an independent investment advisor. The Fund's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks.

As required by the Fund's Investment Strategy Statement, the Fund is invested in accordance with the Strategic Asset Allocation guidelines, to maximise returns within appropriate levels of risk, taking into account the Fund's liabilities and projected cashflows.

These Strategic Asset Allocation guidelines were approved by the Pensions and Investments Committee, following an external asset/liability study.

Economic background, market returns, asset allocation, investment activity, investment strategy and investment performance are monitored and reviewed by the Committee on a quarterly basis.

#### Credit risk

The Fund is primarily exposed to credit risk through its daily treasury management activities and through its forward currency contracts, which address the currency risk on overseas bonds. Credit risk on cash deposits and short term loans arises from deposits with banks, financial institutions and UK government and local authorities. Credit risk on forward currency contracts arises from contracts with large banks.

There is also a credit risk in respect of income due at the year end from the Fund's direct property tenants. As at 31 March 2020, the Fund was owed rent totalling £0.763m (31 March 2019, nil, net rent prepayment). Whilst the Fund's discretionary direct property manager is actively managing the collection of this rent, the Covid-19 outbreak in Q4 2019-20 has had a significant impact on the trading and cash flows of some of the Fund's tenants, particularly those in the Retail and Leisure Sectors. As a result, the Fund has provided a credit loss allowance of £0.191m against these rents, calculated using a non-recovery rate of 25%, based on information provided by the in-house investment management team.

	Rental Income Debt 31 Mar 2020 £m	Expected Non- Recovery Rate %	General Loss Allowance £m	Total Loss Allowance 31 Mar 2020 £m
<b>Property Rental Income</b>	<b>0.763</b>	<b>25.0</b>	<b>0.191</b>	<b>0.191</b>

---

**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 2020 is provided as follows:

	Value at 31 Mar 2019	Change in average default risk rate	Value at 31 Mar 2020
	£m	£m	£m
<b>Credit Loss Allowance</b>	<b>0.000</b>	<b>0.191</b>	<b>0.191</b>

**Treasury activities** - The Fund places security of capital and liquidity ahead of investment return. Credit risk on treasury activities is minimised through the Fund's annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Ratings Services and are approved counterparties on this basis. Investments with local authorities, the Government's Debt Management Office, UK Treasury Bills and Certificates of Deposit are also permissible. The Fund has agreed maximum loan durations and joint limits for each counterparty.

The limits for financial institutions are based on the above credit assessment and are approved each year. The financial institutions' credit ratings and supplementary information are monitored throughout the year to ensure compliance with the policy.

The Treasury Management Investment Strategy for 2019-20 was approved by Full Council on 6 February 2019 and by the Pensions and Investments Committee on 8 May 2019.

The Fund's maximum exposure to credit risk in relation to its treasury/cash deposit investments and operating cash in banks, building societies, money market funds and UK local authorities of £298.091m (2019, £391.378m) cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, generally, for such entities to be unable to meet their commitments; the approach to risk assessment taken by the Fund makes this remote.

A risk of non-recovery applies to all of the Fund's deposits, but there was no evidence at 31 March 2020 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. At 31 March 2020, the Fund had £22.981m in its operational account with Lloyds Bank.

**Forward currency contracts** - Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the currency risk on overseas sovereign bonds, the value of which comprise 2% (2019, 2%) of investment assets at the year end and by selecting large banks as the counterparties. The forward currency contract at the year end was with Bank of New York Mellon.



---

## 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 £112.323m (2019, one contract, with less than six months to expiry, with a gross contract value of £93.094m). The Fund does not expect any losses from non-performance by any of its counterparties in relation to this contract.

**Other financial assets** - Bonds mainly include investments in UK and US Government securities and certain corporate bond funds. The Fund does not expect any losses from non-performance by any of its counterparties in relation to these financial assets.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets as they are marked to market. The market value of financial assets represents the Fund's exposure to credit risk in relation to those assets.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur during settlement of transactions.

#### **Liquidity risk**

The Fund continues to be cash flow positive, with combined contributions and investment income exceeding benefit payments. There is, therefore, no present requirement to realise assets in order to meet liabilities to pay benefits, as these are more than covered by contributions and investment income, and there is net cash available for investment. The Fund does, however, sell investments from time to time as part of normal investment management activities.

The majority of the Fund's investments are readily marketable and may be easily realised, if required. Emphasis is placed on treasury deposits of up to six months' duration to ensure that longer term investment strategy is not compromised by lack of liquidity. Listed equities may also be liquidated at short notice, normally two working days. Holdings of investments which may be less easy to realise are limited. Current Pensions and Investments Committee guidelines limit investments in property to 12%, multi asset credit to 8%, infrastructure to 11% and private equity to 6%.

Sufficient funds are retained on instant access accounts to ensure that payment of benefits and the settlement of investment transactions can be made without the need to borrow.

The Fund manages its liquidity position using a comprehensive cash flow management system, as required by the CIPFA Code of Practice.

---

## 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 were no derivative financial liabilities held at the year-end in respect of currency hedging contracts (2019, one).

#### **Market risk**

The Fund is exposed to market risk because it is inherent in the investments the Fund makes. It can result from changes in such measures as interest and exchange rates and changes in prices due to factors other than these. This risk cannot be eliminated but it can be reduced.

The objective of market risk management is to manage and control market risk exposure to within acceptable parameters, whilst optimising the return on risk. Excessive volatility in market risk is managed through diversification. Risk reduction arises from the different investments not being perfectly correlated.

The Fund has applied diversification at various levels; that is, diversification between countries, asset classes, sectors and individual securities. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

Risk of exposure to specific markets is limited by adhering to defined ranges within the asset allocation guidelines, which are monitored and reviewed by the Committee on a quarterly basis.

**Interest rate risk** – This risk primarily impacts on the valuation of the Fund's bond holdings and to a lesser degree the return it receives on cash held. A rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Fund Account would rise;
- investments at fixed rates – the fair value of the assets would fall.

The Fund has a number of strategies for managing interest rate risk. Interest rates and the durations of the bond portfolios are monitored during the year, by the Fund's in-house and external managers. Within the annual Treasury Management Strategy, maximum limits are set for fixed and variable interest rate exposure. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, subject to liquidity requirements.

