



# **Statement of Accounts 2022-23**

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# NARRATIVE REPORT

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## Introduction

This Statement of Accounts presents the overall financial position of the Council for the year ended 31 March 2023. 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), and the Update to the Code and Specifications for Future Codes for Infrastructure Assets - November 2022 (the Update). IFRS are made up of a combination of many individual accounting standards.

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

## Basis of Preparation and Presentation

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

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

The Accounting Policies of the Council have been prepared in accordance with IFRS, as adopted by the Code and the Update. Where there is no specific guidance in the Code or the Update, 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 2022-23 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.

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### 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 may present their breakdown of services within the CIES based on how they are organised and funded. The Council therefore presents its CIES on the basis of how it reports its management accounts during the financial year, with eight operating and reporting segments, primarily based on Cabinet Member Portfolios. The Council has nine Cabinet Member Portfolios, structured into four departments. These portfolios are Adult Care, Children's Services and Safeguarding, Clean Growth and Regeneration, Corporate Services and Budget, Education, Health and Communities, Highways Assets and Transport, Infrastructure and Environment, and Strategic Leadership, Culture, Tourism and Climate Change. However, for operational and reporting purposes the Children's Services and Safeguarding and Education portfolios are combined.

### Revenue Expenditure

#### Overall Council Expenditure

The Council set its net budget requirement for 2022-23 on 2 February 2022 and originally planned to spend £618.581m, with funding coming in the form of Government non-ring-fenced grants of £211.891m, Council Tax of £369.812m, business rates collected locally of £15.875m and the use of Earmarked Reserves of £21.003m.

In 2022-23 the Council has spent £675.690m, against a final net budget of £680.370m. The increase in net budget is because of additional general grant income of £37m, of which £13.477m relates to Homes for Ukraine Tariff Grant, £6.500m to Bus Services Improvement Plan Grant, £2.534m to additional Former Independent Living Fund Grant and £9.523m to Business Rates Relief Grant, and £2m more business rates income than expected, plus additional net transfers from Earmarked and General Reserves of £23m.

The table below summarises the Council's revenue outturn for 2022-23, compared to controllable budget, highlighting the Cabinet Member Portfolio net overspend and the Corporate net underspend. This results in an overall Council underspend of £4.680m for 2022-23. However, this is after substantial one-off support from the use of £54.789m of the Council's Earmarked Reserves.

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	Final Net Budget £m	Actual £m	Outturn £m
<b>Controllable:</b>			
Adult Care	278.284	289.026	10.742
Children's Services and Safeguarding and Education	156.907	157.665	0.758
Clean Growth and Regeneration	1.654	1.378	(0.276)
Corporate Services and Budget	61.149	62.825	1.676
Health and Communities	16.935	15.789	(1.146)
Highways Assets and Transport	41.937	46.057	4.120
Infrastructure and Environment	47.249	47.152	(0.097)
Strategic Leadership, Culture, Tourism and Climate Change	14.684	13.958	(0.726)
<b>Portfolio Outturn</b>	<b>618.799</b>	<b>633.850</b>	<b>15.051</b>
Risk Management	17.156	0.000	(17.156)
Debt Charges	39.815	40.311	0.496
Interest and Dividends Receivable	(4.203)	(7.676)	(3.473)
Levies and Precepts	0.363	0.363	0.000
Corporate Adjustments	8.440	8.842	0.402
<b>Total Outturn Position</b>	<b>680.370</b>	<b>675.690</b>	<b>(4.680)</b>
<b>Transfers to / from reserves:</b>			
RCCO - Capital Funded from Revenue	0.073	0.073	0.000
Transfer to Earmarked Reserves	126.327	126.327	0.000
Transfer from Earmarked Reserves	(137.289)	(137.289)	0.000
Use of General Reserves	(46.258)	(46.258)	0.000
Contribution into General Reserve	13.789	18.469	4.680
	<b>637.012</b>	<b>637.012</b>	<b>0.000</b>
<b>Financed By:</b>			
Council Tax	(369.812)	(369.812)	0.000
Revenue Support Grant	(14.249)	(14.249)	0.000
Business Rates	(18.264)	(18.264)	0.000
Business Rates Top-up	(94.892)	(94.892)	0.000
Business Rates Relief Grant	(18.797)	(18.797)	0.000
New Homes Bonus	(1.868)	(1.868)	0.000
Other General Revenue Grants	(108.626)	(108.626)	0.000
PFI Grant	(10.504)	(10.504)	0.000
	<b>(637.012)</b>	<b>(637.012)</b>	<b>0.000</b>

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Spending on schools is funded by the Dedicated Schools Grant (DSG). The Council received £385.389m in 2022-23. Note 36 sets out the DSG grant in more detail. The Council also has responsibility for Public Health funding. A total of £44.616m was received in 2022-23, in the form of ring-fenced grants from Government, comprising the main Public Health Grant of £43.803m and other grants of £0.813m, to pay for Public Health services. There was an overspend against the balance of the grants of £0.324m. 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.

Significant drawdowns from Earmarked reserves, which underpin the Council's 2022-23 outturn position, amount to £54.789m. Of these Earmarked reserves drawdowns, £21.003m were for planned service pressures identified in the Revenue Budget 2022-23 and a further £33.786m were in response to emerging issues in the year.

The emerging issues that required reserve drawdowns in 2022-23 were £11.782m relating to 2021-22 and 2022-23 pay award shortfalls from Corporate Budget Management reserves, £8.773m for other identified inflationary pressures from an Inflation Risks reserve, £11.852m of drawdowns from departmental reserves supporting portfolio outturn positions and £1.379m for Covid-19 costs from Corporate Covid-19 reserves. The unfunded pay offers, demand pressures and inflationary costs are ongoing cost pressures, and they have been addressed as part of the budget setting process for 2023-24.

### **Portfolio Expenditure**

Of the £15.051m portfolio overspend in 2022-23, the significant variances after use of Earmarked Reserves were an overspend of £10.742m on the Adult Care portfolio; a £4.120m overspend on the Highways Assets and Transport portfolio; a £1.676m overspend on the Corporate Services and Budget portfolio; a £1.146m underspend on the Health and Communities portfolio and a £0.097m underspend on the Infrastructure and Environment portfolio.

An increase in the loss allowance for doubtful debts of £3.865m contributed to the portfolio overspend. The main contributors to this movement were an update to the scaling factor to reflect deteriorating economic conditions (£1.721m), an increase in the allowance for specific debts which are considered doubtful (£1.575m), an increase in the Adult Care portfolio's trade debtors which are more than 30 days old (£0.390m) and a decrease in the expected rate of recovery (£0.304m). The method used to calculate the allowance has to comply with accounting standard IFRS 9 Financial Instruments.

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The £10.742m overspend on the Adult Care portfolio relates to Purchased Services costs. There has been an increase in demand in relation to hospital discharges and because there is an insufficient supply of home care and reablement services, this has driven increased placements into residential homes rather than into care at home. As a result, expenditure on independent sector placements has increased. The outturn is after £2.582m of support from the Inflation Risks Earmarked reserve for inflationary pressures in respect of Direct Care utilities and catering supplies, transport and fuel payments, Home Care fuel payments and Private, Voluntary and Independent sector contract payments. Furthermore, it is after the use of £3.337m of departmental Earmarked reserves and a £5.000m contribution from the Contain Outbreak Management Fund towards the costs of hospital discharges.

The £4.120m overspend on the Highways Assets and Transport portfolio mainly relates to costs arising from an increase in contractor spend and an increase in the workforce assigned to routine highways maintenance, unachieved savings from previous years, salary capitalisation targets which proved unachievable and winter maintenance costs which were more than budgeted. The outturn is after £0.486m of support from the Inflation Risks Earmarked reserve and after the use of £6.353m of departmental Earmarked reserves, including the Winter Maintenance reserve.

The £1.676m overspend on the Corporate Services and Budget portfolio has mainly arisen in the Corporate Property division, primarily because of delays in achieving previously allocated savings. There is underachievement of the Industrial Development income target, which is based on full occupancy. Full occupancy cannot be achieved as vacancies occur during the turnover of lettings, and some units are offered at rents below market rates for occupying charities. There is a further cost pressure related to incurring running costs on buildings that are awaiting disposal or repurpose. The outturn is after the use of £1.144m of support from the Inflation Risks Earmarked reserve for inflationary pressures in respect of buildings maintenance, the cleaning and caretaking contract and gas and electricity utilities costs.

The £0.097m underspend on the Infrastructure and Environment portfolio has arisen after £2.158m of support from the Inflation Risks Earmarked reserve and after the use of £1.777m of departmental Earmarked reserves. The underlying overspend was mainly due to unachieved savings from previous years and inflationary pressures affecting waste disposal contracts, although these were somewhat offset by an estimated 6% decrease in tonnages.

The £1.146m underspend on the Health and Communities portfolio has resulted from costs which would ordinarily have been funded from the Prevention budget being met from alternative sources, such as the Household Support Fund and Public Health Grant supporting Covid-19 responsibilities, and a temporary increase in registration income from a higher number of events resulting from the backlog which arose during the period of Covid-19 restrictions.

The overspends on the Adult Care, Children's Services and Safeguarding and Education, Corporate Services and Budget and Highways Assets and Transport portfolios have been funded from the Council's General Reserve in 2022-23.



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### Corporate Expenditure

There has been an underspend of £19.731m on corporate budgets in 2022-23.

There is a £17.156m underspend on the Risk Management budget in 2022-23. This underspend includes a £4.791m adjustment for Business Rates income. Business Rates income in 2021-22 was significantly reduced because of the impact of Covid-19 and the extent of recovery was uncertain at the time the Revenue Budget 2022-23 was set, with amounts finalised after. The underspend also includes a £3.540m favourable adjustment to the estimate of income arising from Business Rates Pool gains. Furthermore, an additional £5.717m of non-ringfenced grants were announced after the 2022-23 Revenue Budget was set. Service pressure funding of £1.417m has been returned by a portfolio following receipt of some of this grant income. Finally, £1.691m of unutilised contingency funding also contributes to the position.

There is a 2022-23 overspend of £0.496m on the Debt Charges budget, which reflects recent hikes in interest rates, as well as higher charges providing for the repayment of debt principal, resulting from the Council's strategy of funding new capital expenditure from borrowing instead of Revenue Contributions.

There is a favourable variance on the Interest and Dividends budget of £3.473m in 2022-23. The Council utilises a range of investments to maximise its income on cash balances. As interest rates have risen, forecast income from short-term lending has increased, but this is somewhat offset by an increase in the interest the Council pays to meet its temporary borrowing needs. Interest income includes interest accrued on the loan advances to Buxton Crescent Ltd.

An overspend of £0.402m on Corporate Adjustments reflects the presentation of reserve movements attributable to the ring-fenced Dedicated Schools Grant, a deficit relating to the Property Direct Service Organisation within the Corporate Services and Budget portfolio, phasing of project expenditure within the Highways Assets and Transport portfolio and a saving arising from the Council paying its employer pension contributions in advance.

### Council Reserves and Commitments

The General Reserve balance has decreased by £27.789m from 31 March 2022, to £32.716m at 31 March 2023. Commitments of £4.680m against this balance are proposed in the Council's Performance Monitoring and Revenue Outturn 2022-23 Report and are detailed below. Further commitments against this balance are referred to in the Council's 2023-24 Revenue Budget Report. The delivery of the Council's Five Year Financial Plan (FYFP) is heavily dependent on an adequate level of General Reserve. The need to maintain an adequate, risk assessed level of reserves has been a key part of the Council's success in both maintaining its financial standing and continuing to deliver high quality services. The balance will be further reduced by the measures required to deliver the Council's FYFP. The adequacy of the Council's General Reserve balance is considered later in the Narrative Report.

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At 31 March 2023, there were £1.140m of portfolio ring-fenced commitments. In addition to the ring-fenced commitments, the Council's Performance Monitoring and Revenue Outturn 2022-23 Report proposes to approve contributions to Earmarked Reserves of £8.298m from the underspends on several specific grants, to fund future expenditure consistent with the purpose of each respective grant. A contribution to an Earmarked Reserve of £0.946m, from an unspent service pressure, is also proposed, to fund expenditure associated with the purchase, conversion and refurbishment of Childrens Homes.

In recognition of the significant support that portfolios have received from Corporate reserves, portfolio underspends have not been allocated to departmental Earmarked reserves for 2022-23, beyond the ring-fenced commitments and contributions referred to above. Any decisions on the use of departmental Earmarked reserves containing underspends will continue to be subject to appropriate approvals by the appropriate Cabinet Member.

Reviews of Earmarked Reserves will continue, and any available balances will be returned to the General Reserve, and, if appropriate, reallocated to other Earmarked Reserves. This enables the Council to refocus the balances it is holding, based on its latest assessment of the most significant and immediate financial risks. The Council's Performance Monitoring and Revenue Outturn 2022-23 Report proposes to release a total sum of £12.384m from the Council's existing Earmarked Reserves, comprising £3.750m from the Business Development and Economic Recovery Earmarked Reserve, £1.000m from the Business Rates Pool Earmarked Reserve, £6.407m from the Covid Emergency Grant Earmarked Reserve and £1.227m from the Inflation Risks Earmarked Reserve. In order to maintain an adequate balance on the Budget Management Earmarked reserve, which is required for the Council to balance its budget and manage cross-cutting budget pressures which may arise in 2023-24, it is then proposed to allocate this £12.384m, along with £3.540m retained from the overall Council underspend, to the Budget Management Earmarked Reserve, to assist the Council in meeting revenue budget pressures over the period of the FYFP.

The Comprehensive Income and Expenditure Statement shows a deficit on provision of services of £164.212m. This is different to the outturn position shown above as it includes both cash transactions and non-cash items, such as depreciation. Loss on disposal of non-current assets, which includes asset values in respect of five schools converting to academies during the year, comprises £53.131m of the deficit.

### **Cost of Living Support**

The Council has responded to the impact of the rising cost of living being experienced by Derbyshire residents.

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In April 2022, and again in October 2022, the Council was awarded a Household Support Fund grant by Government, to support local households facing financial hardship in relation to rising food, energy and essential living costs. The Council took a blended approach to distributing the grant, working cross-Council, with District and Borough council partners and the voluntary sector, to help ensure the funding reached those who needed it most. By 31 March 2023, the Council and partners had successfully distributed a total of £10.808m Household Support Grant funding to households in need, despite the short timescale available for both planning and delivery over each six month period.

During 2022-23, £2.439m of the grant was distributed via one-off grocery vouchers to those eligible for benefit-related free school meals, care leavers and children in receipt of additional early years childcare funding because of a low household income. A further £3.722m was distributed to pensioners and Adult Social Care clients in low income households, and District and Borough councils used £1.800m of the grant to address homelessness prevention, welfare and other associated emergency housing needs locally. Cash grants were awarded to low-income families and care leavers by children's professionals, and unpaid carers and vulnerable pensioners were supported to access crisis help by partner agencies. £2.137m of the additional grant funding allowed the Council to respond to increased demand on the Derbyshire Discretionary Fund (DDF). The DDF made 32,756 Emergency Cash Payment awards to residents to help with food and heating during the year and supported an additional 658 households with Exceptional Pressure Grants (for instance, for re-settlement when facing domestic abuse, or to ease exceptional pressure on a family).

The Council's communications team gave significant profile to the range of cost of living support available to residents both locally and nationally. This included promoting in-house Welfare Rights Service support to pensioner households to assess their possible entitlement to Pension Credit and other social security benefits. This work has already delivered £1.200m of additional benefit income for residents, with an additional £1.800m worth of applications still under consideration by the Department for Work and Pensions.

### **Homes for Ukraine Response**

Following the invasion of Ukraine in February 2022, the UK Government implemented the Homes for Ukraine (H4U) scheme to provide homes for families fleeing the conflict.

To date, just over 1,300 H4U guests have arrived in Derbyshire – the highest guest population in the region and one of the highest, per head of population, in the UK. Under H4U, local authorities receive core funding of £10,500 to support each guest, dropping to £5,900 for guests arriving in 2023-24. In addition, funding is also received to provide monthly thank-you payments to host households. To date the Council has received £12.653m of core funding and a further £0.744m for the provision of thank-you payments.