---

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

---

**Other price risk** – Other price risk originates from factors specific to the individual instrument or to its issuer, or from factors affecting all instruments in the market.

The Fund manages price risk by holding fixed interest bonds, index-linked stocks and property and by holding a diversified equity portfolio spread geographically, across market sectors and across investments. Contracts specify the level of risk to be taken by the external Fund managers investing in overseas equities. These external managers are monitored by in-house managers.

A Fund specific benchmark has been drawn up, which is designed to meet the Fund's performance requirements for the level of risk agreed by the Committee. Economic background, asset allocation, recent transactions, investment strategy and performance are monitored by the Committee on a quarterly basis.

The impact of the Covid-19 pandemic on investment values is considered in Note 5.

The table below quantifies the level of price risk that the Fund's investment assets and liabilities at 31 March 2020 are potentially exposed to. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'riskier' assets such as equities display greater potential volatility than bonds. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. The volatility shown for total investment assets and liabilities in both tables below incorporates the impact of correlation across asset classes, which dampens volatility, therefore the value on increase/decrease figures of the asset classes will not sum to the total assets figure.

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	Value at		Value	Value
	31 Mar 2020	Change	on increase	on decrease
	£m	%	£m	£m
<b>Underlying asset type</b>				
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
<b>Total investment assets and liabilities</b>	<b>4,632.096</b>	<b>7.55</b>	<b>4,981.819</b>	<b>4,282.373</b>

**Currency risk** - The Fund is exposed to currency risk through its overseas equity shares, its overseas bonds and its foreign currency holdings. The overseas equity exposure is not hedged; if Sterling weakens this currency exposure will make a positive contribution to the Fund's performance in Sterling terms. The overseas sovereign bond exposure is hedged.

The table below quantifies the level of currency risk that the Fund's overseas investment assets at 31 March 2020 are potentially exposed to. Currency risk on overseas sovereign bonds is managed using forward currency contracts, therefore sovereign overseas bonds have been excluded from the table. Potential aggregate currency exposure within the Fund at 31 March 2020 is determined using a currency "basket" based on the Fund's currency mix at that date. The weight of each currency multiplied by the change in its exchange rate relative to Sterling is summed to create the aggregate currency change of the basket. The outcomes are then applied to all unhedged overseas assets.

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	Value at 31 Mar 2020		Value on increase	Value on decrease
	£m	Change %	£m	£m
<b>Underlying asset type</b>				
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
<b>Overseas investment assets</b>	<b>1,580.631</b>	<b>8.88</b>	<b>1,720.991</b>	<b>1,440.271</b>

## 22. Actuarial Present Value of Promised Retirement Benefits

Below is an extract from the Report of the Actuary, showing the actuarial present value of the Fund's promised retirement benefits, required by the Code. If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation is carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

*"The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.*

*Note that the figures below include an allowance for the "McCloud Ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.*

*The figures below include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.*

	31 Mar 2019	31 Mar 2020
	£m	£m
Active members	3,847.000	2,829.000
Deferred members	1,309.000	1,164.000
Pensioners	1,956.000	2,240.000
<b>Present Value of Promised Retirement Benefits</b>	<b>7,112.000</b>	<b>6,233.000</b>

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

*It should be noted the above figures are appropriate for the Administering Authority only for the preparation of the Pension Fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).*

#### **Assumptions**

*The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2020 and 31 March 2019. I estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £592m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £233m.*

#### *Financial assumptions*

<b>Year ended (% p.a.)</b>	<b>31 Mar 2019</b> %	<b>31 Mar 2020</b> %
<i>Pension Increase Rate</i>	2.50	1.90
<i>Salary Increase Rate</i>	3.00	2.60
<i>Discount Rate</i>	2.40	2.30

#### *Longevity assumptions*

*Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a. for both women and men. Based on these assumptions, the average future life expectancies at age 65 are summarised below:*

	<b>Males</b>	<b>Females</b>
<i>Current Pensioners</i>	21.6 years	23.7 years
<i>Future Pensioners*</i>	22.6 years	25.1 years

*\*Future pensioners are assumed to be aged 45 at the latest formal valuation as at 31 March 2019.*

*Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.*

#### *Commutation assumptions*

*An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.*

#### **Sensitivity Analysis**

*CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:*

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

<b>Sensitivity to the assumptions for the year ended 31 Mar 2020</b>	<b>Approximate increase to liabilities %</b>	<b>Approximate monetary amount £m</b>
<i>0.5% p.a. increase in the Pension Increase Rate</i>	9	592
<i>0.5% p.a. increase in the Salary Increase Rate</i>	1	43
<i>0.5% p.a. decrease in the Real Discount Rate</i>	10	639

*The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.”*

*Barry Dodds FFA  
14 April 2020  
For and on behalf of Hymans Robertson LLP*

### **23. Participating Employers**

The participating employers with active members in the Fund are Derbyshire County Council (which is also the Administering Authority), Derby City Council (Unitary Authority), District Councils (which are Scheduled Bodies), further Scheduled Bodies and Admission Bodies. The Unitary and District Councils are listed in the foreword of this Annual Report. Other participating employers are listed on the following pages.

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

	<b>2018-19</b>		<b>2019-20</b>	
	<b>Benefits</b>	<b>Contributions</b>	<b>Benefits</b>	<b>Contributions</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Derbyshire County Council	77.156	69.871	82.316	71.426
Scheduled Bodies	78.346	119.592	84.389	84.347
Admission Bodies	5.428	4.252	5.929	4.684
	<b>160.930</b>	<b>193.715</b>	<b>172.634</b>	<b>160.457</b>

The contribution rates payable by the County, Unitary and District Councils expressed as a percentage of pensionable payroll and fixed cash amounts are:

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

<b>Council</b>	<b>2019-20</b>	<b>2020-21</b>
Derbyshire County	14.5% plus £15.536m	15.5% plus £15.536m
Derby City	13.5% plus £6.981m	14.5% plus £6.981m
Amber Valley Borough	14.0% plus £1.057m	15.0% plus £1.057m
District of Bolsover	13.9% plus £0.962m	14.9% plus £0.962m
Chesterfield Borough	14.2% plus £1.991m	15.2% plus £1.991m
Derbyshire Dales	13.6% plus £0.645m	14.6% plus £0.561m
Erewash Borough	13.1% plus £1.125m	14.1% plus £0.999m
High Peak Borough	12.4% plus £1.833m	13.4% plus £1.833m
North East Derbyshire	13.7% plus £1.527m	14.7% plus £1.527m
South Derbyshire	13.8% plus £0.678m	14.8% plus £0.678m

The contribution rates payable by other Scheduled Bodies, expressed as a percentage of pensionable payroll are:

	<b>Total contribution rate % of pensionable payroll</b>	
	<b>2019-20</b>	<b>2020-21</b>
<b>Scheduled Bodies</b>		
Peak District National Park Authority	14.0 plus £0.224m	15.0 plus £0.224m
Chesterfield Crematorium	17.8 plus £0.020m	18.8 plus £0.029m
Derbyshire Police Authority	12.9 plus £1.465m	13.9 plus £1.465m
Derbyshire Fire & Rescue	13.2 plus £0.170m	14.2 plus £0.170m
Derby Homes Limited	13.4 plus £0.290m	14.4 plus £0.290m
Rykneld Homes	16.4	17.4
University of Derby	12.7 plus £0.745m	16.3



**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
Chesterfield College	13.9 plus £0.158m	15.0 plus £0.166m
Derby College	13.7 plus £0.441m	16.5 plus £0.350m
Landau Forte College	12.3 plus £0.003m	13.5
Akaal Academy Trust Derby	19.5	18.5
Aldecar Infant School	21.0	18.3
Allenton Primary	27.9	26.9
All Saints Infants School	21.0	17.8
All Saints Junior School	21.0	19.1
All Saints Catholic Voluntary Academy (Glossop)	21.0	16.0
Alvaston Junior Academy	21.0	22.7
Arboretum Primary School	21.0	18.6
Ash Croft Primary Academy	21.0	20.4
Ashgate Croft School - from 1 June 2019	21.0	21.0
Ashwood Spencer Academy	21.0	20.3
Bishop Lonsdale Church of England Primary School	25.8	24.8
Bolsover Church of England Junior	21.0	17.9
Breadsall Hill Top Primary	21.0	20.4
Brimington Infant School	18.9	19.9
Brimington Junior School	18.3	19.3
Brookfield Academy	20.0	21.0
Brookfield Primary School - from 1 May 2019	21.0	21.0
Brooklands Primary School - from 1 July 2019	21.0	21.0
Carlyle Infant and Nursery School - from 1 August 2019	21.0	21.0
Cavendish Close Junior	21.0	19.5
Cavendish Multi-Academy Trust	19.3	21.1
Chaddesden Park Primary	21.0	23.3
Chellaston Academy - to 31 March 2020	20.9	0.0
Chellaston Fields - from 1 August 2019	21.0	21.0
Christ Church Church of England Primary School	21.5	21.5
Christ The King Catholic Voluntary Academy (Alfreton)	21.0	17.4

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
Church Gresley Infant and Nursery School - from 1 September 2019	21.0	21.0
Cloudside Junior	21.0	17.4
Cotton Farm Primary Academy	21.0	21.5
Da Vinci Academy	21.0	24.1
Darley Churchtown Primary	21.0	17.5
David Neiper Academy	17.8	18.8
Derby Cathedral School	21.0	19.3
Derby Manufacturing University Technical College	21.1	20.1
Derby Moor Community Sports College	21.0	17.4
Derby Pride Academy	15.5	16.5
Derby St Chads C of E (VC) Nursery and Infant School	21.0	19.3
Derwent Primary	21.0	20.8
Djanogly Learning Trust (Multi-Academy Trust)	21.0	17.9
Dovedale Primary School (Willows Academy Trust)	20.9	20.9
Ecclesbourne Academy	22.6	23.6
Eckington Junior	19.4	19.4
Eckington School	21.0	19.2
English Martyrs Catholic Voluntary Academy	18.5	19.5
Esteem Multi-Academy Trust	21.0	16.6
Firs Estate Primary School	21.0	18.5
Frederick Gent	21.0	18.3
Friesland School	21.0	16.5
Gamesley Primary School	21.0	17.9
Grampian Primary Academy	19.2	20.2
Granville Sports College	21.0	15.5
Griffe Field Primary School	21.0	22.4
Hackwood Primary Academy - from 1 September 2019	21.0	21.0
Hardwick Primary	21.0	19.4
Heanor Gate Science College	20.5	21.5
Heath Primary School	21.0	16.4
Heritage High School	21.0	18.0

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
Hilton Primary School	21.0	17.0
Hodthorpe Primary School - from 1 August 2019	21.0	21.0
Holbrook Primary School	22.4	22.4
Holme Hall Primary School - from 1 April 2019	21.0	21.0
Hope Valley College	23.3	24.3
Horsley Woodhouse Primary School	21.0	18.8
Howitt Primary Community School	21.0	18.2
Inkersall Primary School	20.2	21.2
Immaculate Conception Academy Trust	20.7	19.7
Ironville and Codnor Park Primary	21.0	17.0
Ivy House School - from 1 October 2019	21.0	21.0
John King Infant	21.0	17.3
John Port Academy	20.4	21.4
John Flamsteed Community School	20.2	21.2
Kilburn Junior School	21.0	16.8
Kirk Hallam Academy	18.4	19.4
Kirkstead Junior Academy	21.0	18.0
Lakeside Community Primary School	21.0	19.1
Landau Forte Moorhead Academy	19.6	20.6
Langwith Basset Junior Academy	21.0	16.1
Lawn Primary School - from 1 December 2019	21.0	21.0
Leesbrook School	19.7	20.7
Longford C of E Primary School - from 1 August 2019	21.0	21.0
Longwood Community Infant	21.0	16.3
Loscoe C of E Primary School and Nursery	21.0	16.7
Mary Swanwick Primary	21.0	20.2
Merrill Academy	22.5	23.5
Newbold Church of England Primary School	17.3	18.3
New Whittington Primary	21.0	16.2
Noel Baker School	21.0	23.5
North Wingfield Primary and Nursery Academy - from 1 March 2020	21.0	21.0
Odyssey Trust (Multi-Academy Trust)	21.0	19.7