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The H4U funding has allowed the Council to set up the infrastructure to deliver the scheme, including the processing of DBS (Disclosure and Barring Service) checks, environmental inspections of host properties, safeguarding screening, the delivery of safe and well checks and rematching, where host placements have broken down. Emergency payments of £0.171m have been made to guests to support them when they initially arrive and payments of £2.472m have been made to support hosts, which includes additional cost of living funding to support them with increased expenses over the winter months. District and Borough councils have used £1.356m of the grant to address homelessness prevention. On-going priorities of the scheme are to respond to longer-term support needs such as independent accommodation and employment.

### Capital Expenditure

In 2022-23 the Council's capital expenditure decreased by £13.291m compared to the previous year. The Council had planned to spend £164.590m, as set out in the Council's Estimate of Capital Expenditure in the Council's Capital Strategy reported to full Council. However, due to slippage on various schemes, along with some major projects completing in previous years and new projects still at the feasibility stage, actual expenditure was less much less than expected and less than the previous year.

	<b>2021-22</b> £m	<b>2022-23</b> £m
<b>Capital Expenditure</b>	<b>113.599</b>	<b>100.308</b>
<b>Funded by:</b>		
Grants and Contributions	52.641	54.273
Loans	57.423	44.414
Revenue Contributions	0.363	0.073
Capital Receipts	3.172	1.548
<b>Total</b>	<b>113.599</b>	<b>100.308</b>

Previously, the Council funded some capital projects using revenue contributions but due to service pressures on revenue funds, and to enable the Council to provide flexibility in managing its budget savings, the Council has changed its approach regarding allocating funding to capital projects. To replace the revenue contributions no longer being used, the Council has had to use other methods of funding, namely internal borrowing/short-term borrowing and available capital receipts.

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### D2N2 LEP

The Council is the Accountable Body for the D2N2 LEP. LEPs are locally owned partnerships between local authorities and businesses. LEPs play a central role in deciding local economic priorities and undertaking activities to drive economic growth and create jobs. 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 own capital programme. In 2019-20 the Council repaid the Local Growth Fund balance of £28.972m used in this way. Under the same freedom and flexibilities, in 2020-21, the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme. In 2022-23 the Council repaid the remaining £0.253m (2021-22: £15.988m) of this funding to the LEP. This has impacted on the Council's capital financing in 2020-21 to 2022-23, increasing the grant funding of capital expenditure and reducing borrowing in 2020-21, and conversely, in 2022-23, the repayment has reduced grant funding by £0.253m (2021-22: reduced grant funding by £15.988m) and increased borrowing by the same amount.

### Assets and Liabilities

The value of Property, Plant and Equipment Assets (PPE) has increased by £187.536m, partly due to the Council's Depreciated Replacement Cost (DRC) assets being rebased in 2022-23, in line with the Council's valuation policy, using BCIS (Building Cost Information Service) rates to update build costs. This rebase, along with an increase in the indices used to revalue assets, which are carried at current value, has contributed to the increase.

Current and Non-Current Investments have decreased by £26.111m and Cash and Cash Equivalents have increased by £23.659m from the previous year.

Current and Non-Current Debtors have increased by £5.688m.

Creditors and Current and Non-Current Provisions have decreased by £28.994m.

Current and Non-Current Borrowing have increased by £78.958m. The Council has not entered into any long-term debt since September 2010. The Council has one Lender Option Borrower Option (LOBO) loan, with a nominal value of £5.000m, remaining.

There has been an improvement of £841.206m in the Council's pensions' position, from a total net pensions liability of £811.883m at 31 March 2022, to a total net pensions asset of £29.323m at 31 March 2023, mainly because of gains arising from changes to the financial assumptions used to measure LGPS scheme liabilities in the actuarial valuation as at 31 March 2022. This has contributed to an increase in the Council's Unusable Reserves.

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### Cashflow

The Council's cashflow in 2022-23 highlights a large increase in payments related to the provision of services, which is reflective of significant price and wage inflation experienced throughout the economy. An increasing reliance by the Council on utilising reserves to meet shortfalls in funding for operating costs is reflected in the trend for the Council to raise cash to maintain adequate working capital by redeeming investments and increasing short term borrowing.

A cash inflow from Operating Activities of £51.048m in 2021-22 changed to a cash outflow of £48.207m in 2022-23; a movement of £99.255m. There were increases in Other Operating Payments (non-employee) of £89.591m and Payments to and on behalf of employees of £29.881m and a reduction in Other Income (non-grant) of £25.809m. These increases in net cash outflows were partly offset by an increase of £20.990m in Council Tax. Cash inflows from Business Rates, Revenue Grants and Other income reduced by £1.637m in total. Interest payments increased by £0.386m and Interest and Dividends Received increased by £1.249m in 2022-23.

The net cash outflow from Investing Activities reduced by £119.607m in 2022-23. The net payment for the purchase of investments of £61.403m in 2021-22 changed to a net redemption of investments of £17.998m in 2022-23; a £79.401m movement. Capital Grants received increased by £32.803m and payments for the Purchase of Non-Current Assets decreased by £13.167m. These decreases in net cash outflows were partly offset by a decrease of £4.276m in Proceeds from the Sale of Non-Current Assets.

The cash inflow from financing activities increased by £28.736m in 2022-23, as the net inflow from new short-term loans increased by £24.180m and in addition there was a net receipt in 2022-23 of £4.782m on behalf on the Shadow Combined County Authority.

### Council Funding

For 2022-23, the Government set out public spending allocations for one year only, with an average increase of 3% in core spending power (assuming the maximum Council Tax increase allowed without a referendum) including £1.6bn of new grant funding, mainly for social care. For 2023-24 the Government again set out public spending allocations for one year only, with an average 9.4% increase in core spending power, and a further £1.5bn increase in the Social Care Grant for adult and children's social care services. For key grants there were some indicative indications of total funding for 2024-25. There is a risk that the Government's investment in the recent Covid-19 pandemic and in increasing social care funding in recent years may result in further austerity measures in future years, which could be as soon as 2025-26, when savings will be required to repay the debt incurred by Government. The Council's FYFP assumes a £20m reduction in the Council's Social Care Grant from 2025-26.

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In 2022-23, the Council increased Council Tax by 3%, which is lower than the full 5% allowed by Government, and as low as the Council could make it whilst recognising the pressures on adult social care, children's services and a host of other vital council services. This 3% increase comprises the ASC Precept levied at 1% and an increase in basic Council Tax of 2%. For 2023-24, the Council increased Council Tax by 3.75% (an ASC Precept increase of 1.25% and a basic Council Tax increase of 2.50%), which is lower than the maximum 4.99% allowed without holding a referendum.

The 2023-24 Council Tax increase of 3.75% strikes a balance between the Council's need for additional funding to meet increasing service pressures, whilst giving due consideration to the inflationary pressures faced by Derbyshire residents. A 3% Council Tax increase is forecast in the Council's FYFP in 2024-25, then 2% in each subsequent year from 2025-26 to 2027-28. The Council will always attempt to keep Council Tax rises as low as possible. However, pressures will continue to emerge over the medium term, in particular additional costs around pay, and inflationary pressures, have been largely absent over the last ten years or so prior to 2022-23. The need to manage these, and other pressures, will be challenging and as a result future Council Tax increases cannot be easily forecast with a high degree of certainty, and it is possible that predictions expressed in the FYFP will prove inadequate and may need to be revised upwards.

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

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

### **Borrowing**

Given the continued uncertainty of future local government funding, the Council's borrowing strategy continues to address the key issue of affordability, without compromising the longer-term stability of the debt portfolio. The Council has an increasing Capital Financing Requirement (CFR), as a result of its Capital Programme. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. The Council considers that 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 these internal resources, where available, or to borrow short-term loans instead. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. However, because of changing interest rates, this is much less advantageous than it was in 2021-22.

Usable reserves and working capital are the underlying internal resources available as cash for investment, or to fund this capital expenditure. As a result of the Council using its cash balances for internal borrowing, and also using its cash-backed available reserves to support the Revenue Budget in recent years, the Council's cash balances have been decreasing, and are forecast to further decrease.

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Whilst ever internal borrowing is possible, the benefits of continuing to do so, along with short-term borrowing, will be monitored regularly, against the potential for incurring additional costs by deferring borrowing into future years, when long-term borrowing rates are forecast to continue to rise for a further period. The Council will monitor this 'cost of carry' and breakeven analysis, although as explained above, there is the additional possibility that cash reserves will run low in the next twelve months and the Council will have to consider additional borrowing. Borrowing at long-term fixed rates would cause additional cost in the short-term but could keep future interest rates low if interest rates are forecast to continue to rise.

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

Alternatively, the Council may arrange forward starting loans during 2023-24, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.

### **Provisions and Contingencies**

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

### **Reserves**

The Council's Usable Reserves, which include General and Earmarked Revenue Reserves, have decreased by £12.281m, to £399.956m.

The General Reserve balance has decreased by £27.789m from 31 March 2022, to £32.716m at 31 March 2023. The majority of chief financial officers consider an acceptable level of generally available reserves to be one that reflects a risk-based approach to potential liabilities. A relatively crude measure is to expect a prudent level of risk-based reserves to be between 3% to 5% of a council's net spending. As at 31 March 2023, after commitments of £4.680m set out earlier in the Narrative Report, the figure for the Council stood at 4%, indicating a suitable balance. However, it is necessary to consider this indicator over the medium term to gain a better understanding of its adequacy.



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During 2022-23, the Earmarked Reserves balance has decreased by £10.962m, to £272.373m. 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 27 to the Accounts.

The Unapplied Capital Grants Reserve has increased by £23.729m, to £82.411m at 31 March 2023. 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 2022-23 above, using the freedom and flexibilities given to LEP Accountable Bodies, in 2020-21 the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme. In 2022-23 the Council repaid the remaining £0.253m (2021-22: £15.988m) of this funding to the LEP. The majority of the increase in the Unapplied Capital Grants Reserve in 2022-23 is due to grants being received but not yet allocated to projects.

The Capital Receipts Reserve has increased by £2.741m, to £12.456m at 31 March 2023. This is money set aside to meet capital expenditure and has been used mainly to fund Markham Vale, Breadsall Pupil Referral Unit (PRU) and Primary School, Chesterfield Staveley Regeneration Route and the A6 Fairfield/Hogshaw Roundabout. The reserve has increased in 2022-23, primarily due to sales of assets surplus to the Council's requirements, such as the former High Peak Area Social Services Office, Evergreen Family Centre, Hatton Community Centre, Land at Upper Mantle Close, Clay Cross, and various shops at Ashbourne.

After adjusting for non-cash items, the Council's General and Earmarked Reserves remain at robust, risk assessed levels. These levels are key to the delivery of the Council's objectives over the medium term as a means of helping to manage significant potential liabilities and the general reduction in resources. All such risks are regularly reviewed and appear alongside mitigating actions, on the Council's Strategic and Departmental Risk Registers. The Council formally reviews its reserves at least annually, as set out in the Council's Reserves Policy. The last review was reported to Council in February 2023.

### **Pensions**

#### **Liability**

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

The IAS19 notional cost of the LGPS scheme for 2022-23 is £148.981m and for Teachers Pensions is £1.367m. The actual contributions made for the year were £60.552m and £4.052m respectively, resulting in a net adjustment to the revenue position of £85.744m. In addition, there were actuarial gains on both schemes, amounting to £921.038m and £5.912m respectively. Overall, this has resulted in an improvement of £841.206m in the Council's position, from a total net pensions liability of £811.883m at 31 March 2022, to a total net pensions asset of £29.323m at 31 March 2023. In accordance with Accounting

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## NARRATIVE REPORT

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Standards, the net asset value at 31 March 2023 has been restricted to limit the surplus recognised in the Council's Balance Sheet.

There were gains arising from changes to the demographic and financial assumptions used to measure LGPS scheme liabilities in the actuarial valuation as at 31 March 2022, in addition to the return on LGPS scheme assets in 2022-23.

The overall net pensions position is offset by a matching notional reserve, ensuring there is no impact on the level of Council Tax. The credit balance on the pensions reserve shows a small surplus 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 an appropriate level of funding will have been set aside by the time the benefits come to be paid.

### **Events After the Balance Sheet Date**

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

### **Organisation and Governance**

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

The Governance, Ethics and Standards Committee promotes and maintains high standards, assists Members in observing the Code of Conduct and advises the Council on matters related to the Code of Conduct. The Council also operated five Improvement and Scrutiny Committees during 2022-23, 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.

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## NARRATIVE REPORT

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### Combined Authority

The Levelling Up White Paper was published in February 2022. The paper sets out how Government will spread opportunity more equally across the UK. Levelling up is a long-term endeavour. It is a programme of change that requires a fundamental shift in how central and local government, the private sector and civil society operate. The Government will embark on a process of sustained and systematic engagement and consultation with a wide range of stakeholders, including devolved administrations, on the White Paper. Further detail on a number of these policy commitments will be set out in future publications. In addition, legislation will be introduced to Parliament to underpin in statute the changes fundamental to levelling up, alongside wider planning measures.

The East Midlands Devolution Deal, which covers Derbyshire, Nottinghamshire, Derby and Nottingham, was signed in August 2022. The Council is one of the constituent councils which will form part of the East Midlands Combined County Authority. The East Midlands Combined County Authority is seeking a Level 3 deal with Government, which includes having an elected Mayor, expected in May 2024. A consultation on the devolution proposal ran from 14 November 2022 to 9 January 2023. Devolution will result in the East Midlands receiving £1.14 billion more funding over 30 years, to invest in the region and the establishment of an East Midlands Mayoral Combined County Authority, subject to the Levelling Up and Regeneration Bill receiving Royal Assent, formal approval by Government of the Councils' Proposal and the Councils' consent to the Statutory Instrument establishing the Combined County Authority. This should:

- Bring powers to improve transport, adults skills training, housing and the environment, and to encourage the creation of good quality jobs that give people a decent standard of living and a better quality of life.
- Enable more decisions about the East Midlands to be taken in the region. Devolution is a chance for the people who live in the region to have a much greater say over issues that affect them, including by directly electing the first regional mayor.
- Bring more opportunities for the East Midlands. Devolution will provide more tools to help the region recover from the Covid-19 pandemic and ensure that the region is well-placed for further devolution of funding and powers in future.

During 2022-23, the Council was selected as the Accountable Body for £18.000m of capital projects on behalf of the constituent councils which will form part of the East Midlands Combined County Authority region. Seven out of eight projects were approved by the Department for Levelling Up, Housing and Communities (DLUHC) in 2022-23 and £6.295m of funding was released. This income and expenditure is accounted and administered independently from the Council's accounts and therefore, does 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. More details are included in Note 34, Trust Funds and Other Funds.

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## NARRATIVE REPORT

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### Local Enterprise Partnership

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

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

Over the six years up to 2020-21, the D2N2 LEP received over £250 million in Government funding, from the Local Growth Fund. Local Growth Fund grants were allocated to projects in the Derbyshire/Nottinghamshire region, following approval of successful grant bids by the Investment Board. A further £44 million was allocated in July 2020, from the Getting Building Fund. During 2021-22, Getting Building Fund grants have been allocated to three projects, after successful grant bids were received and approved by the Investment Board. During 2022-23, £0.253m of Getting Building Fund has been allocated to the remaining project, following a successful grant bid approved by the Investment Board. A further £3.428m was allocated from the Low Carbon Growth Fund, which has been created from the remaining balances of the Growing Places Fund.

In February 2022, the Government published its Levelling Up White Paper. The White Paper sets in motion some changes to the roles and functions of LEPs. For areas seeking a Devolution Deal, LEPs should integrate into the Combined Authority. The D2N2 LEP is currently working alongside the four upper tier authorities in the D2N2 area as part of the integration process.

The D2N2 LEP's income and expenditure is accounted and administered independently from the Council's accounts and therefore, does not form part of the main statements which appear later in this Statement of Accounts.

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## NARRATIVE REPORT

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

Vertas (Derbyshire) Limited (VDL) and Concertus (Derbyshire) Limited (CDL) are private limited companies in which the Council has a 49% stake, with the aim of providing cleaning and caretaking services and property design and consultancy, respectively. VDL and CDL are run as Joint Venture companies with the other shareholders being part of Suffolk Group Holdings Limited, whose ultimate parent undertaking and controlling party is Suffolk County Council. During 2022-23, income of £0.073m was receivable from VDL (2021-22: £0.489m), of which £0.017m was outstanding at 31 March 2023 (31 March 2022: £0.077m). During 2022-23, CDL income receivable was £0.052m (2021-22: £0.052m), of which £0.013m was outstanding at 31 March 2023 (31 March 2022: £0.004m). During 2022-23, expenditure of £10.491m was payable to VDL and Vertas (Derbyshire) Traded Limited, its wholly owned subsidiary (2021-22: £7.600m), of which £0.002m was outstanding at 31 March 2023 (31 March 2022: £nil). During 2022-23, expenditure of £5.568m was payable to CDL and Concertus Derbyshire Traded Limited, its wholly owned subsidiary (2021-22: £3.322m); there were no outstanding balances at 31 March 2023 (31 March 2022: £nil).

PSP (Derbyshire) LLP (PSPD) is a limited liability partnership (LLP) formed between the Council and PSP Facilitating Limited (PSPF), under the provisions of the Limited Liability Partnership Act 2000. The purpose of PSPD is to help the Council unlock value from its land and property. There were no transactions with the company during 2022-23 (2021-22: £nil).

### **Strategy and Resource Allocation**

The Council Plan 2022-23 set out the direction of the Council and the outcomes that the Council is seeking to achieve.

### **Outcomes**

- **Resilient and thriving and green 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 clean economy** which makes the most of Derbyshire's rich assets and provides meaningful opportunities for local people to achieve their full potential.
- **Great places to live, work and visit** with high performing schools, diverse cultural opportunities, transport connections that keep things moving, and a healthy and sustainable environment for all.
- **High quality public services** that work together alongside communities to deliver services that meet people's needs.

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## NARRATIVE REPORT

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### Performance Overview

The Council Plan 2022-23 identifies four focused priorities to direct effort and resource:

- Resilient, healthy and safe communities.
- High performing, value for money and resident focused services.
- Effective early help for individuals and communities.
- A prosperous and green Derbyshire.

For each priority, “deliverables” are identified, setting out what the Council aims to achieve over the year, supported by key measures, which enable the Council to monitor the progress made.

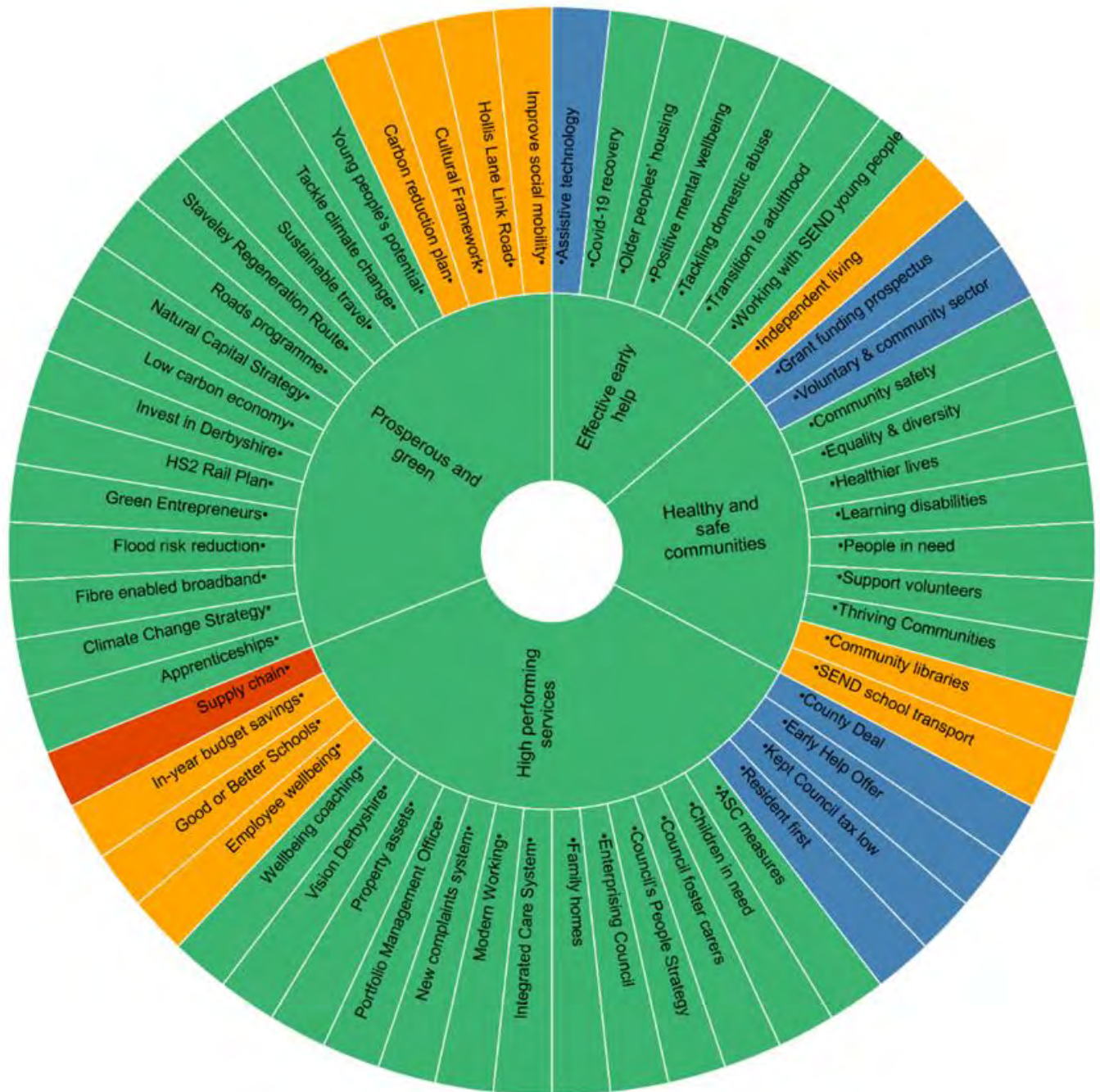
To ensure effective monitoring, and to facilitate appropriate actions, performance is reported in context, with accompanying financial information, on a quarterly basis. The reports are delivered by portfolio, to individual Cabinet members, and combined, to Cabinet. Performance reports are made available publicly on the Council’s website following submission to Cabinet.

### Deliverables

The following shows the overview of performance during 2022-23, as assessed at Quarter 3 (quarter ended 31 December 2022), with all of the priorities showing overall good performance. However, there were some specific deliverables where progress or outcomes were not as expected, with ten assessed as “Requiring Review” and just one as “Requiring Action”. Each of these deliverables were flagged in the report with details of the issued and the actions to be taken. The final year-end position will assess the effectiveness of these actions and any outstanding issues will be carried over to reporting during 2023-24.

A graphical representation of the Council’s performance for 2022-23 against its priorities (inner wheel) and deliverables (outer wheel) is below. The colours in each segment show the progress the Council has made during 2022-23.

# NARRATIVE REPORT



## Key



Strong – performing strongly

Good – performing well

Review – will be kept under review to ensure performance is brought back on track

Action – additional action will be/is being taken to bring performance back on track

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### Review of Performance

The Council successfully delivers a wide range of services throughout the year, with the following key achievements for 2023-23 identified as part of the ongoing planning process:

- Working with partners to secure a £1.14bn devolution deal for the East Midlands, covering Derbyshire, Nottinghamshire, Derby, and Nottingham, which will secure additional powers and functions from Government and guarantee income streams of £38m each year over the next 30 years.
- Delivering 350 road and footway maintenance projects, equating to £30m, including fixing over 100,000 potholes.
- Securing £47m to deliver a 3-year programme of improvements to local bus services.
- Supporting local people facing financial hardship due to the rising cost of living by providing warm, safe spaces in Council buildings, and delivering the Household Support and Discretionary Funds.
- Providing 70,000 holiday activity and food places to vulnerable children.
- Welcoming over 1,300 Ukrainian refugees into Derbyshire.
- Approving £0.9m of grants to help voluntary and community sector organisations to support their communities.
- Achieving a 64% reduction in greenhouse gas emissions from Council land and property from the Council's 2009-10 baseline, through activities such as rationalising the Council's land and building assets and reducing the number of journeys undertaken for Council business.
- Launching a Vision Derbyshire Climate Change Strategy and Natural Capital Strategy.
- Investing over £0.890m on green energy and carbon reduction schemes through the Council's Green Entrepreneurs Fund.
- Delivering high quality services, with latest inspection activity showing a sustained level of improvement across services for care leavers, youth justice and children in need of help and protection.
- Achieving the Council's target of 91% of children's homes being judged good or outstanding.
- Supporting more than 4,300 people to complete a Live Life Better Derbyshire Health and Wellbeing MOT.
- Ensuring over 1,400 people with a learning disability and/ or who are autistic have an outcome focused plan in place.
- Helping more than 13,650 people get home from hospital with support.



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## NARRATIVE REPORT

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### Outlook, Risks and Opportunities

#### Funding

In a fifth continuous single-year settlement the Local Government Finance Settlement for 2023-24 set out allocations for one year only. Single-year settlements constrict the flexibility of local authorities to balance budgets across the medium term. A multi-year settlement provides local authorities with some certainty, supporting medium-term financial planning and financial sustainability. The local government sector has implored Government for a multi-year settlement. The Council will continue to lobby Government by responding to appropriate consultations in support of both a fair funding and multi-year settlement for the Council.

The Council's FYFP is reviewed and updated at least annually. It was last updated during the annual budget setting process for 2023-24, earlier in 2023. A number of risks regarding the assumptions made in developing the FYFP were highlighted in the Revenue Budget Report, these being:

- **Achievement of Savings** – there is a reliance on the achievement of a programme of budget savings. Any delays in implementation result in departmental overspends under normal circumstances, which result in reserves being used to cover the shortfall. Various scenarios for reserves have been modelled and the pessimistic General Reserve forecast results in a balance which is just 1.8% of forecast FYFP spending in 2027-28. Other earmarked reserves available for budget management are also forecast to be depleted in 2024-25, in line with Government expectations for local authorities to reduce their reserves levels to maintain services in the face of immediate inflationary pressures. The General Reserve needs to be preserved across the medium term to maintain financial sustainability and to protect the ability to soft land budget cuts.
- **Service Pressures** – there is a commitment to support budget growth where necessary, and in particular within adult's and children's social care. However, if current trends continue regarding placements and NHS discharges, and there is inadequate funding to support this, there will be further pressures on budgets in later years. Analysis is underway to consider how to mitigate these demand pressures, which has the potential to help control some of these financial pressures, but they are unlikely to be effective in the short-term. Demographic growth continues to affect Adult Social Care costs. Predictions show that the Council will experience further annual growth, with significant additional annual costs estimated over the period of the FYFP.
- **Pay** – the FYFP assumes a 4% increase in 2023-24. Increases from 2024-25 onwards are assumed to be 2%, based on the current expectation that inflation may have peaked and will have begun to reduce by then. The Council would welcome further Government support for local authorities in the 2023-24 Settlement, or if that is not possible, in future settlements, to address the serious issue of increasing pay award pressures in a period of rising inflation. Additional funding would assist the Council in its recruitment and retention of staff, which is becoming increasingly difficult at this key time for local authorities, when services are competing with rising demand, as well as capacity issues across the sector.

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- **Economic Climate** – the ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. UK political instability towards the end of the period increased uncertainty further. The economic backdrop has continued to be characterised by global high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy, although this has recently ended. Annual headline UK CPI inflation reached 10.7% in November 2022. Rising inflation means there is the potential for reductions in the Council's income for discretionary services.
- **Spending Reviews** – The Local Government Finance Settlement provides provisional allocations for one year, although for key grants there are some indicative allocations of the quantum of funding for 2024-25 in the Autumn Statement and Finance Settlement. It is disappointing that the Finance Settlement has failed to announce a multi-year settlement, as it constricts the flexibility of local authorities to balance budgets across the medium term. The local government sector has implored Government for a multi-year settlement. Despite the signals, 2023-24 will be the fifth continuous single-year settlement. A multi-year settlement provides local authorities with some certainty, supporting medium-term financial and service planning, and financial sustainability. There is also a risk that the Government's investment in the recent Covid-19 pandemic and in increasing social care funding in recent years may result in further austerity measures in future years, which could be as soon as 2025-26, when savings will be required to repay the debt incurred by Government. The FYFP assumes a £20m reduction in the Council's Social Care Grant from 2025-26.
- **Fair Funding and Business Rates Reviews** – the reviews have been delayed for a number of years and the planned implementation was again postponed. The Government has now confirmed that the Fair Funding Review and the Business Rates reset will not be implemented in this Spending Review period, although the Government 'remains committed to improving the local government finance landscape in the next Parliament'. A transparent, fair funding system is required, which reflects need and ability to fund services locally. The FYFP is predicated on the basis that mainstream funding continues as it is now.
- **Public Health Grant** – at some point it is expected that the funding for Public Health will form part of revised funding mechanisms for local authorities following funding reviews.

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**Devolution** – the Levelling Up White Paper was published in February 2022. The paper sets out how Government will spread opportunity more equally across the UK. Levelling up is a long-term endeavour. It is a programme of change that requires a fundamental shift in how central and local government, the private sector and civil society operate. Legislation will be introduced to Parliament to underpin in statute the changes fundamental to levelling up, alongside wider planning measures. The East Midlands devolution deal, which covers Derbyshire, Nottinghamshire, Derby and Nottingham, was signed in August 2022 and is referred to earlier in this Narrative Report.

### Expenditure

Local authorities have risen to the challenge of austerity since 2010, albeit supported in recent years by the Improved Better Care Fund and Social Care Grant, and the Council has stepped up to that challenge with its Enterprising Council approach. The Council continues to review the way it delivers its services, ensuring residents receive value for money in the services which are provided to them.

By 2027-28, the Council needs to have reduced expenditure by at least a further £46m in real terms, of which measures amounting to £37m have been identified. This is in addition to £325m of budget savings the Council has already made to services since 2010.

There remains a £9m shortfall of identified annual budget savings against the £46m budget savings target over the five years of the FYFP. The Council has now identified measures which should help achieve 81% of the budget gap over the period of the FYFP, which is an improved relative position compared to that reported in the Revenue Budget Report 2022-23, when measures had been identified to meet 39% of the budget gap. This improved position has resulted from an increase in identified annual budget savings and from additional forecast funding, following Government announcements in the Autumn Statement and Provisional Settlement in respect of 2023-24 and 2024-25.

The Council is reviewing all of its savings initiatives and developing a programme of savings proposals to address the estimated funding gap over the medium term.

In many cases the proposals will be subject to consultation and equality analysis processes. 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.

Progress against the budget savings targets will be closely monitored, however, lead-in times for consultation activity and increased demand on services, such as adult care and children in care demographics, mean that there is a continued risk of not achieving a balanced budget. Indeed, certain budget savings that were identified in the previous medium-term plan have since proved to be unachievable and others need to be found to substitute for them. Where savings have not been achieved in previous years and brought forward into the current financial year, mitigations and alternative savings delivery are being considered.

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There is a planned use of General and Earmarked Reserves from 2022-23 to 2026-27 in order to achieve a balanced budget.

### **Increased Demand for Services**

There continues to be an increased demand for services, leading to significant cost pressures in providing essential services such as social care and waste. The increasing importance of the identification of the nature and size of future budget pressures will require changes to the horizon scanning currently undertaken by departments, in order to reduce risks inherent in formulating and planning to meet pressures in the FYFP. The Council is working towards agreed methodologies for quantifying the cost implications of the areas of large and consistent budget pressures and ensuring these are adequately reflected in risk registers, alongside suitable mitigations, but there is still more work required in this area.

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

The Council's significant budget pressures are considered further below:

### **Children's Social Care**

As an upper tier authority, the Council is responsible for providing children's social care services. These services include child protection and safeguarding, care for looked after children and aftercare, support for vulnerable children and their families.