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
Old Hall Junior School - from 1 June 2019	21.0	21.0
Outwood Academy Newbold	20.2	21.2
Peak Multi Academy Trust - from 1 April 2019	20.9	20.3
Peartree Junior	21.0	21.6
Pennine Way Junior Academy	19.7	20.7
QEGS Multi-Academy Trust	21.6	22.6
Ravensdale Junior School - from 1 September 2019	21.0	21.0
Redhill Primary School	20.7	21.7
Reigate Park Primary Academy	21.0	18.7
Richardson Endowed Primary School - from 1 June 2019	21.0	21.0
Sawley Infant School (Willows Academy Trust)	20.0	21.0
Sawley Junior School (Willows Academy Trust)	21.2	21.2
Scargill Primary	21.0	19.9
Shardlow Primary School (Willows Academy Trust)	23.3	22.3
Shirebrook Academy	20.4	21.4
Somercotes Infant School	21.0	16.1
Somerlea Park Junior	21.0	20.0
Springwell Community College - from 1 March 2020	21.0	21.0
St Alban's Catholic Voluntary Academy (Derby)	21.0	20.3
St Andrew's School - from 1 September 2019	21.0	21.0
St Anne's Catholic Voluntary Academy (Buxton)	21.0	19.2
St Benedict Voluntary Catholic Academy	22.0	23.0
St Charles' Catholic Primary Voluntary Academy (Hadfield)	21.0	17.5
St Edward's Catholic Academy	20.0	20.0
St Elizabeth's Catholic Voluntary Academy (Belper)	21.0	17.3
St George's Primary (New Mills)	21.0	19.2
St George's Voluntary Catholic Academy	20.1	21.1
St Giles Church of England Aided Primary School	20.3	21.3
St Giles Primary (Killamarsh)	21.0	16.9
St Giles School - from 1 November 2019	21.0	21.0
St John Fisher Catholic Voluntary Academy	21.7	22.7

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
St John Houghton Catholic Voluntary Academy	20.6	21.6
St Joseph's Catholic Primary School (Matlock)	20.0	21.0
St Joseph's Catholic Primary School Voluntary Academy	17.6	18.6
St Joseph's Catholic Voluntary Academy (Derby)	21.0	20.1
St Laurence Primary School	21.2	21.2
St Margaret's Catholic Voluntary Academy (Glossop)	21.0	16.5
St Mary's Catholic High School Academy Trust	21.4	22.4
St Mary's Catholic Voluntary Academy (Derby)	21.0	20.3
St Mary's Catholic Voluntary Academy (Glossop)	21.0	19.0
St Mary's Catholic Voluntary Academy (New Mills)	21.0	15.5
St Peter's C of E Aided Junior School - from 1 March 2020	21.0	21.0
St Philip Howard Catholic Voluntary Academy	20.2	20.2
St Thomas Catholic Voluntary Academy (Ilkeston)	21.0	17.5
St Thomas More Catholic Voluntary Academy (Buxton)	21.0	18.2
St Werburgh's C of E Primary School - from 1 October 2019	21.0	21.0
Street Lane Primary School	21.0	19.0
Swanwick Hall School	20.2	21.2
Temple Normanton Primary	21.0	24.8
The Bolsover Academy	20.9	21.9
The Green Infant School - from 1 November 2019	21.0	21.0
The Long Eaton Academy	19.9	20.9
The Mease at Hilton - from 1 September 2019	21.0	21.0
The Ormiston Ilkeston Enterprise Academy	23.7	24.7
The Pingle Academy	21.0	18.9
The Ripley Academy	25.0	26.0
Tupton Hall School - from 1 October 2019	21.0	21.0
Tupton Primary and Nursery Academy - from 1 July 2019	21.0	21.0
Turnditch Church of England Primary School	20.2	21.2

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	<b>Total contribution rate % of pensionable payroll</b>	
	<b>2019-20</b>	<b>2020-21</b>
Village Primary School	21.0	20.1
Walter Evans Primary School	21.0	21.1
Walton Holymoorside Primary School - from 1 June 2019	21.0	21.0
Walton On Trent C of E Primary and Infant School	21.0	19.0
West Park Academy	21.2	22.2
Westfield Infant School - from 1 June 2019	21.0	21.0
William Gilbert Endowed (C of E) Primary School	21.2	22.2
Wilsthorpe School	21.0	19.0
Woodlands School	19.9	20.9
Woodthorpe Cof E Primary School - from 1 June 2019	21.0	21.0
Wyndham Primary Academy (Boulton Primary School)	16.7	17.7
Zaytouna Primary School (previously Al-Madinah School)	20.0	20.0
Town and Parish Councils - Group 1	23.8	18.2
Town and Parish Councils - Group 2	17.2	18.8

---

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

---

**Town and Parish Councils**

<b>Group 1</b>	<b>Group 2</b>
Ashbourne Town Council	Alfreton Town Council
Belper Town Council	Blackwell Parish Council
Clay Cross Parish Council	Breaston Parish Council
Dronfield Town Council	Bretby Parish Council
Eckington Parish Council	Burnaston Parish Council
Killamarsh Town Council	Clowne Parish Council
Matlock Town Council	Codnor Parish Council
New Mills Town Council	Darley Dale Town Council
Old Bolsover Town Council	Draycott Parish Council
Pinxton Parish Council	Glapwell Parish Council
Shirebrook Town Council	Hatton Parish Council
Staveley Town Council	Heanor and Loscoe Town Council
Whitwell Parish Council	Heath and Holmewood Parish Council
Wirksworth Town Council	Kilburn Parish Council
	North Wingfield Parish Council
	South Normanton Parish Council
	Stenson Fields Parish Council
	Tibshelf Parish Council
	Ticknall Parish Council
	Tupton Parish Council
	Wingerworth Parish Council
	Woodville Parish Council

The contribution rates payable by Admission Bodies, expressed as a percentage of pensionable payroll are:

**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
7 Hills Leisure Trust - to 31 March 2019	25.3	0.0
Accuro FM Ltd - from 1 January 2019	32.4	32.4
Action for Children	28.1	16.5
Active Nation	28.2 plus £0.002m	19.8
Alliance Environmental Services Ltd	16.9	18.3
Amber Valley Schools Sports Partnership	21.0	23.0
Arvato Government Services Ltd (Derbyshire Dales)	13.8	0.0
Arvato Government Services (Sefton) Ltd	14.5	14.5
Aspens Services Ltd	28.2 plus £0.001m	28.5
Balfour Beatty Power Networks Ltd	16.5	17.3
Balfour Beatty (Derby BSF)	20.6	25.1
Barnados - to 30 June 2019	21.1	0.0
Belper Leisure Centre Ltd	31.4	33.3 plus £0.001m
Caterlink Ltd (Abercrombie)	27.8	28.8
Caterlink Ltd (Cavendish Learning Trust)	28.3	29.6
Caterlink Ltd (De Ferrers Trust)	30.2	31.7
Caterlink Ltd (Lea Primary)	30.2	12.9
Caterlink Ltd (Reigate Primary)	27.9	58.9
Caterlink Ltd (Shirebrook/Stubbin Wood)	31.0	16.0
Caterlink Ltd (St Marys)	31.2	33.4
Caterlink Ltd (St Marys High School)	31.8	31.2
Caterlink Ltd (Swanwick Hall)	32.6	57.4
Chesterfield Care Group	25.2	3.3
Churchill Contractor Services (St Marys)	33.9	40.0
Clean Slate (UK) Ltd (Pottery)	30.4 plus £0.001m	16.4
Compass Contract Services (UK) Ltd	10.3	17.0
Compass Services Ltd (DCC)	16.5	18.5
Connex Community Support	33.3	21.0
Crich Tramway Museum Society	24.0 plus £0.015m	30.8
CSE Education	29.0	26.3
Derby County Community Trust	23.1	35.5 plus £0.008m
Derby Museums & Arts Trust	19.2	22.1



**PENSION FUND ACCOUNTS**  
**NOTES TO THE PENSION FUND ACCOUNTS**

	Total contribution rate % of pensionable payroll	
	2019-20	2020-21
Derbyshire Building Control	23.2	26.1
Derbyshire Student Residences Ltd	25.8	27.7
Elite Cleaning and Environmental Services - to 31 August 2019	32.8	0.0
EMH Homes	22.3 plus £0.161m	21.1
Futures Homescape Ltd	23.9 plus £0.103m	33.4 plus £0.095m
Interserve Catering Services Ltd	20.2	24.4
Interserve Integrated Services Ltd	7.1	20.8
KCLS Ltd (Tibshelf Infant)	34.4	6.9
Kier Ltd	13.8	13.8
Leisure Amber Valley BC	13.8	13.8
Leisure High Peak BC - to 31 March 2019	1.4	0.0
Legacy Leisure Ltd (Parkwood Leisure) Erewash	27.2	26.8
Macintyre Care Ltd	2.0	0.0
Mellors Catering	25.7	0.0
Mellors Catering (Murray Park)	31.7	30.0
Mitie Facilities Services Ltd	37.7	30.2
Norwest Holst Ltd (previously Vinci plc)	33.0	9.5
NSL Ltd	22.3	20.3
Office Care Ltd (Brookfield Academy) - to 11 October 2019	29.5	0.0
Parkwood Leisure Limited (Buxton Pavillion)	24.3	24.3
Platform Housing Group (previously known as Waterloo Housing Group)	28.1 plus £0.018m	11.4
RM Education Ltd	28.8	33.7
SIV Enterprises Ltd - to 31 March 2019	4.6	0.0
Superclean Services Wothorpe Ltd (Fire) - to 31 March 2019	11.2	0.0
Taylor Shaw	34.7	24.4
Veolia (Amber Valley Refuse)	6.1	0.0
Veolia (Chesterfield Refuse)	17.5	8.3
Vinci Construction UK (Ashcroft & Portway)	31.7	30.8
Vinci plc (Ravensdale) - to 31 March 2019	29.9	0.0
Wealdon Leisure - from 1 August 2018	24.5	25.8

---

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

---

#### 24. Subsequent Events

##### **Covid-19**

The outbreak of Covid-19, declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has had, and continues to have, a significant impact on global financial markets. The majority of the countries in which the Fund invests have implemented severe restrictions on the movement of populations, with a resultant significant impact on economic activity. The impact of these restrictions, including the subsequent lifting of restrictions, will vary from country to country. The actions taken by the various governments and central banks around the world, including those of the United Kingdom, provide an indication of the potential severity of the downturn and post-recovery environment, which could be significantly different to past crises and take much longer. The Covid-19 outbreak has led to weaker GDP in many of the countries in which the Fund invests, and the impact is likely to differ significantly by country, and by industry and sector. It is not possible to predict the future trajectory of the Covid-19 outbreak, including the future impact on global financial markets, asset prices and bond yields.

The Fund’s basis of valuation for each class of financial investment is set out in greater detail in Note 15 to these accounts, and there have been no changes to the valuation techniques used in the year. A significant proportion of the Fund’s financial investments relate to Level 1 assets where there is a readily available daily bid market price, Level 2 assets where the fair value can be determined based on other market data or market prices, and cash deposits.

The remainder of the Fund’s financial investments relate to Level 3 assets, including unquoted private equity, infrastructure, private debt investments and indirect property assets. These assets are valued using the most recently reported net assets statement for that investment, adjusted for drawdowns and distributions to the final day of the accounting period, if the net assets statement is not produced to that date.

Level 3 assets also include the Fund’s direct property portfolio which is independently valued by Savills at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors’ Valuation Standards. In their March 2020 Valuation Report, Savills noted that “market activity is being impacted in many sectors and at the valuation date we do not consider that we can rely upon previous market evidence to fully inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of ‘material valuation uncertainty’ as indicated in Global Valuation Technical and Performance Standards and Practice Guidance Applications VPS 3 and VPGA 10 of the Royal Institute of Chartered Surveyors (RICS) Red Book Global Standards, containing mandatory rules, best practice guidance and related commentary for all members undertaking asset valuations. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that the valuation of these properties are kept under frequent review”.

---

## **PENSION FUND ACCOUNTS**

### **NOTES TO THE PENSION FUND ACCOUNTS**

---

The value of the Fund's Level 3 assets at 31 March 2020 was £2,175.402m, accounting for 46.9% of total investment assets. The estimated impact of price risk in respect of Level 3 assets is  $\pm 7.5\%$ , equating to £161.681m at 31 March 2020. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'riskier' assets such as equities display greater volatility than bonds.

---

**AUDITOR'S OPINION – PENSION FUND ACCOUNTS**

---

**Audit Opinion to be inserted**

---

**AUDITOR'S OPINION – PENSION FUND ACCOUNTS**

---

**Audit Opinion to be inserted**

---

**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 fixed assets. The charge for the year will represent the amount of economic benefits consumed for example wear and tear.

### **Amortised Cost – Financial Instruments**

The valuation of a financial asset or liability based on repayments of principal, interest accrued at a constant rate and the difference between the initial amount recognised and the maturity amount. For financial assets this is adjusted by any loss allowance.

---

## 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 fixed assets held.

**Balance Sheet Date**

The date at which the Council reports its financial statements. For Derbyshire County Council, this date is the 31 March.

**Bias**

Influence or direction.

**Billing Authorities**

Councils who are responsible for issuing Council Tax Invoices and collection of income from local residents. The relevant share of that income is then transferred to the Council.

**Borrowing Requirement**

The amount required to be loaned from Money Markets or other financial institutions or Councils in order to support capital expenditure.

**Business Rates**

Local property taxation issued to businesses, similar to Council Tax on residential properties. Also known as National Non Domestic Rates (NNDR).

**Cabinet**

Sub-committee of elected Councillors representing the functions and portfolios of the Council.

**Capital**

Assets which have a long term value (more than one year) to the Council such as Buildings.



---

## GLOSSARY OF TERMS

---

### **Capital Adjustment Account**

Capital reserve largely comprising of resource applied to capital financing and is not available to the Council to support new investment.

### **Capital Appreciation**

Increase in the worth of assets over time due to changes in market conditions or enhancements to the asset.

### **Capital Costs**

Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.

### **Capital Expenditure**

Expenditure on the acquisition of, or enhancement to fixed assets. This cannot be merely to maintain the value of an existing asset.

### **Capital Financing Requirement**

The Capital Financing Requirement measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It is a measure of the underlying need to borrow for a capital purpose.

### **Capital Grant**

Grant which is intended to fund capital expenditure.

### **Capital Grants Unapplied Reserve**

Balance of capital grants received which is available to finance future capital expenditure.

### **Capital Receipts**

Income received from the sale or utilisation of property, such as sale proceeds or rental income on finance leases.

### **Capital Reserves**

Reserve balances held for capital purposes.

### **Carrying Value**

The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

### **Cash Flow Statement**

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

### **Cash Flows**

Monies received or paid either as cash or bank transactions. Cash inflow denotes money received, cash outflow denotes money paid.

### **Chartered Institute of Public Finance And Accountancy (CIPFA)**

The main authority on accountancy and financial management for the public services in the UK.

### **CIPFA Code**

A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts

### **Collection Fund**

The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

---

## GLOSSARY OF TERMS

---

### **Collection Fund Adjustment Account**

Revenue reserve to represent the difference between the income received by a local authority in Council Tax and the amount attributable to them.

### **Collection Fund Statements**

The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

### **Community Assets**

Assets which are held for the benefit of the community where there is no determinable useful life.

### **Comparative Year**

The previous year to that which is being reported.

### **Component Accounting**

The concept that individual parts of an asset (such as land, building, roof, sheds) should be treated differently in the financial statements dependent on the expected useful life or value of those individual parts. The concept expects that some parts of an asset require repair or replacement sooner than others.

### **Comprehensive Income And Expenditure Statement**

Financial Statement detailing the revenue operations of the Council. This represents the private sector equivalent of a Profit and Loss Statement.

### **Condition**

A requirement which must be met for an asset or liability to be recognised by the Council. For example, a donation which can only be spent within a specific service area such as museums or to support children.

### **Contingent Assets And Liabilities**

A possible asset or obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

### **Contract Asset**

The Council's right to receive consideration in exchange for goods or services that it has transferred to a service recipient where that right is conditional on something other than the passage of time (such as the Council's future performance).

### **Contract Liability**

The Council's obligation to deliver goods or services to a service recipient for which it has already received consideration.

### **Contributions**

Income received by the council which is not a grant, donation, fine, or in direct exchange for goods or services.

### **Core Service Areas**

The services provided by the Council externally, such as education, highway maintenance and adult social care.

### **Corporate And Democratic Core**

Costs associated with maintaining a democratic representation and management within the Council. For example Members Allowances and administrative costs associated with supporting elected Members.

---

## GLOSSARY OF TERMS

---

### **Council**

The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

### **Council Tax**

Council Tax is a local taxation that is levied on dwellings within the local Council area, and funds all Council services.

### **Credit**

A credit represents income to a revenue account.

### **Credit Loss**

The difference between contractual amounts due to the Council and the amounts it expects to receive.

### **Creditor**

Represents the amount that the Council owes other parties.

### **Current Service Cost**

The current service cost is the increase in the value of the pension schemes future pension liabilities arising from the employees on-going membership of the pension scheme.

### **Current Value**

IFRS13 introduces the concept of current value and defines it as the measurements that reflect the economic environment prevailing for a service or function the asset is supporting at the reporting date. Current value can be fair value, existing use value, existing use value – Social Housing and depreciable replacement cost.

### **Current Year Entry**

A transaction which has occurred in the financial year being reported.

### **Curtailments**

Materially reducing the expected years of future services of current employees or eliminating for a significant number of employees the accrual of defined benefits for some or all of their future services.

### **Debit**

A debit represents expenditure against a revenue account.

### **Debt Outstanding**

The remaining principal balance owed on a loans or investments.

### **Debtors**

Represents the amounts owed to the Council.