Nationally the number of children in care has risen significantly over the past decade creating unprecedented demand pressures on children's services. The national picture is being reflected in Derbyshire. As at 30 November 2022 there were 1,004 children in the care of the Council, a 32% increase on the number four years ago.

The costs of caring for looked after children have also been rising. Average placement costs for children in the Council's care have risen 40% over the last four years.

Residential care is the most expensive form of care. Locally and nationally, the proportion of children in residential care has increased, largely due to councils struggling to source suitable alternatives such as foster care.

These pressures, exacerbated by the impact of high inflation and cost of living increases on placement costs, are expected to continue to grow for the foreseeable future. The Council, along with many other local authorities in the country, continue to express concern regarding substantial increases in the cost of children's social care, urging Government to provide additional funding for the service.

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### **Schools and Learning**

Whilst expenditure on school-related activity would normally be expected to be met from within the allocated DSG, there are some school based pressures which could fall to the Council's General Reserve to fund.

The Council's accumulated DSG deficit was £5.050m at 31 March 2023. The DSG deficit will need to be recovered from future DSG income, although it has been announced that the statutory override for the accounting treatment of DSG positions will be extended for the next three years, from 2023-24 to 2025-26. The override had been due to expire at the end of March 2023. The main pressures for the Council, as with most local authorities, continues to be in respect of High Needs Block budgets. The December 2022 DSG announcement provides for an increase in High Needs funding of £11m (11%), however it is likely that further demand and inflation pressures may still result in spend exceeding income in 2023-24.

Deficit balances that exist at the point a school becomes an academy may be left with the Council to fund. This is the case for 'sponsored' academies. Sponsored academies are those where conversion is a result of intervention, or where the school is not considered to be strong enough without the aid of a sponsor.

There are some statutory duties relating to education which are funded from the Council's revenue funding. These include home to school transport (HST). Transport cost increases and growing numbers of pupils eligible for Council-funded transport have led to significant increases in spend on HST, in particular HST provided for children with special educational needs and disabilities (SEND). Net costs have risen by 48% in the last four years and this trend is expected to continue.

### **Adult 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 older people demography, with a further £2m for children transitioning to adulthood. These additional costs of £5-6m each year are predicted to continue for at least the next five years.

Over the last few years, the NLW has increased annually by between 2% and 10%. For 2023-24, the increase is 9.7%. This directly impacts on the contract fees the Council pays to care providers. If this level of increase is to continue it will cost the Council up to an additional £23m each year for at least the next five years.

There are growing pressures around hospital discharge from the NHS, with an increase in demand, and because there is an insufficient supply of home care and reablement services, this has driven increased placements into residential homes rather than into care at home.

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### Waste Disposal

The Council and Derby City Council remain engaged in a project to develop a New Waste Treatment Facility (NWTF) in Sinfen, Derby, to deal with waste that residents in Derby and Derbyshire do not recycle. The facility, which was due to open in 2017, was being built on the councils' behalf by Resource Recovery Solutions (Derbyshire) Ltd (RRS), which was a partnership between national construction firm Interserve, which was also building the plant, and waste management company Renewi plc. However, the contract with RRS was terminated on 2 August 2019, following the issuing of a legal notice by the banks funding the project.

A contract has been put in place by the councils to make sure waste that residents cannot recycle or choose not to recycle continues to be dealt with and that recycling centres and waste transfer stations continue to operate. These services continue to be run by 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 has been affected. This work is also being carried out by Renewi UK Services Ltd and will allow the councils to ascertain what measures need to be in place for the facility to become fully operational. The previous project agreement contained a process for the councils to pay an 'estimated fair value' (EFV) for the plant, taking into account all of the costs of rectifying ongoing issues at the plant and the costs of providing the services to meet the agreed contract standards. This matter was resolved in July 2023, with the Council paying £56.930m as part of its share of the £93.500m Settlement Sum paid to RRS's administrators.

Contract prices for the transfer, haulage, and treatment/disposal of waste and recycling are subject to price rises in line with a basket of indexation factors set out in the contracts. There are also statutory increases of 3% in the cost per tonne of recycling credits.

### 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.

The Council's Climate Change Strategy: Achieving Net Zero (2021-2025) was approved and published by the Council in October 2021. Net zero means reducing the Council's carbon emissions right down to the lowest possible level and off-setting those that cannot be cut through measures such as planting more trees and other forms of habitat creation to absorb excess carbon from the atmosphere, making the overall net emissions zero.

This Strategy establishes the Council's target to be an organisation that has net zero carbon emissions by 2032 or sooner and help the rest of Derbyshire reduce carbon emissions generated within the county to net zero by 2050 or sooner. This is in line with national Government targets.

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## NARRATIVE REPORT

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### Opportunities

#### The Council's Strategic Approach

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

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

#### Enterprising Council

The role and shape of public services has changed dramatically, and the Council faces significant challenges in providing the services local people want and need. The Council continues to examine modern and innovative ways of providing services with the current focus on developing a strategic approach to transformation, putting in place a Programme Management Office and taking forward its Modern Ways of Working programme. This builds on previous phases which looked at all types of delivery models, including sharing or trading services with other councils.

Being an Enterprising Council means:

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

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

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## NARRATIVE REPORT

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### Thriving Communities

During 2022-23, the Council successfully re-energised Thriving Communities activity in six communities. As Covid-19 restrictions were lifted, the Council worked to re-establish Connected Teams of Council Officers and other partner agency employees, working flexibly alongside communities and Elected Members. Throughout the year, staff, alongside community members, have provided and facilitated a range of hyper-local support for local people in their community. Examples of activity include refurbishment of groups and clubs; welcoming community spaces in Shirebrook; community clubs and a friendly community Drop-In to access local support and services in Cotmanhay and the networking of staff in Langley Mill and Ashbourne, to develop a better joint understanding of community needs and plan activity. In Gamesley, advocacy has been provided for people in challenging circumstances who would not normally receive support, for example due to their having no internet access, or because they are experiencing social exclusion. The local team has focused on helping people to cope with the stresses of financial hardship, by providing social activities along with food and energy initiatives.

The Council has noted the challenges of supporting and scaling this activity in the post-Covid environment of reduced public sector resource and fewer frontline staff based within communities. As such, work began during 2022 to progress a review of the Thriving Communities approach, as part of the Council's Strategic Framework, with the aim of developing a long-term strategy and identifying cross-departmental priorities for how the Council will work more collaboratively across its service areas to support people and communities to thrive in the future.

### Vision Derbyshire

Vision Derbyshire has continued to drive the Council's approach to working in collaboration with partners and significant progress has been made in 2022-23 through the work, dedication and cooperative efforts of participating and non-participating councils in Derbyshire. The Vision Derbyshire Joint Committee successfully convened four times, with the Council supporting the Joint Committee by driving forward the Vision Derbyshire agenda and providing strategic support, programme management and associated activity to support the overall delivery of the approach over that period.

In the three years since work on Vision Derbyshire commenced, there have been a number of significant achievements, in particular work on the Vision Derbyshire Business Development Programme, the development of the Vision Derbyshire Climate Change Strategy and Planning Policy Guidance and the creation of the Vision Derbyshire Joint Committee. The work undertaken on Vision Derbyshire has also been a fundamental driver to progress devolution proposals. The subsequent East Midlands Devolution Deal, signed and published on 30 August 2022, is testament to the Vision Derbyshire approach.



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## NARRATIVE REPORT

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A light touch review of current arrangements took place between November 2022 and January 2023, given the context around the emerging Devolution Deal and to ensure the Vision Derbyshire approach continues to evolve to meet new demands and maximise the benefits from the Deal as it moves into implementation. The Council is now considering the findings and recommendations of the Review and, alongside partners, will respond to the report and plan for work over 2023-24. Work to align with the recent review of the D2 Economic Prosperity Committee and associated partnerships will also be required to ensure that future structures are streamlined and fit for purpose.

In January 2023, it was agreed that the Council would now be best placed to undertake the role of Host Authority moving forward and work is underway to transfer responsibilities and resources from Chesterfield Borough Council.

### **Delivering Devolution and Levelling Up**

The Council's aspirations for Derbyshire remain strong. Moving forward the Council will be working with partners to deliver devolution as one of the nine early County Deal pathfinder areas, ensuring the Council harnesses all the benefits that a devolution deal for Derbyshire could provide. This includes delivering the Levelling Up agenda across the county, to help boost economic performance and investment, and improve opportunities and outcomes for people and places. Working alongside partners, the Council aims to tackle inequalities and social mobility, to ensure support and opportunities are available to all, building a fairer, more inclusive future for the county.

Mark Kenyon BA(Hons) FCPFA  
Director of Finance (Section 151 Officer)

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## STATEMENT OF RESPONSIBILITIES

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### 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, as Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

### The Section 151 Officer's Responsibilities

The Section 151 Officer 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) and the Update to the Code and Specifications for Future Codes for Infrastructure Assets - November 2022 (the Update). In preparing this Statement of Accounts, the Section 151 Officer has:

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


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## AUTHORISATION OF ACCOUNTS FOR ISSUE

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### Certificate of Section 151 Officer

I certify that the accounts give a true and fair view of the financial position of the Council at 31 March 2023 and of its income and expenditure for the year then ended.

  
Mark Kenyon BA(Hons) FCPFA  
Director of Finance (Section 151 Officer)  
15 May 2024

The Statement of Accounts were approved by the Audit Committee on 15 May 2024.

  
Councillor Gary Musson  
Chair of the Audit Committee

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		Note	2021-22			2022-23		
			Gross Exp £m	Gross Inc £m	Net Exp £m	Gross Exp £m	Gross Inc £m	Net Exp £m
A	Adult Care		492.836	(168.304)	324.532	493.448	(153.976)	339.472
B	Children's Services and Safeguarding and Education		690.327	(457.847)	232.480	746.695	(491.514)	255.181
C	Clean Growth and Regeneration		3.911	(1.066)	2.845	4.523	(3.429)	1.094
D	Corporate Services and Budget		51.898	(24.508)	27.390	48.925	(24.966)	23.959
E	Health and Communities		69.614	(57.303)	12.311	77.278	(58.357)	18.921
F	Highways Assets and Transport		76.401	(17.366)	59.035	74.305	(17.434)	56.871
G	Infrastructure and Environment		56.842	(9.836)	47.006	79.709	(7.950)	71.759
H	Strategic Leadership, Culture, Tourism and Climate Change		13.838	(0.981)	12.857	14.913	(0.826)	14.087
A-H	<b>Net Cost of Services</b>		<b>1,455.667</b>	<b>(737.211)</b>	<b>718.456</b>	<b>1,539.796</b>	<b>(758.452)</b>	<b>781.344</b>
I	Other Operating Expenditure	5	33			33		
J	Financing and Investment Income and Expenditure	6						
K	Taxation and Non- Specific Grants	7						
A-K	<b>Deficit on Provision of Services</b>							
					62.511			52.622
					26.136			47.406
					(637.662)			(717.160)
					<b>169.441</b>			<b>164.212</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	<b>Items that will not be Reclassified to Deficit on Provision of Services</b>				
L	Gain on Revaluation of Non-Current Assets	12		(174.608)	(273.118)
M	Loss on Revaluation of Non-Current Assets	12		51.836	52.288
N	Remeasurement of Net Pension Liability/ (Asset)	46		(304.953)	(926.950)
L-N	<b>Other Comprehensive Expenditure/ (Income)</b>			<b>(427.725)</b>	<b>(1,147.780)</b>
A-N	<b>Total Comprehensive Expenditure/ (Income)</b>			<b>(258.284)</b>	<b>(983.568)</b>


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

## BALANCE SHEET

31 Mar 2022 £m			31 Mar 2023 £m
1,696.788	Property Plant & Equipment	12	1,884.324
63.423	Heritage Assets	13	60.011
0.714	Intangible Assets	16	0.400
98.295	Non-Current Investments	19	84.668
0.000	Non-Current Net Pension Asset	25	73.379
0.231	Non-Current Debtors	18	0.437
<b>1,859.451</b>	<b>Total Non-Current Assets</b>		<b>2,103.219</b>
251.812	Current Investments	19	239.328
2.396	Assets Held for Sale	17	2.540
1.458	Inventories	20	1.549
90.384	Current Debtors	21	95.866
46.230	Cash and Cash Equivalents	22	69.889
<b>392.280</b>	<b>Total Current Assets</b>		<b>409.172</b>
(136.868)	Current Loans and Borrowing	19	(233.874)
(197.656)	Current Creditors	23	(169.713)
(6.146)	Current Provisions	24	(6.079)
<b>(340.670)</b>	<b>Total Current Liabilities</b>		<b>(409.666)</b>
(250.645)	Non-Current Borrowing	19	(232.597)
(8.362)	Non-Current Provisions	24	(7.378)
(811.883)	Non-Current Net Pension Liability	25	(44.056)
(55.045)	Other Non-Current Liabilities	25	(49.998)
<b>(1,125.935)</b>	<b>Total Non-Current Liabilities</b>		<b>(334.029)</b>
<b>785.126</b>	<b>NET ASSETS</b>		<b>1,768.696</b>
412.237	Usable Reserves	11	399.956
372.889	Unusable Reserves	28	1,368.740
<b>785.126</b>	<b>TOTAL RESERVES</b>		<b>1,768.696</b>

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

I certify that the Balance Sheet position gives a true and fair view of the financial position of Derbyshire County Council as at 31 March 2023.

  
Mark Kenyon BA(Hons) FCPFA  
Director of Finance (Section 151 Officer)

## CASH FLOW STATEMENT

2021-22 £m			2022-23 £m
<b>(169.443)</b>	<b>Net Surplus or (Deficit) on the Provision of Services</b>		<b>(164.214)</b>
179.201	Adjustments for non cash movements	41	125.836
41.290	Adjustments for investing activities	41	(9.829)
	Net cashflow from:		
<b>51.048</b>	<b>Operating Activities</b>	<b>40</b>	<b>(48.207)</b>
(124.410)	Investing Activities	38	(4.804)
47.935	Financing Activities	39	76.670
<b>(25.427)</b>	<b>Movement in Cash &amp; Cash Equivalents</b>		<b>23.659</b>
71.657	Cash & Cash Equivalents at the start of the year	22	46.230
<b>46.230</b>	<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>22</b>	<b>69.889</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>2022-23</b>								
<b>Balance at 31 March 2022</b>		<b>(60.505)</b>	<b>(283.333)</b>	<b>(58.682)</b>	<b>(9.715)</b>	<b>(412.233)</b>	<b>(372.891)</b>	<b>(785.123)</b>
<b>Movement in reserves during 2022-23</b>								
Total Comprehensive Income and Expenditure	CIES	164.212	0.000	0.000	0.000	164.214	(1,147.780)	(983.566)
Adjustments between accounting basis and funding basis under regulations	11	(125.461)	0.000	(23.729)	(2.741)	(151.931)	151.931	0.000
Net Transfer to Reserves		(10.962)	10.962	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2022-23		27.789	10.962	(23.729)	(2.741)	12.283	(995.849)	(983.566)
<b>Balance at 31 March 2023 carried forward</b>		<b>(32.716)</b>	<b>(272.371)</b>	<b>(82.411)</b>	<b>(12.456)</b>	<b>(399.950)</b>	<b>(1,368.740)</b>	<b>(1,768.689)</b>
<b>2021-22</b>								
<b>Restated Balance at 31 March 2021</b>		<b>(77.665)</b>	<b>(260.503)</b>	<b>(73.533)</b>	<b>(8.653)</b>	<b>(420.352)</b>	<b>(106.490)</b>	<b>(526.841)</b>
<b>Movement in reserves during 2021-22</b>								
Total Comprehensive Income and Expenditure	CIES	169.443	0.000	0.000	0.000	169.443	(427.725)	(258.282)
Adjustments between accounting basis and funding basis under regulations	11	(175.113)	0.000	14.851	(1.062)	(161.324)	161.324	0.000
Net Transfer to Reserves		22.830	(22.830)	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2021-22		17.160	(22.830)	14.851	(1.062)	8.119	(266.401)	(258.282)
<b>Balance at 31 March 2022 carried forward</b>		<b>(60.505)</b>	<b>(283.333)</b>	<b>(58.682)</b>	<b>(9.715)</b>	<b>(412.233)</b>	<b>(372.891)</b>	<b>(785.123)</b>

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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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 £10,000 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) and the Update to the Code and Specifications for Future Codes for Infrastructure Assets - November 2022 (the Update). Where there is no specific guidance in the Code or the Update, 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 2022-23 financial year.

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

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

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

#### **Derby & Derbyshire Waste Treatment Centre (DDWTC)**

During 2022-23 work continued to determine the condition and capability of the Derby & Derbyshire Waste Treatment Centre (DDWTC) in Sinfen, culminating in February 2023 in both the Council and Derby City Council resolving to move forward with procuring a contractor(s) to rectify and then operate the DDWTC. Work is also ongoing to determine the estimated fair value (EFV) of the contract.

The Council has considered the accounting treatment for the DDWTC and it has been determined that it will be recognised on the balance sheet at 31 March 2023 as an Asset under Construction due to the asset not yet having been brought into service. The Council



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## NOTES TO THE CORE FINANCIAL STATEMENTS

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has incurred capital expenditure of £6.573m during 2022-23 (£6.704m during 2021-22) securing, managing and preserving the site.

### 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:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

The Council has concluded that although these amendments lead to improved reporting they would not have had a significant impact on the Council's 2022-23 accounts.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

This is only applicable to local authorities with group accounts and, therefore, would not have impacted on the Council's 2022-23 accounts.

- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

The Council has concluded that this amendment would not have impacted on the Council's 2022-23 accounts.

IFRS 16 (Leases) is not included in the list above because the Council does not currently envisage early adoption in 2023-24.

### 4. ASSUMPTIONS MADE AND OTHER ESTIMATION UNCERTAINTY

#### Property Plant and Equipment Valuation

The value of Property, Plant and Equipment assets at 31 March 2023 is £1,884.324m (2022, £1,696.788m), as disclosed in Note 12. 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 where there is volatility in the property and construction industry following macro-economic influences such as the pandemic, supply and demand imbalances and inflation increases.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The method of valuation of the Council's portfolio of schools is the Depreciated Replacement Cost method, using a Modern Equivalent Asset (MEA). Where the build requirement is greater than the actual asset, the valuation is restricted to the actual size of the current asset.

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 2022-23 would equate to a valuation decrease of £13.131m, of which £0.192m would be expensed through the surplus/deficit on the provision of services, whilst a 1% increase would equate to a rise in valuations of £13.131m to the revaluation reserve.

In line with last year, the Council has continued to review its 20% rolling programme asset base at 31 March 2023, instead of 1 April 2022, updating land values and gross replacement costs. Again, schools MEA adjustments have also been reviewed in the same manner, with material changes being valued as at the date of change, but again reviewed at 31 March 2023. The remaining assets measured at current value, which had not been revalued in this way, were then reviewed, and a further top twenty assets by value were the subject of a desktop exercise, to provide assurances that the remaining assets were not materially misstated due to these factors.

### **Pension Scheme Liabilities**

The Net Pension Asset at 31 March 2023 is £29.323m (2022, £811.883m Net Pension Liability), as disclosed in Note 25. Estimation of the 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 pension liability impacting on the net asset/liability of the Council are reviewed on an ongoing basis. Variations in the key assumptions will have the following impact on the liability:

- A 0.1% decrease in the real discount rate will increase the pension liability by £41.352m (2% increase in liability).
- A one year increase in Fund Member life expectancy will increase the pension liability by £95.764m (4% increase in liability).
- A 0.1% increase in the assumed level of salary increases will increase the pension liability by £4.698m (0% (rounded) increase in liability).
- A 0.1% increase in the assumed level of pension increases will increase the pension liability by £37.246m (2% increase in liability).

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### Financial Instruments Fair Value Estimates

The Council's Financial Instruments are disclosed in Note 21. The fair value of the Council's Lender Option Borrower Option (LOBO) loan and other long-term loans of £14.957m (£15.000m nominal) at 31 March 2023 has been determined incorporating option pricing from Bloomberg. The fair value of all short-term investments (under one year) has been assumed to be their nominal value.

The impact of a 1% interest rate rise on the fair value of the Council's borrowing and investments at 31 March 2023 is a reduction of £22.496m in the net financial liability.

A loss allowance for financial assets has been recognised based on the gross value of trade debtors, excluding Central Government and other local authority debtors, which are more than 30 days past due and which have been, or are expected to be, referred for review, either by the Council's Legal Services department or under the Care Act (2014). A non-recovery rate based on the historical success rate of recovering such debt, once referred, along with a factor to reflect the prevailing economic conditions, is applied to the gross value of referred debt to determine the amount of the loss allowance. The factor for current market conditions was derived by comparing the expected default rate for 2023 with the historic default rate based on information collated by rating agency Moody's. A 1% decrease in the factor for current economic conditions would reduce the allowance for credit losses by £0.037m. A 1% decrease in the expected non-recovery rate would reduce the allowance for credit losses by £0.095m.

### Business Rates

Business Rates assets and liabilities at 31 March 2023 are included within the Current Debtors balance of £95.866m (2022, £90.384m), as disclosed in Note 21, and within the Current Creditors balance of £169.713m (2022, £197.656m), as disclosed in Note 23. Calculations of the Council's business rates collection fund adjustments, involving estimates in relation to business rates arrears, allowance for doubtful debts, business rates overpayments and prepayments and provisions for appeals, are subject to a degree of estimation. Where business rates 2022-23 returns have not been received in sufficient time to allow reflection in the Council's financial statements, a combination of 2021-22 year-end and preliminary 2023-24 initial returns, finalised in January 2023, have been used to estimate the business rates collection fund adjustment. The business rates collection fund adjustment in the Council's accounts for 2022-23 is £3.390m, a 20% change in the estimated net adjustment could change the Council's net position by approximately £0.678m.

Local authorities are liable for an element of any successful appeal against business rates charged to businesses in 2022-23 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 £2.121m, incorporating some of the estimates made above, has been reflected through the business rates collection fund adjustment account.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 5. OTHER OPERATING EXPENDITURE

2021-22 £m		2022-23 £m
(1.228)	Trading Operations	(0.875)
0.354	Levies and Precepts	0.363
63.382	Loss on Disposal of Non-Current Assets	53.131
0.003	Other Income and Expenditure	0.003
<b>62.511</b>		<b>52.622</b>

The surplus for the year from commercial trading operations was achieved with a gross expenditure of £0.958m (2021-22: £0.510m) offset against income of £1.833m (2021-22: £1.738m).

Loss on disposal of non-current assets has reduced in 2022-23, the main reasons for this being a decrease in the asset value of schools that converted to academies during the year and also because of a change in the treatment of the derecognition of Infrastructure Assets referred to in Note 12.

Movements on non-current assets, including disposals, are shown in Note 12.

### 6. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2021-22 £m		2022-23 £m
17.340	Interest Payable	18.868
(2.188)	Interest Receivable	(4.290)
(3.229)	Dividends Receivable	(3.386)
(5.292)	Financial Asset Fair Value Losses/(Gains)	7.588
(1.667)	Financial Asset Impairment Losses/(Gains)	5.877
21.172	Net Pension Costs	22.749
<b>26.136</b>		<b>47.406</b>

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 Pooled Investments Adjustment Account as required by the statutory temporary override that DLUHC has issued. The override was originally effective for financial years 2018-19 to 2022-23 and has since been extended for a further two years to 2024-25.

Gains and losses relating to the impairment of financial assets were included in 2018-19 for the first time. CIPFA guidance considers that conceptually debtors are a credit facility. Therefore, impairment losses relating to debtors and investments held at amortised cost are a loss of principal and recognition in FIIE is therefore the default treatment.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Interest payable has been itemised in the table below.

<b>2021-22 £m</b>		<b>2022-23 £m</b>
13.549	Interest Payable on Capital Borrowing	13.323
2.977	Interest Payable on PFI	2.755
0.518	Interest Payable on Finance Leases	0.488
0.296	Interest Payable on Other Items	2.302
<b>17.340</b>		<b>18.868</b>

Interest receivable has been itemised in the table below.

<b>2021-22 £m</b>		<b>2022-23 £m</b>
(2.137)	Interest Receivable on Investments	(4.244)
(0.004)	Interest Receivable on Transferred Debt	(0.004)
(0.014)	Interest Receivable on Finance Leases	(0.023)
(0.011)	Interest Receivable on Cash & Bank Balances	(0.017)
(0.022)	Interest Receivable on Other Items	(0.002)
<b>(2.188)</b>		<b>(4.290)</b>

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

<b>2021-22 £m</b>		<b>2022-23 £m</b>
(353.949)	Council Tax	(368.567)
(13.813)	Revenue Support Grant	(14.249)
(18.289)	Business Rates	(21.654)
(94.892)	Business Rates Top-up	(94.892)
(15.365)	Business Rates Relief Grant	(18.797)
(10.504)	Private Finance Initiative Grant	(10.504)
(1.549)	New Homes Bonus	(1.868)
(91.512)	Other General Revenue Grants	(108.626)
(37.789)	Capital Grants	(78.003)
<b>(637.662)</b>		<b>(717.160)</b>

### 8. EXPENDITURE AND FUNDING ANALYSIS

## NOTES TO THE CORE FINANCIAL STATEMENTS

2021-22				2022-23		
Expenditure/ (Income) chargeable to General Reserve Balance	Adjustments between funding and Accounting Basis	Net Expenditure in the CIES £m		Expenditure/ (Income) chargeable to General Reserve Balance	Adjustments between funding and Accounting Basis	Net Expenditure in the CIES £m
286.345	(38.187)	324.532	Adult Care	313.916	(25.556)	339.472
160.699	(71.781)	232.480	Children's Services and Safeguarding and Education	185.108	(70.073)	255.181
2.378	(0.467)	2.845	Clean Growth and Regeneration	0.474	(0.620)	1.094
9.392	(17.998)	27.390	Corporate Services and Budget	3.199	(20.760)	23.959
9.151	(3.160)	12.311	Health and Communities	15.103	(3.818)	18.921
38.821	(20.214)	59.035	Highways Assets and Transport	33.653	(23.218)	56.871
45.479	(1.527)	47.006	Infrastructure and Environment	68.141	(3.618)	71.759
9.453	(3.404)	12.857	Strategic Leadership, Culture, Tourism and Climate Change	10.523	(3.564)	14.087
<b>561.718</b>	<b>(156.738)</b>	<b>718.456</b>	<b>Net Cost of Services</b>	<b>630.117</b>	<b>(151.227)</b>	<b>781.344</b>
(0.871)	(63.382)	62.511	Other operating expenditure	(0.509)	(53.131)	52.622
28.183	2.047	26.136	Financing and investment income and expenditure	46.154	(1.252)	47.406
(571.871)	65.791	(637.662)	Taxation and non-specific grant income and expenditure	(647.973)	69.187	(717.160)
<b>17.159</b>	<b>(152.282)</b>	<b>169.441</b>	<b>Deficit/(Surplus) on Provision of Services</b>	<b>27.789</b>	<b>(136.423)</b>	<b>164.212</b>
<b>77.664</b>			<b>Opening General Reserve</b>			
			<b>Balance at 1 April</b>	<b>60.505</b>		
(17.159)			Add/(less) Surplus/(Deficit) on General Reserve	(27.789)		
<b>60.505</b>			<b>Closing General Reserve</b>			
			<b>Balance at 31 March</b>	<b>32.716</b>		

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Note to the Expenditure and Funding Analysis

2021-22					2022-23			
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
(16.853)	(21.334)	0.000	(38.187)	Adult Care	(6.625)	(18.931)	0.000	(25.556)
(26.982)	(44.799)	0.000	(71.781)	Children's Services and Safeguarding and Education	(26.843)	(43.230)	0.000	(70.073)
(0.282)	(0.185)	0.000	(0.467)	Clean Growth and Regeneration	(0.367)	(0.253)	0.000	(0.620)
(4.404)	(13.594)	0.000	(17.998)	Corporate Services and Budget	(8.313)	(12.447)	0.000	(20.760)
(0.009)	(3.151)	0.000	(3.160)	Health and Communities	(0.082)	(3.736)	0.000	(3.818)
(15.170)	(5.044)	0.000	(20.214)	Highways Assets and Transport	(18.303)	(4.915)	0.000	(23.218)
(0.468)	(1.059)	0.000	(1.527)	Infrastructure and Environment	(2.650)	(0.968)	0.000	(3.618)
(1.050)	(2.354)	0.000	(3.404)	Strategic Leadership, Culture, Tourism and Climate Change	(1.334)	(2.230)	0.000	(3.564)
<b>(65.218)</b>	<b>(91.520)</b>	<b>0.000</b>	<b>(156.738)</b>	<b>Net Cost of Services</b>	<b>(64.517)</b>	<b>(86.710)</b>	<b>0.000</b>	<b>(151.227)</b>
(63.382)	0.000	0.000	(63.382)	Other Operating Expenditure	(53.131)	0.000	0.000	(53.131)
(3.523)	0.000	5.570	2.047	Financing and investment income and expenditure	6.474	0.000	(7.726)	(1.252)
37.789	0.000	28.002	65.791	Taxation and non-specific grant income and expenditure	78.003	0.000	(8.816)	69.187
<b>(94.334)</b>	<b>(91.520)</b>	<b>33.572</b>	<b>(152.282)</b>	<b>Deficit/(Surplus) on Provision of Services</b>	<b>(33.171)</b>	<b>(86.710)</b>	<b>(16.542)</b>	<b>(136.423)</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### **A – Adjustments for Capital Funding and Expenditure Purposes**

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

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

### **B – Net Change for the Removal of Pension Contributions and the Addition of Pension IAS19 Related Expenditure and Income**

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits Pension Related Expenditure and Income:

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

### **C – Other Differences**

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2021-22 £m	2022-23 £m
<b>Expenditure</b>		
Employee expenses	627.979	649.518
Premises	35.961	42.289
Transport	30.234	35.798
Supplies and services	680.579	732.635
Capital depreciation, amortisation, impairment	80.916	79.559
Interest payments, loan modification, financial asset impairment and fair value changes	31.553	55.082
Precepts and levies	0.354	0.363
Trading operations	(1.228)	(0.875)
Loss on disposal of assets	63.382	53.131
<b>Total Expenditure</b>	<b>1,549.730</b>	<b>1,647.500</b>
<b>Income</b>		
Fees, charges and other service income	(210.805)	(218.651)
Interest and investment income	(5.417)	(7.676)
Income from Council Tax, business rates	(467.131)	(485.113)
Business rates relief grant	(15.365)	(18.797)
Government grants and contributions	(681.571)	(753.051)
<b>Total Income</b>	<b>(1,380.289)</b>	<b>(1,483.288)</b>
<b>Deficit on the Provision of Services</b>	<b>(169.441)</b>	<b>(164.212)</b>

### 10. RELATED PARTY TRANSACTIONS

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

#### County Council Controlled Companies

MEGZ Limited is a private company limited by 9,251 ordinary shares, all of which are held by the Council. There are three directors of the company who are Members of the Council; all have been appointed by the Council. There were no transactions with the company during the financial year (2021-22: £nil).

#### Joint Venture Companies and Partnerships

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 2022-23 the Council received dividends of £0.350m from Scape Group Limited (2021-22: £0.500m).