### **Equity Instrument**

A contract which evidences a residual interest in the assets of another entity after deducting all of its liabilities. Examples include shares and derivatives that give the Council the right to receive a fixed number of shares for a fixed amount of cash (or another financial asset) in an exchange which is expected to be favourable to the Council.

### **Defined Benefit Scheme**

Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members' contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

---

## GLOSSARY OF TERMS

---

### **Defined Contribution Scheme**

Also known as a Money Purchase Scheme. Pension scheme arrangement where the employer's liability is restricted to the amount that they contribute. Benefits payable to the members depend on the performance of the invested contributions of the members and the employer, the level of contributions invested, the charges deducted by the product provider and the annuity rate at retirement.

### **De-Minimis**

Minimum level required. For example expenditure below the capital de-minimis is below the minimum level required to be treated as a capital expenditure item.

### **Department For Education**

Central Government Department, responsible for education and children's services in England.

### **Depreciable Replacement Cost (DRC)**

DRC is a method of valuation that provides the current cost of replacing an asset with its Modern Equivalent Asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

### **Depreciation**

The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed by, for example, wear and tear.

### **Derecognition**

The process whereby a component is replaced to avoid double counting when no future economic benefits or service potential are expected from its use or upon disposal.

### **Discount**

An allowance received through the early repayment of debt.

### **Discounted**

Reflecting the equivalent value today of a payment or income made or due in the past or future.

### **Discounted Cash Flow**

A method of analysing future cash flows, by removing the impact time has on the value of money, and producing an equivalent current value (present value).

### **Discretionary Benefits**

Benefits given to employees which are not statutorily obliged.

### **Disposal**

Operations or assets which have left the responsibility of the Council, such as through sale, a Government reorganisation, donation or merger

### **Donated Assets**

Assets which have been acquired at below market cost.

### **Dowry**

One off payment made as donation, contribution or pre-payment of an obligation.

### **Earmarked Reserves**

Reserve balances which have been set aside for future spending in a specific area.

---

## GLOSSARY OF TERMS

---

### **Economic Life**

The number of years the Council is expected to receive economic benefits to deliver services.

### **Effective Rate**

The interest rate embedded within a contract or lease, allowing for regular annual payments and the time value of money.

### **Employee**

A person who holds an office within the Council, but does not include a person who is an elected Councillor.

### **Employee Benefits**

Monetary or other awards to employees of the Council in exchange for services provided. For example, pay, holidays, and pensions.

### **Employee Costs**

The costs directly associated with employees, including but not exhaustively salaries and wages, National Insurance contributions and pension's costs.

### **Employer Contributions**

The payments made to an employee's pension scheme by the Council.

### **Enhancement Expenditure**

Expenditure which increases the value of an asset.

### **Entity**

Something with a legal status such as the Council, a company, or an individual.

### **Events After The Balance Sheet Date**

An event which occurs between 31 March and the date that the accounts are signed which would alter the conclusion reached by any reader of the accounts.

### **Exceptional Items**

Material items that result from the ordinary activities of the Council, but to a value so significantly abnormal that is not expected to recur at that level.

### **Existing Use Value (EUV)**

The value of an asset based on what it is currently being used for. For example, two identical buildings in construction and design may have different values where one is used as a school and another is used as offices.

### **Exit Packages**

The payment made to an employee upon leaving the Council.

### **Expenditure**

Payments made of goods or services.

### **Fair Value**

The income that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **Fair Value Through Other Comprehensive Income (FVOCI)**

Measurement of a financial asset at fair value where any gain or loss on revaluation is recognised in other comprehensive income and expenditure and taken to the Financial Instrument Revaluation Reserve.

---

## GLOSSARY OF TERMS

---

### **Fair Value Through Profit or Loss**

Measurement of a financial asset at fair value where any gain or loss on revaluation is recognised as a credit or charge to Surplus or Deficit on Provision of Services within the CIES.

### **Finance Income**

Interest receipts.

### **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

### **Financial Assets**

A type of financial instrument which gives the Council the right to receive future economic benefits.

### **Financial Instruments**

An umbrella term to describe all financial services and trading with which the Council may operate, including loans, borrowings, bank accounts and debtors.

### **Financial Instruments Adjustment Account**

Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against Council tax.

### **Financial Instruments Revaluation Reserve**

This reserve contains the cumulative gains and losses relating to the valuation of financial assets held at fair value through other comprehensive income. When the underlying financial assets are de-recognised any gains or losses held in this reserve are credited or expensed to the Surplus or Deficit on Provision of Services.

### **Financial Liabilities**

A type of financial instrument that confers an obligation on the Council to transfer economic benefits under its control.

### **Financial Statements**

Published document, consisting of the Balance Sheet, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Cash Flow Statement and Notes to the Accounts.

### **Financial Year**

The current year being reported upon running from 1 April to 31 March.

### **Five Year Financial Plan**

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

### **Fixed Assets**

See Non-Current Assets.

### **Flexi-Time**

Time owed to employees who have worked above the contracted hours.

### **Gain**

Where income exceeds expenditure.

### **General Provisions**

Money set aside in the Balance Sheet where its future use is not known.

---

## 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.

### **Inception**

The point in time which something began such as a project, contract or lease.

---

## GLOSSARY OF TERMS

---

### **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.

### **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.



---

## GLOSSARY OF TERMS

---

**Lease Interest**

The interest rate inherent within a lease allowing for regular rental payments and an adjustment for the time value of money.

**Lease Payments**

Regular payment made in exchange for the use of an asset.

**Leases**

A method of funding expenditure by payment over a defined period of time.

**Lessee**

The person or organisation that is using or occupying an asset under lease (tenant).

**Lessor**

The person or organisation that owns an asset under lease (landlord).

**Liabilities**

An obligation to transfer economic benefits. Current liabilities are payable within one year.

**Loans And Receivables**

Financial assets which are not quoted in an active market and have either a fixed or determinable payment.

**Loan Modification**

A change to the terms of an existing loan. Changes may include a reduction in the interest rate, an extension of the loan term, or a reduction in the principal balance.

**Loan Modification Gain/Loss**

An amount arising from adjusting the carrying value of a loan to reflect the cash flows under the renegotiated terms of the loan, but accruing interest at the rate specified in the original loan terms.