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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Vertas (Derbyshire) Limited (VDL) and Concertus (Derbyshire) Limited (CDL) are private limited companies in which the Council has a 49% stake, with the aim of providing cleaning and caretaking services and property design and consultancy, respectively. VDL and CDL are run as Joint Venture companies with the other shareholders being part of Suffolk Group Holdings Limited, whose ultimate parent undertaking and controlling party is Suffolk County Council. The Council has Board representation at VDL and CDL with two directors on the board of each company. Vertas Group Limited (Vertas) and Concertus Design and Property Consultants Limited (Concertus), subsidiary undertakings of Suffolk Group Holdings Limited, have day to day financial control of VDL and CDL, respectively. Financial Governance is maintained via the production of monthly Management Accounts information, which is supplied to Board members and to Finance Officers of the Council. VDL and CDL are assessable to Corporation Tax and VAT in accordance with current legislation. All taxation related matters of VDL and CDL, including Corporation Tax, VAT and Income Tax are managed by Vertas and Concertus. During 2022-23, income of £0.073m was receivable from VDL (2021-22: £0.489m), of which £0.017m was outstanding at 31 March 2023 (31 March 2022: £0.077m). During 2022-23, CDL income receivable was £0.052m (2021-22: £0.052m), of which £0.013m was outstanding at 31 March 2023 (31 March 2022: £0.004m). During 2022-23, expenditure of £10.491m was payable to VDL and Vertas (Derbyshire) Traded Limited, its wholly owned subsidiary (2021-22: £7.600m), of which £0.002m was outstanding at 31 March 2023 (31 March 2022: £nil). During 2022-23, expenditure of £5.568m was payable to CDL and Concertus Derbyshire Traded Limited, its wholly owned subsidiary (2021-22: £3.322m); there were no outstanding balances at 31 March 2023 (31 March 2022: £nil).

PSP (Derbyshire) LLP (PSPD) is a limited liability partnership (LLP) formed between the Council and PSP Facilitating Limited (PSPF), under the provisions of the Limited Liability Partnership Act 2000. The purpose of PSPD is to help the Council unlock value from its land and property. Decision making, ownership and profit share are 50/50 between the Council and PSPF. Financial Governance is maintained via a Members Agreement and a Procedure Agreement. All financial activities of PSPD are conducted by PSPF, including statutory compliance, audit, bank account management, VAT and other taxation matters, and all liaison with HMRC and other Government bodies. There were no transactions with the company during 2022-23 (2021-22: £nil).

Derbyco Project SPV Limited is a dormant private limited company with an issued share capital of 100 £0.01 ordinary shares, which was formed in respect of the treatment and disposal of non-hazardous waste. The shareholding is split 50/50 between the Council and Derby City Council. The Council has one director on the company board. There were no transactions with the company during the financial year (2021-22: £nil).

### **Other Companies**

The Derbyshire Environmental Trust Limited is a company limited by guarantee with no share capital. One of the directors of the Trust is a Member who was appointed by the Council. Income transactions with this organisation in the year totalled £0.081m (2021-22: £0.075m). There were no expenditure transactions during the year (2021-22: £nil).

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The Creswell Heritage Trust is a company limited by guarantee with no share capital. One of the directors of the Trust is a Member who was appointed by the Council. Income transactions with this organisation in the year totalled £0.002m (2021-22: £0.006m) and expenditure transactions totalled £0.033m (2021-22: £0.007m).

Derbyshire Learning and Community Partnerships Ltd is a private company limited by 16,000 ordinary shares. The Council has a 10% shareholding, with the other shareholders being Building Schools for the Future LLP (10%) and Equitix Derbyshire Limited (80%). The Council had one director on the board, who left the Council in 2022-23. There were no transactions with the company during the financial year.

**Central Government** has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other organisations. Grants received from Government departments are set out in the subjective analysis in Note 9. Grant receipts are also disclosed in Note 7 and Note 37.

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. During 2022-23, income transactions excluding grants totalled £16.099m (2021-22: £13.757m), of these, £15.853m were with academy schools (2021-22: £13.348m). During 2022-23, expenditure transactions totalled £212.953m (2021-22: £283.936m) and included the following significant transactions:

Inland Revenue	£108.347m (2021-22: £98.531m)
Debt Management Office	£nil (2021-22: £95.000m)
Teachers' Pensions	£42.754m (2021-22: £42.545m)
Public Works Loan Board	£18.823m (2021-22: £11.598m)

**Other Local Authorities** – typical transactions include, but are not restricted to, investments, borrowing, repayment of transferred debt, re-imbursement of joint project costs and supplies of goods and services. During 2022-23, income transactions totalled £35.593m (2021-22: £38.679m) and included significant transactions with Derby City Council totalling £22.120m (2021-22: £26.268m). During 2022-23, expenditure transactions totalled £42.681m excluding short term lending and repayment of borrowing with other local authorities (2021-22: £38.945m).

**Health Bodies** – typical transactions include, but are not restricted to, re-imbursement of joint project costs and supplies of goods and services. During 2022-23, income transactions with health bodies in the year totalled £80.408m (2021-22: £93.076m) and included significant transactions with NHS Derby and Derbyshire ICB of £78.111m (2021-22: £88.773m). Expenditure transactions totalled £37.275m (2021-22: £31.319m) and included transactions with Derbyshire Community Health Services NHS Foundation Trust of £22.112m (2021-22: £21.169m).

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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**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 2022-23 is shown in Note 30. During 2022-23, income transactions in which Members and/or Senior Officers had an interest totalled £81.860m (2021-22: £94.463m), of which £78.111m is in respect of NHS Derby and Derbyshire ICB (2021-22: £88.773m), which has the Council's Director of Public Health on its Governing Body as a local authority representative. During 2022-23, works and services to the value of £23.633m (2021-22: £13.055m), of which £10.491m is in respect of VDL and Vertas (Derbyshire) Traded Limited (2021-22: £7.600m) and £5.568m is in respect of CDL and Concertus Derbyshire Traded Limited (2022-23: £3.321m), were commissioned from companies in which Members and/or Senior Officers had an interest on behalf of the Council. There were no material outstanding balances at 31 March 2023 (31 March 2022: £nil). Contracts were entered into in full compliance with the Council's Standing Orders.

From May 2021, a Member was elected as Derbyshire's Police and Crime Commissioner. Up to May 2021, a Member served as the Deputy Police and Crime Commissioner for Derbyshire. During 2022-23, eleven Members (2021-22: twelve Members) served as Council-appointed members of the Derbyshire Combined Fire Authority, and from May 2021 one of these members served as Chair. During 2021-22 and 2022-23, four Members served as Council-appointed members of the Peak District National Park Authority and one Member served as a Director on the D2N2 LEP, which is a company limited by guarantee. During 2022-23, two Members served as the Council's representative to Belper Leisure Centre Limited (2021-22: one Member), a charitable company limited by guarantee.

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

Included in management expenses in 2022-23 are charges from the Council of £3.071m (2021-22: £2.853m), 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 2023 the Fund owed the Council £2.110m (31 March 2022: £4.453m).

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 30 and 31.

**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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The Council's Section 151 Officer, or their nominee, represents the Council on the LGPS Central Shareholders' Forum, with delegated authority to make decisions on any matters which require a decision by the shareholders of LGPS Central Limited. All decisions made by the Section 151 Officer or their nominee, using delegated powers, are reported to the next meeting of the Pensions and Investments Committee.

The Fund had £1.315m invested in share capital and £0.685m in a loan to LGPSC at 31 March 2023 (31 March 2022: £1.315m and £0.685m, respectively) and was owed interest of £0.047m on the loan to LGPSC on the same date (2021-22: £0.032m).

The Fund incurred costs of £0.164m associated with LGPSC Investment Management and Monitoring Costs in respect of an Active Emerging Markets Equities Multi Manager sub-fund, an index-tracking All World Equity Climate Multi Factor sub-fund, an Active Global Investment Grade Corporate Bond sub-fund and a Credit Partnership Limited Partnership sub-fund (Private Debt) in 2022-23 (2021-22: £0.087m), of which £0.041m was payable to LGPSC at 31 March 2023 (31 March 2022: £0.023m). The charge excludes fees paid to the underlying investment managers of £1.265m in 2022-23 (2021-22: £0.990m), with the increase between 2021-22 and 2022-23 reflecting an increase in the level of investment assets managed through LGPSC products.

The Fund incurred £1.065m in respect of Governance, Operator Running and Product Development costs in connection with LGPSC in 2022-23 (2021-22: £0.947m), of which £0.332m was payable to LGPSC at 31 March 2023 (31 March 2022: £0.240m).

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 2022-23 amounted to £0.015m (2021-22: £0.015m). For the duration of the lease term, subsequent years' rentals will be subject to an annual increase of 2.8%. Subsequent to 31 March 2023, LGPSC has notified the Council that it will not be renewing the lease on expiry.

From 29 March 2023, an amended guarantee was put in place to enable LGPSC to recognise an offsetting asset to the IAS19 liability on its balance sheet. The new agreement extends the definition of 'Outstanding Liabilities' to include the total IAS 19 defined benefit obligation. As the IAS 19 figure was previously used as a proxy to estimate the possible cost of cessation, this does not change the amount estimated under the guarantee. LGPSC is responsible for employer and employee contributions and pays these when due. The LGPSC IAS19 pension liability at 31 March 2023 (calculated annually at the year-end) amounts to £0.665m. Derbyshire Pension Fund's share of this LGPSC IAS19 pension liability is £0.083m. The partners are jointly and severally liable.

**D2N2 Local Enterprise Partnership (LEP)** – The Council is the Accountable Body for the D2N2 LEP. During 2022-23, the Council received £0.107m from the D2N2 LEP, which was all non-grant income (2021-22: total of £0.102m, all of which was non-grant income). At 31 March 2023, £0.107m was outstanding (31 March 2022: £0.089m). During 2022-23, the Council did not commission any Works and Services from the D2N2 LEP (2021-22: £0.113m) and contributions of £0.050m were made (2021-22: £0.061m). £0.050m was outstanding at 31 March 2023 (31 March 2022: £0.061m).

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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Using the freedom and flexibilities given to LEP Accountable Bodies, during 2020-21 the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme. In 2022-23 the Council repaid £0.253m of this funding to the LEP (2021-22: £15.988m). £0.253m was outstanding at 31 March 2023 (31 March 2022: £15.988m).

### **11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Narrative	Note	Usable reserves				Total Unusable Reserves	Total
		General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m		
<b>BALANCE AT 31 MARCH 2022</b>		<b>(60.505)</b>	<b>(283.333)</b>	<b>(58.682)</b>	<b>(9.715)</b>	<b>(372.888)</b>	<b>(785.123)</b>
<b>Comprehensive Income &amp; Expenditure</b>		164.214	0.000	0.000	0.000	(1,147.780)	(983.566)
<b>Adjustments between accounting basis and funding basis</b>							
Depreciation of Non-Current Assets	12	(43.902)	0.000	0.000	0.000	43.902	0.000
Revaluation Losses and Impairment of Non-Current Assets	12	(20.614)	0.000	0.000	0.000	20.614	0.000
Application of Capital Grants credited to the CIES	37	78.003	0.000	(78.003)	0.000	0.000	0.000
Disposal of Non-Current Assets	12	(53.131)	0.000	0.000	(4.278)	57.409	0.000
Revenue Expenditure Funded from Capital Under Statute		(15.043)	0.000	0.000	0.000	15.043	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		(0.965)	0.000	0.000	0.000	0.965	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		2.145	0.000	0.000	0.000	(2.145)	0.000



## NOTES TO THE CORE FINANCIAL STATEMENTS

Reversal of items relating to retirement benefits debited or credited to the CIES	46	(150.348)	0.000	0.000	0.000	150.348	0.000
Statutory provision for the financing of capital investment		21.437	0.000	0.000	0.000	(21.437)	0.000
Principal repayments of transferred debt		0.007	0.000	0.000	0.000	(0.007)	0.000
Capital expenditure charged in the year to the General Reserve		0.073	0.000	0.000	0.000	(0.073)	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	19	(7.588)	0.000	0.000	0.000	7.588	0.000
Amount by which finance costs (proportion of previous years' premiums and interest rates) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	19	(0.139)	0.000	0.000	0.000	0.139	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	19	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	46	64.604	0.000	0.000	0.000	(64.604)	0.000
Deferred Capital Receipts becoming usable		0.000	0.000	0.000	(0.010)	0.010	0.000
Dedicated Schools Grant (DSG) deficit movement	36	0.000	0.000	0.000	0.000	0.000	0.000
Financing of capital expenditure	15	0.000	0.000	54.274	1.547	(55.821)	0.000
<b>Adjustments between accounting basis and funding basis</b>		<b>(125.461)</b>	<b>0.000</b>	<b>(23.729)</b>	<b>(2.741)</b>	<b>151.931</b>	<b>0.000</b>
<b>Reserves movements</b>							
Transfer to Earmarked Reserves	27	126.327	(126.327)	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	27	(137.289)	137.289	0.000	0.000	0.000	0.000
<b>Total movements</b>		<b>(136.423)</b>	<b>10.962</b>	<b>(23.729)</b>	<b>(2.741)</b>	<b>151.931</b>	<b>0.000</b>
<b>BALANCE AT 31 MARCH 2023</b>		<b>(32.714)</b>	<b>(272.371)</b>	<b>(82.411)</b>	<b>(12.456)</b>	<b>(1,368.737)</b>	<b>(1,768.689)</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

Narrative	Note	Usable reserves				Restated Total Unusable Reserves £m	Restated Total £m
		General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m		
<b>RESTATED BALANCE AT 31 MARCH 2021</b>		<b>(77.665)</b>	<b>(260.503)</b>	<b>(73.533)</b>	<b>(8.653)</b>	<b>(106.487)</b>	<b>(526.841)</b>
<b>Comprehensive Income &amp; Expenditure</b>		169.443	0.000	0.000	0.000	(427.725)	(258.282)
<b>Adjustments between accounting basis and funding basis</b>							
Depreciation of Non-Current Assets	12	(41.133)	0.000	0.000	0.000	41.133	0.000
Impairment of Non-Current Assets	12	(24.085)	0.000	0.000	0.000	24.085	0.000
Application of Capital Grants credited to the CIES	37	37.789	0.000	(37.789)	0.000	0.000	0.000
Disposal of Non-Current Assets	12	(63.382)	0.000	0.000	(3.352)	66.734	0.000
Revenue Expenditure Funded from Capital Under Statute		(15.697)	0.000	0.000	0.000	15.697	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		0.792	0.000	0.000	0.000	(0.792)	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		9.065	0.000	0.000	0.000	(9.065)	0.000

## NOTES TO THE CORE FINANCIAL STATEMENTS

Reversal of items relating to retirement benefits debited or credited to the CIES	46	(156.729)	0.000	0.000	0.000	156.729	0.000
Statutory provision for the financing of capital investment		11.805	0.000	0.000	0.000	(11.805)	0.000
Principal repayments of transferred debt		0.006	0.000	0.000	0.000	(0.006)	0.000
Capital expenditure charged in the year to the General Reserve		0.363	0.000	0.000	0.000	(0.363)	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	19	5.292	0.000	0.000	0.000	(5.292)	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	19	0.278	0.000	0.000	0.000	(0.278)	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	19	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	46	64.416	0.000	0.000	0.000	(64.416)	0.000
Deferred Capital Receipts becoming usable		0.000	0.000	0.000	(0.883)	0.883	0.000
Dedicated Schools Grant (DSG) deficit movement	36	(3.893)	0.000	0.000	0.000	3.893	0.000
Financing of capital expenditure	15	0.000	0.000	52.640	3.173	(55.813)	0.000
<b>Adjustments between accounting basis and funding basis</b>		(175.113)	0.000	14.851	(1.062)	<b>161.324</b>	<b>0.000</b>
<b>Reserves movements</b>							
Transfer to Earmarked Reserves	27	104.495	(104.495)	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	27	(81.665)	81.665	0.000	0.000	0.000	0.000
<b>Total movements</b>		<b>(152.283)</b>	<b>(22.830)</b>	<b>14.851</b>	<b>(1.062)</b>	<b>161.324</b>	<b>0.000</b>
<b>BALANCE AT 31 MARCH 2022</b>		<b>(60.505)</b>	<b>(283.333)</b>	<b>(58.682)</b>	<b>(9.715)</b>	<b>(372.888)</b>	<b>(785.123)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 12. 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 2022</b>		<b>1,235.600</b>	<b>65.061</b>		<b>6.116</b>	<b>17.920</b>	<b>54.288</b>	
Additions		26.613	2.467	36.701	0.120	0.000	19.156	<b>85.057</b>
Disposals		(48.806)	(2.804)	0.000	0.000	(1.550)	0.000	<b>(53.160)</b>
Disposals derecognition		(3.902)	0.000	0.000	(0.001)	0.000	0.000	<b>(3.903)</b>
Revaluation Gains to RR*	CIES	238.013	0.000	0.000	0.013	7.630	0.000	<b>245.656</b>
Revaluation Losses to RR	CIES	(50.017)	0.000	0.000	(1.180)	(1.091)	0.000	<b>(52.288)</b>
Revaluation Losses to CIES		(17.262)	0.000	0.000	(2.512)	(0.390)	0.000	<b>(20.164)</b>
Transfer within PPE		10.573	0.159	8.513	2.102	1.648	(22.995)	<b>0.000</b>
Transfer to Held for Sale		1.010	0.000	0.000	0.000	(1.153)	0.000	<b>(0.143)</b>
<b>At 31 March 2023</b>		<b>1,391.846</b>	<b>64.883</b>		<b>4.658</b>	<b>23.014</b>	<b>50.449</b>	
<b>DEPRECIATION</b>								
<b>At 1 April 2022</b>		<b>(8.924)</b>	<b>(52.224)</b>		<b>(0.041)</b>	<b>(1.803)</b>	<b>0.000</b>	
Charge for year		(24.164)	(3.145)	(16.257)	(0.004)	(0.019)	0.000	<b>(43.589)</b>
Revaluations to RR	CIES	26.278	0.000	0.000	0.000	0.184	0.000	<b>26.462</b>
Impairment to CIES		(0.168)	0.000	0.000	0.000	0.000	0.000	<b>(0.168)</b>
Disposals		0.787	2.717	0.000	0.000	0.104	0.000	<b>3.608</b>
Disposals derecognition		0.144	0.000	0.000	0.000	0.000	0.000	<b>0.144</b>
Transfer within PPE		0.178	0.002	0.000	0.000	(0.180)	0.000	<b>0.000</b>
<b>At 31 March 2023</b>		<b>(5.869)</b>	<b>(52.650)</b>		<b>(0.045)</b>	<b>(1.714)</b>	<b>0.000</b>	
<b>OPENING VALUE</b>		<b>1,226.676</b>	<b>12.837</b>	<b>380.795</b>	<b>6.075</b>	<b>16.117</b>	<b>54.288</b>	<b>1,696.788</b>
<b>CLOSING VALUE</b>		<b>1,385.977</b>	<b>12.233</b>	<b>409.752</b>	<b>4.613</b>	<b>21.300</b>	<b>50.449</b>	<b>1,884.324</b>
<b>NATURE OF ASSET HOLDING</b>								
Purchased / Built		1,347.195	12.233	409.752	4.613	21.300	50.450	<b>1,845.543</b>
Finance Lease		9.671	0.000	0.000	0.000	0.000	(0.001)	<b>9.670</b>
Donated		5.820	0.000	0.000	0.000	0.000	0.000	<b>5.820</b>
Private Finance Initiative		23.291	0.000	0.000	0.000	0.000	0.000	<b>23.291</b>
		<b>1,385.977</b>	<b>12.233</b>	<b>409.752</b>	<b>4.613</b>	<b>21.300</b>	<b>50.449</b>	<b>1,884.324</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 Accounting Policy 1.14 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	0.160	20.572	20.732
<b>Buildings</b>	0.000	0.217	0.351	0.568
	<b>0.000</b>	<b>0.377</b>	<b>20.923</b>	<b>21.300</b>

The 2021-22 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 2021</b>		<b>1,207.501</b>	<b>65.436</b>		<b>4.641</b>	<b>17.816</b>	<b>41.848</b>	
Additions		20.553	2.990	45.661	0.227	0.019	28.005	<b>97.455</b>
Disposals		(55.336)	(3.290)	0.000	0.000	(1.163)	0.000	<b>(59.789)</b>
Disposals derecognition		(1.762)	0.000	(11.930)	(0.055)	0.000	0.000	<b>(13.747)</b>
Revaluation Gains to RR*	CIES	133.716	0.000	0.000	0.000	1.790	0.000	<b>135.506</b>
Revaluation Losses to RR	CIES	(49.965)	0.000	0.000	0.000	(1.855)	0.000	<b>(51.820)</b>
Revaluation Losses to CIES		(23.235)	0.000	0.000	0.000	(0.397)	0.000	<b>(23.632)</b>
Transfer within PPE		4.128	(0.075)	8.499	1.303	1.710	(15.565)	<b>0.000</b>
Transfer to Held for Sale		0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>At 31 March 2022</b>		<b>1,235.600</b>	<b>65.061</b>		<b>6.116</b>	<b>17.920</b>	<b>54.288</b>	
<b>DEPRECIATION</b>								
<b>At 1 April 2021</b>		<b>(9.268)</b>	<b>(52.464)</b>		<b>(0.037)</b>	<b>(1.725)</b>	<b>0.000</b>	
Charge for year		(24.270)	(2.992)	(13.254)	(0.004)	(0.021)	0.000	<b>(40.541)</b>
Revaluations to RR	CIES	23.256	0.000	0.000	0.000	0.165	0.000	<b>23.421</b>
Impairment to CIES		(0.443)	0.000	0.000	0.000	0.000	0.000	<b>(0.443)</b>
Disposals		1.539	3.154	0.000	0.000	0.002	0.000	<b>4.695</b>
Disposals derecognition		0.116	0.000	2.490	0.000	0.000	0.000	<b>2.606</b>
Transfer within PPE		0.146	0.078	0.000	0.000	(0.224)	0.000	<b>0.000</b>
Transfer to Held for Sale		0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>At 31 March 2022</b>		<b>(8.924)</b>	<b>(52.224)</b>		<b>(0.041)</b>	<b>(1.803)</b>	<b>0.000</b>	
<b>OPENING VALUE</b>		<b>1,198.233</b>	<b>12.972</b>	<b>349.329</b>	<b>4.604</b>	<b>16.091</b>	<b>41.848</b>	<b>1,623.077</b>
<b>CLOSING VALUE</b>		<b>1,226.676</b>	<b>12.837</b>	<b>380.795</b>	<b>6.075</b>	<b>16.117</b>	<b>54.288</b>	<b>1,696.788</b>
<b>NATURE OF ASSET HOLDING</b>								
Purchased / Built		1,191.616	12.837	380.795	6.075	16.117	54.288	<b>1,661.728</b>
Finance Lease		7.535	0.000	0.000	0.000	0.000	0.000	<b>7.535</b>
Donated		5.820	0.000	0.000	0.000	0.000	0.000	<b>5.820</b>
Private Finance Initiative		21.705	0.000	0.000	0.000	0.000	0.000	<b>21.705</b>
		<b>1,226.676</b>	<b>12.837</b>	<b>380.795</b>	<b>6.075</b>	<b>16.117</b>	<b>54.288</b>	<b>1,696.788</b>

\*RR – Revaluation Reserve

## NOTES TO THE CORE FINANCIAL STATEMENTS

In accordance with the temporary relief offered by the Update to the Code on Infrastructure Assets, this note does not include disclosure of gross cost and accumulated depreciation for Infrastructure Assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to Infrastructure Assets.

The Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for Infrastructure Assets when there is replacement expenditure is nil.

Under IFRS13, the Council is required to provide a summary of the fair value measurement for Surplus Assets. The 2021-22 position was:

	<b>Net Book Value (NBV)</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Land</b>	0.000	7.926	7.056	14.982
<b>Buildings</b>	0.000	0.389	0.746	1.135
	<b>0.000</b>	<b>8.315</b>	<b>7.802</b>	<b>16.117</b>

A summary of the Council's Property, Plant and Equipment is included below, giving information as to the proportion of the closing value at 31 March 2023 which relates to assets held at historic cost and the proportion which relates to assets which have been revalued, and if so, the year of that revaluation under the Council's five year rolling programme of physical revaluation. In addition to this physical formal revaluation programme, school assets are revalued each year based on a desk top review. The value of schools revalued in this way at 31 March 2023 is £685.678m.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	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>VALUATION</b>							
At 31 March 2023	312.574	0.000	0.000	0.000	21.300	0.000	333.874
At 31 March 2022	318.337	0.000	0.000	0.000	0.000	0.000	318.337
At 31 March 2021	327.927	0.000	0.000	0.000	0.000	0.000	327.927
At 31 March 2020	239.943	0.000	0.000	0.000	0.000	0.000	239.943
At 31 March 2019	186.441	0.000	0.000	0.000	0.000	0.000	186.441
	<b>1,385.222</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>21.300</b>	<b>0.000</b>	<b>1,406.522</b>
<b>HISTORIC COST</b>	<b>0.755</b>	<b>12.233</b>	<b>409.752</b>	<b>4.613</b>	<b>0.000</b>	<b>50.449</b>	<b>477.802</b>
<b>CLOSING VALUE</b>							
<b>At 31 March 2023</b>	<b>1,385.977</b>	<b>12.233</b>	<b>409.752</b>	<b>4.613</b>	<b>21.300</b>	<b>50.449</b>	<b>1,884.324</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. NATURE AND SCALE OF HERITAGE ASSETS

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

	Monuments, Statues and Historic Buildings £m	County Buildings £m	Archives and Local Studies Collection £m	Museum Collection and Artefacts £m	Heritage Assets £m
<b>COST OR VALUATION</b>					
<b>At 1 April 2022</b>	<b>53.816</b>	<b>0.032</b>	<b>4.000</b>	<b>5.575</b>	<b>63.423</b>
Additions	0.214	0.000	0.000	0.000	<b>0.214</b>
Disposals	0.000	0.000	0.000	(1.136)	<b>(1.136)</b>
Impairment losses/(reversals) through I&E	(0.281)	0.000	0.000	0.000	<b>(0.281)</b>
Revaluations	0.000	0.001	1.000	0.000	<b>1.001</b>
Transfers to/(from) Heritage Assets	(0.024)	0.000	0.000	0.000	<b>(0.024)</b>
Derecognition	(3.186)	0.000	0.000	0.000	<b>(3.186)</b>
<b>At 31 March 2023</b>	<b>50.539</b>	<b>0.033</b>	<b>5.000</b>	<b>4.439</b>	<b>60.011</b>
<b>DEPRECIATION</b>					
<b>At 1 April 2022</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
Depreciation Charge	0.000	0.000	0.000	0.000	<b>0.000</b>
Disposals	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>At 31 March 2023</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
OPENING VALUE	53.816	0.032	4.000	5.575	63.423
<b>CLOSING VALUE</b>	<b>50.539</b>	<b>0.033</b>	<b>5.000</b>	<b>4.439</b>	<b>60.011</b>
<b>NATURE OF CLOSING VALUE</b>					
Cost	0.000	0.000	0.000	0.000	0.000
Valuation	50.539	0.033	5.000	4.439	60.011
	<b>50.539</b>	<b>0.033</b>	<b>5.000</b>	<b>4.439</b>	<b>60.011</b>
<b>NATURE OF ASSET HOLDING</b>					
Purchased / Built	50.539	0.033	5.000	3.773	59.345
Donated	0.000	0.000	0.000	0.666	0.666
	<b>50.539</b>	<b>0.033</b>	<b>5.000</b>	<b>4.439</b>	<b>60.011</b>

The Council's Heritage Assets are categorised as follows:

**Monuments, Statues and Historic Buildings** – the Council owns various historic buildings, the most significant of which is Elvaston Castle, which is held at a valuation of £48.414m at 31 March 2023. It was designed by James Wyatt, in the gothic revival style, in the early 1800s. The castle is situated in approximately 321 acres of open parkland, woodland and historical gardens. The Council has a Masterplan in place and has continued to dedicate capital expenditure to improve access and provide a sustainable future for the castle and its country park.

**County Buildings** – various heritage assets are held at County Buildings. These include pieces of silverware from the former Judges' lodgings and railway nameplates.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

**Museum Collection and Artefacts** – the permanent galleries at Buxton Museum showcase the core collections, covering Peak District archaeology, geology, art and local history. There is a recreated study of the work of archaeologist Sir William Boyd Dawkins, together with a fine art collection of mostly 19<sup>th</sup> and 20<sup>th</sup> century works in watercolours, oils and prints, including works by Brangwyn, Chagall, Chahine and their contemporaries. Also held at the museum is a mineral collection including Blue John, local specimens and cave deposits. There is also a collection of Ice Age material and finds from Creswell Crags on the Derbyshire border. A number of Hans Coper vases are also held.

The 2021-22 position was:

	Monuments, Statues and Historic Buildings £m	County Buildings £m	Archives and Local Studies Collection £m	Museum Collection and Artefacts £m	Heritage Assets £m
<b>COST OR VALUATION</b>					
<b>At 1 April 2021</b>	<b>40.600</b>	<b>0.058</b>	<b>4.250</b>	<b>2.964</b>	<b>47.872</b>
Additions	0.269	0.000	0.000	0.000	<b>0.269</b>
Disposals	0.000	0.000	(0.250)	(0.094)	<b>(0.344)</b>
Impairment losses/(reversals) through I&E	0.000	(0.010)	0.000	0.000	<b>(0.010)</b>
Revaluations	12.976	(0.016)	0.000	2.705	<b>15.665</b>
Derecognition	(0.029)	0.000	0.000	0.000	<b>(0.029)</b>
<b>At 31 March 2022</b>	<b>53.816</b>	<b>0.032</b>	<b>4.000</b>	<b>5.575</b>	<b>63.423</b>
<b>DEPRECIATION</b>					
<b>At 1 April 2021</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
Depreciation Charge	0.000	0.000	0.000	0.000	<b>0.000</b>
Disposals	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>At 31 March 2022</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
OPENING VALUE	40.600	0.058	4.250	2.964	47.872
<b>CLOSING VALUE</b>	<b>53.816</b>	<b>0.032</b>	<b>4.000</b>	<b>5.575</b>	<b>63.423</b>
<b>NATURE OF ASSET HOLDING</b>					
Purchased / Built	53.816	0.032	4.000	4.399	62.247
Donated	0.000	0.000	0.000	1.176	1.176
	<b>53.816</b>	<b>0.032</b>	<b>4.000</b>	<b>5.575</b>	<b>63.423</b>

### 14. 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



## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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
- Archive Collections at Derbyshire Record Office

### 15. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2021-22		2022-23
£m		£m
97.902	Capital Additions	85.265
15.697	Revenue Expenditure Funded from Capital Under Statute	15.043
<b>113.599</b>	<b>Capital Expenditure</b>	<b>100.308</b>
57.423	Loans	44.414
0.363	Revenue Contributions	0.073
3.172	Capital Receipts	1.548
52.641	Grants and Contributions	54.273
<b>113.599</b>	<b>Capital Financing</b>	<b>100.308</b>

2021-22		2022-23
£m		£m
<b>525.679</b>	<b>Opening Capital Financing Requirement (CFR)</b>	<b>571.297</b>
	<b>Capital Investment</b>	
97.755	Property, Plant and Equipment	85.265
0.147	Intangible Assets	0.000
15.697	Revenue Expenditure Funded from Capital under Statute	15.043
	<b>Sources of Finance</b>	
(3.172)	Capital Receipts	(1.548)
(52.641)	Government Grants and other Contributions	(54.273)
(0.363)	Direct Revenue Contributions	(0.073)
(11.805)	Statutory Minimum Revenue Provision	(21.436)
<b>571.297</b>	<b>Closing Capital Financing Requirement (CFR)</b>	<b>594.275</b>
<b>45.618</b>	<b>Movement in Year</b>	<b>22.978</b>
	Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16. INTANGIBLE ASSETS

Intangible assets relate to the purchase of software licences:

	2021-22 £m	2022-23 £m
<b>COST OR VALUATION</b>		
<b>At 1st April</b>	<b>8.800</b>	<b>8.947</b>
Additions	0.147	0.000
<b>At 31st March</b>	<b>8.947</b>	<b>8.947</b>
<b>DEPRECIATION</b>		
<b>At 1st April</b>	<b>(7.640)</b>	<b>(8.233)</b>
Charge for year	(0.593)	(0.314)
<b>At 31st March</b>	<b>(8.233)</b>	<b>(8.547)</b>
OPENING VALUE	1.160	0.714
<b>CLOSING VALUE</b>	<b>0.714</b>	<b>0.400</b>