**Long Term Debtor**

Income due in more than 365 days of the balance sheet date.

**Long Term Liability**

Payment due in more than 365 days of the balance sheet date.

**Loss**

Where expenditure exceeds income.

**Loss Allowance**

A reduction to the value of financial assets for the expected credit losses relating to those assets.

**Materiality / Material**

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

**Maternity Leave**

Statutory time off due to pregnant women and new mothers.

**Members**

Elected Councillors responsible for the democratic leadership of the Council.

**Members Allowances**

Allowances paid to members in association with their roles and responsibilities.

---

## GLOSSARY OF TERMS

---

### **Minimum Lease Payments**

The minimum which will be paid or received over the life of a lease agreement.

### **Minimum Revenue Provision (MRP)**

A prudent amount of revenue set aside to contribute towards capital expenditure which has been financed by borrowing or credit arrangements.

### **Misstatement**

An error whereby something was included in the accounts wrongly.

### **Modern Equivalent Asset (MEA)**

The MEA should give the same service and performance as the existing asset, but should use modern materials and technology.

### **Movement In Reserves Statement (MiRS)**

The statement detailing the movement in the reserves of the Council.

### **Net Cost Of Services**

The direct cost of delivering the Councils services after allowing for specific income received by those services.

### **Net Operating Expenditure**

The cost of operational items which are not direct services, such as disposing of the Councils assets, after allowing for specific income received.

### **Net Realisable Value**

The estimated selling price of an asset in the ordinary course of operations less any completion costs and costs to make the sale, exchange or distribution.

### **Non Distributed Costs**

The value of revenue operating expenditure that is not able to be apportioned to one of the authorities core service areas.

### **Non-Accumulating Absences**

Types of leave an employee may take in a financial year, which if are not taken do not get added to the following year's entitlement. For example Sick Leave.

### **Non-Current Assets**

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

### **Non-Vesting**

An obligation which cannot be settled by a monetary payment.

### **Notes To The Accounts**

A set of supplementary comments, tables and information which further explains the main Financial Statements.

### **Obligation**

The requirement to transfer economic benefits.

### **Operating Lease**

A lease where an asset is used only for a small proportion of its economic life.

### **Operational**

The normal activities of the Council.

### **Past Service Cost**

Past service cost is the change in the present value of defined benefit obligations caused by employee service in prior periods.

### **Payment In Advance**

A payment made which is before the point of any obligation.

---

## GLOSSARY OF TERMS

---

### **Pension Liabilities**

The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.

### **Pensions Costs**

The benefits paid by the Council which are accrued during the period of employment and paid to ex-employees after retirement.

### **PFI**

See Private Finance Initiative.

### **PFI Credits**

The financial support provided to Local Authorities to part fund PFI capital projects.

### **Pooled Investment Funds Adjustment Account**

This reserve contains the cumulative gains and losses related to pooled investment funds measured at FVPL as required by the statutory override effective for financial years 2018-19 to 2022-23.

### **Premium**

A payment made in association with the early repayment of debt.

### **Pre-Payments**

See payment in advance.

### **Present Value**

See Discounted.

### **Previous Year Adjustments**

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

### **Principal**

The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

### **Private Finance Initiative (PFI)**

A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.

### **Projected Unit Method**

This is a common actuarial funding method to value pension scheme liabilities.

### **Property, Plant And Equipment Assets (PPE)**

Assets with a long Term value and physical substance such as buildings, land, IT equipment or vehicles.

### **Provisions**

Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.

### **Prudent**

A cautious approach to present the Financial Statements without significant risk of failure to achieve the assets presented.

---

## GLOSSARY OF TERMS

---

### **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 Or Chartered Surveyors (RICS)**

An international organisation who represent everything professional and ethical in land, property and construction.

### **Salaries And Wages**

Payments made to employees in exchange for service worked at the Council.

### **Service Concession Arrangements**

Arrangements which involve the supply and maintenance of assets and service delivery.

### **Service Costs**

Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.

---

## GLOSSARY OF TERMS

---

**Service Expenditure Reporting Code of Practice (SERCOP)**

CIPFA guidelines on reporting revenue expenditure.

**Service Level Agreements**

Contract of service.

**Short Term**

Less than 365 days from the balance sheet date.

**Short Term Benefits**

Employee benefits earned and consumed during employment.

**Significant**

A measure of materiality where the value is deemed to be almost all of the total value in question.

**Soft Loans**

Low interest rate loans.

**Spot Yields**

A calculation of the projected return on bonds if held to maturity.

**Staff**

See employee.

**Statute**

Set out in legislation.

**Straight Line Basis**

The method of calculation of depreciation to allocate an equal amount of depreciation each year over an asset's useful life.

**Support Services**

Indirect costs of providing Council services including HR, Finance, Legal and Property Maintenance.

**Surplus**

Arises when income exceeds expenditure or when expenditure is less than available budget.

**Surplus Assets**

Assets which are no longer in operation.

**Tangible**

Physical, can be touched.

**Tenant**

The person or organisation that is occupying an asset under lease.

**Termination Benefits**

Employee benefits paid upon termination of employment such as redundancy.

**The Code**

CIPFA guidelines on accounting within Local Government.

**Transactions**

Individual items of income or expenditure.

**Treasury Management**

Utilisation of cash flows through investments and loans.

**Unidentified Income**

Income received by the Council where the reason for the income is unknown.

---

## GLOSSARY OF TERMS

---

**Unusable**

Balances which are not available to support future spending.

**Usable**

Balances which are available to support future spending.

**Useful Life**

The period with which an asset is expected to be useful to the Council in its current state.

**Value Added Tax**

National taxation charged on goods and services.

**Vesting**

Obligation due which can be paid in cash.

**Work In Progress**

The fair value of incomplete contracts for goods and services which are to be charged to external customers.

---

## CONTACT INFORMATION

---

If you require any further assistance

E-mail :

[contactcentre@derbyshire.gov.uk](mailto:contactcentre@derbyshire.gov.uk)

Phone :

01629 533190

---

# ANNUAL GOVERNANCE STATEMENT

---

**Audit Governance Statement to be inserted**