### 17. ASSETS HELD FOR SALE

2021-22			2022-23	
Carrying Value	RR		Carrying Value	RR
£m	£m		£m	£m
<b>2.896</b>	<b>1.645</b>	<b>At 1 April</b>	<b>2.396</b>	<b>1.434</b>
(0.500)	(0.211)	Sales	0.000	0.000
0.000	0.000	Transfers	0.143	0.539
<b>2.396</b>	<b>1.434</b>	<b>At 31 March</b>	<b>2.539</b>	<b>1.973</b>

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

### 18. NON-CURRENT DEBTORS

31 Mar 2022 £m		Note	31 Mar 2023 £m
0.036	Non-Current Transferred Debt	19	0.034
0.195	Other Non-Current Debtors	19	0.403
<b>0.231</b>	<b>Total Non-Current Debtors</b>		<b>0.437</b>

### 19. FINANCIAL INSTRUMENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Current Financial Assets

	Carrying Value		Fair Value	
	31 Mar 2022 £m	31 Mar 2023 £m	31 Mar 2022 £m	31 Mar 2023 £m
Current Investments	251.812	239.328	251.812	239.328
Cash and Cash Equivalents	46.230	69.889	46.230	69.889
Trade Debtors	27.888	25.417	27.888	25.417
<b>Current Financial Assets</b>	<b>325.930</b>	<b>334.634</b>	<b>325.930</b>	<b>334.634</b>

### Non-Current Financial Assets

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2022 £m	31 Mar 2023 £m	31 Mar 2022 £m	31 Mar 2023 £m
Pooled Investment Funds		1	71.556	63.968	71.556	63.968
Loan to Buxton Crescent Ltd		3	11.292	10.251	12.547	13.053
Loan to Chesterfield FC Community		3	0.449	0.449	0.500	0.500
Other Non-Current Investments		2	14.996	10.000	14.750	9.665
<b>Non-Current Investments</b>			<b>98.293</b>	<b>84.668</b>	<b>99.353</b>	<b>87.186</b>
Non-Current Transferred Debt	18	2	0.036	0.034	0.036	0.034
Other Non-Current Debtors	18	*	0.195	0.402	0.195	0.402
<b>Non-Current Financial Assets</b>			<b>98.524</b>	<b>85.104</b>	<b>99.584</b>	<b>87.622</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 2022 £m	31 Mar 2023 £m	31 Mar 2022 £m	31 Mar 2023 £m
Amortised Costs	352.898	355.770	353.958	358.288
Fair Value through Profit or Loss	71.556	63.968	71.556	63.968
<b>Total Financial Assets</b>	<b>424.454</b>	<b>419.738</b>	<b>425.514</b>	<b>422.256</b>

At 31 March 2023 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 carrying value equal to fair value at 31 March 2023 of £22.657m (original investment £25.000m). This investment is open ended but can be realised with 90 days' notice.

Non-Current Transferred Debt and Other Non-Current Debtors are not quoted on active markets meaning that fair value cannot be accurately calculated. As such they have been reported at carrying value.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The fair values of the Council's deposits and the loans it has made are determined with reference to the principal, term, rate and timing of the interest and the borrower's credit rating.

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

The following financial assets are pooled investment funds which the Council has measured at FVPL. The Council's pooled investment funds are traded on active markets, for which the Council can access the measurement data. The fair values of these funds are determined by the closing bid prices at 31 March 2023. 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 2022 £m	31 Mar 2023 £m	31 Mar 2022 £m	31 Mar 2023 £m
Aegon - Diversified Income Fund	10.111	8.856	10.111	8.856
CCLA - LA Property Fund	27.129	22.657	27.129	22.657
CCLA Diversified Income Fund	5.130	4.674	5.130	4.674
M&G - Optimal Income Fund	4.791	4.436	4.791	4.436
M&G - Global Dividend Fund	6.518	6.414	6.518	6.414
Ninety One Diversified Income Fund	9.320	8.825	9.320	8.825
Schroder - Income Maximiser Fund	8.557	8.106	8.557	8.106
<b>Total</b>	<b>71.556</b>	<b>63.968</b>	<b>71.556</b>	<b>63.968</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 2023.

### 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

	2021-22 £m	2022-23 £m
None	0.000	0.000
<b>From Investments Derecognised</b>	<b>0.000</b>	<b>0.000</b>
Aegon - Diversified Income Fund	0.515	0.516
CCLA - LA Property Fund	0.895	0.982
CCLA Diversified Income Fund	0.123	0.141
M&G - Global Dividend Fund	0.179	0.272
M&G - Optimal Income Fund	0.117	0.142
Ninety One Diversified Income Fund	0.351	0.373
Schroder - Income Maximiser Fund	0.550	0.610
Scape Group Limited shares	0.500	0.350
<b>From Investments Held at Year End</b>	<b>3.230</b>	<b>3.386</b>
<b>Total Dividends Received</b>	<b>3.230</b>	<b>3.386</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 2022 £m	31 Mar 2023 £m	31 Mar 2022 £m	31 Mar 2023 £m
Transferred Debt	(0.007)	(0.008)	(0.007)	(0.008)
Public Works Loan Board	(7.320)	(6.401)	(7.320)	(6.401)
Temporary Loans	(127.500)	(224.500)	(127.500)	(224.500)
Accrued Interest	(2.042)	(2.965)	(2.042)	(2.965)
<b>Current Loans and Borrowing</b>	<b>(136.869)</b>	<b>(233.874)</b>	<b>(136.869)</b>	<b>(233.874)</b>
Trade Creditors	(114.587)	(102.873)	(114.587)	(102.873)
PFI liability	(4.388)	(4.623)	(7.008)	(6.777)
Finance lease liability	(0.400)	(0.423)	(0.400)	(0.423)
<b>Current Financial Liabilities</b>	<b>(256.244)</b>	<b>(341.793)</b>	<b>(258.864)</b>	<b>(343.947)</b>

### Non-Current Financial Liabilities

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2022 £m	31 Mar 2023 £m	31 Mar 2022 £m	31 Mar 2023 £m
Transferred Debt		2	(0.142)	(0.134)	(0.142)	(0.134)
Public Works Loan Board		2	(221.960)	(216.931)	(300.421)	(229.596)
Other Long Term Loans		2	(28.543)	(15.532)	(32.086)	(14.957)
<b>Non-Current Borrowing</b>			<b>(250.645)</b>	<b>(232.597)</b>	<b>(332.649)</b>	<b>(244.687)</b>
PFI liability	25	3	(51.199)	(46.576)	(55.123)	(43.668)
Finance lease liability	25	*	(3.846)	(3.422)	(3.846)	(3.422)
<b>Non-Current Financial Liabilities</b>			<b>(305.690)</b>	<b>(282.595)</b>	<b>(391.618)</b>	<b>(291.777)</b>

\* Fair value disclosure not required

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Financial Liabilities by Measurement Classification

	Carrying Value		Fair Value	
	31 Mar 2022 £m	31 Mar 2023 £m	31 Mar 2022 £m	31 Mar 2023 £m
Amortised Costs	(561.934)	(624.388)	(650.482)	(635.724)
Fair Value through Profit or Loss	0.000	0.000	0.000	0.000
<b>Total Financial Liabilities</b>	<b>(561.934)</b>	<b>(624.388)</b>	<b>(650.482)</b>	<b>(635.724)</b>

The Council has 47 loans with the Public Works Loan Board (PWLB) at 31 March 2023. The start date of the earliest of these PWLB loans was September 1997, with a maturity date of 7 May 2023 (a period of between 25 and 26 years). The most recent start date was November 2007, for a period of 30 years. During the year, two loans with the PWLB were repaid. The average loan rate across the loans is 4.44%. The average discount rate is 5.03%.

At 31 March 2023 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 £5.357m, using a discount rate of 3.950%.
- £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 2023 is £5.330m and the fair value is £4.971m, using a discount rate of 5.112%.
- £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 2023 is £5.202m and the fair value is £4.630m, using a discount rate of 5.096%.

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 44 for further details. The average interest rate across the Council's 16 finance leases is 11.67%. Refer to Note 43 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)	
	2021-22 £m	2022-23 £m
Interest Income	2.188	4.290
Interest Expense	(17.340)	(18.868)
<b>Net Interest Income/(Expense)</b>	<b>(15.152)</b>	<b>(14.578)</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 (Losses)/Gains	
	2021-22 £m	2022-23 £m
Amortised Costs	1.667	(5.877)
Fair Value through Profit or Loss	5.292	(7.588)
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 (Losses)/Gains</b>	<b>6.959</b>	<b>(13.465)</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 Ltd (formerly Buxton Crescent Hotel and Thermal Spa Company Ltd) meet the definition of capital expenditure under statutory provisions, therefore the movement in the loss allowance for default provided for these advances has been reversed out to the Capital Adjustment Account.

Losses from financial assets measured at Fair Value through Profit or Loss (FVPL) relate to movements in the fair value of the Council's investments in pooled investment funds. These losses have been reversed out to the Financial Instruments Adjustment Account as required by the statutory temporary override DLUHC has issued. The override was originally effective for financial years 2018-19 to 2022-23 and has since been extended for a further two years to 2024-25.

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.

	2021-22		2022-23	
	Gains £m	(Losses) £m	Gains £m	(Losses) £m
Loan to Buxton Crescent Ltd	0.000	(0.162)	0.000	0.000
<b>Gains/(Losses) on Derecognition</b>	<b>0.000</b>	<b>(0.162)</b>	<b>0.000</b>	<b>0.000</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Buxton Crescent hotel was scheduled to open in Spring 2020. However, due to the impacts of the Covid-19 pandemic, this opening was delayed until Autumn 2020 and additional closures in line with Government guidance and reduced visitor numbers had a significant negative impact on the hotel's ability to generate any revenues in 2020-21 and early 2021-22. On 19 July 2021 most legal restrictions on social contact were lifted in England and the hotel's operations could start to return to normal.

The Council agreed to write-off £0.566m of interest accruing on the loan to Buxton Crescent Limited, for the year ended 31 March 2021, and £0.162m of interest accruing from 1 April 2021 to 18 July 2021. This is in recognition of the fact that Buxton Crescent Limited's revenues were significantly lower than anticipated because of the Covid-19 pandemic, which has impacted on its ability to afford interest payments on the loan. These write-offs were funded from Covid-19 grant funding.

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

### Fee Income and Expenses

	Income/(Expense)	
	2021-22 £m	2022-23 £m
Fees From Instruments not at FVPL	(0.132)	(0.144)
Fees From Investing Activities on Behalf of Other Parties	0.030	0.032
<b>Net Fee Income/(Expense)</b>	<b>(0.102)</b>	<b>(0.112)</b>

The Council incurred £0.144m in brokerage fees to execute transactions relating to new loans the Council took out. All of these loans had a term of one year or less. £0.032m 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 2023, 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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2023, using the following methods and assumptions:

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

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

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

## 20. INVENTORIES

	2021-22			2022-23		
	Highways	Other	Total	Highways	Other	Total
	£m	£m	£m	£m	£m	£m
<b>1 April</b>	<b>0.409</b>	<b>1.179</b>	<b>1.588</b>	<b>0.309</b>	<b>1.149</b>	<b>1.458</b>
Purchase of new stock	0.973	1.574	2.547	1.060	1.922	2.982
Stock issued	(1.073)	(1.598)	(2.671)	(1.035)	(1.841)	(2.876)
Stock written off	0.000	(0.006)	(0.006)	0.000	(0.015)	(0.015)
<b>31 March</b>	<b>0.309</b>	<b>1.149</b>	<b>1.458</b>	<b>0.334</b>	<b>1.215</b>	<b>1.549</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 21. CURRENT DEBTORS

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

31 Mar 2022 £m		31 Mar 2023 £m
10.570	From Other Local Authorities	15.544
7.464	From NHS Bodies	3.587
12.260	From Government Departments	16.570
4.453	From Derbyshire Pension Fund	2.110
52.835	From Other Sundry Debtors	55.930
<b>87.582</b>	<b>Amounts Owed to the Council</b>	<b>93.741</b>
0.024	To Other Local Authorities	0.012
0.020	To Government Departments	0.531
4.831	To Other Sundry Debtors	7.522
<b>4.875</b>	<b>Expenditure Paid in Advance by the Council</b>	<b>8.065</b>
<b>92.457</b>	<b>Total Current Debtors</b>	<b>101.806</b>
(2.073)	Less Allowance for Expected Credit Losses	(5.940)
<b>90.384</b>	<b>Carrying Value of Current Debtors</b>	<b>95.866</b>

### 22. CASH AND CASH EQUIVALENTS

31 Mar 2022 £m		31 Mar 2023 £m
41.991	County Fund Bank Account Balance	31.586
<b>41.991</b>	<b>Cash Book for County Fund Account</b>	<b>31.586</b>
0.208	Schools Cash Income Account Balance	0.321
<b>0.208</b>	<b>Cash Book for Schools Cash Account</b>	<b>0.321</b>
<b>42.199</b>	<b>Total Cash Book Balance</b>	<b>31.907</b>
2.132	Amounts held by Bank Account Schools	2.444
0.453	Amounts held in Petty Cash Accounts	0.472
0.452	Amounts held in Imprest Bank Accounts	0.422
(0.004)	Amounts held in Other Bank Accounts	(0.004)
<b>45.232</b>	<b>Total Cash Balance</b>	<b>35.241</b>
1.009	Bank Instant-Access Deposit Accounts	1.058
0.000	Short-Term Deposits	33.620
(0.011)	Cash Investment Loss Allowance	(0.030)
<b>46.230</b>	<b>Total Cash and Cash Equivalents</b>	<b>69.889</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. CREDITORS

The creditor balance can be analysed into the following categories:

31 Mar 2022 £m		31 Mar 2023 £m
(8.033)	To Other Local Authorities	(9.843)
(1.319)	To NHS Bodies	(2.495)
(15.364)	To Government Departments	(14.585)
(120.506)	To Other Sundry Creditors	(110.466)
<b>(145.222)</b>	<b>Amounts Owed by the Council</b>	<b>(137.389)</b>
(0.545)	From Other Local Authorities	(0.731)
(15.104)	From NHS Bodies	(9.461)
(29.064)	From Government Departments	(15.701)
(7.721)	From Other Sundry Creditors	(6.431)
<b>(52.434)</b>	<b>Income Received in Advance by the Council</b>	<b>(32.324)</b>
<b>(197.656)</b>	<b>Carrying Value of Creditors</b>	<b>(169.713)</b>

### 24. PROVISIONS

#### Total Provisions

	Insurance Fund	Exit Packages	Other	Total
	£m	£m	£m	£m
1 April 2021	9.120	0.625	5.775	15.520
New Provisions	3.766	2.246	3.902	9.914
Utilisation of Provision	(4.524)	(0.628)	(5.559)	(10.711)
Reversal of Provision	0.000	0.000	(0.216)	(0.216)
<b>1 April 2022</b>	<b>8.362</b>	<b>2.243</b>	<b>3.902</b>	<b>14.507</b>
New Provisions	8.457	2.346	3.785	14.588
Utilisation of Provision	(9.441)	(1.049)	(1.165)	(11.655)
Reversal of Provision	0.000	(1.246)	(2.737)	(3.983)
<b>31 March 2023</b>	<b>7.378</b>	<b>2.294</b>	<b>3.785</b>	<b>13.457</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Maturity Profile of Provisions

	Insurance Fund	Exit Packages	Other	Total
	£m	£m	£m	£m
Current Provisions	0.000	2.243	3.902	6.145
Non-Current Provisions	8.362	0.000	0.000	8.362
<b>31 March 2022</b>	<b>8.362</b>	<b>2.243</b>	<b>3.902</b>	<b>14.507</b>
Current Provisions	0.000	2.294	3.785	6.079
Non-Current Provisions	7.378	0.000	0.000	7.378
<b>31 March 2023</b>	<b>7.378</b>	<b>2.294</b>	<b>3.785</b>	<b>13.457</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 £2.415m in 2023-24. There are expected to be no cash outflows in 2024-25 and 2025-26.

### 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 £23.420m (31 March 2022: £24.401m). The provision of £7.378m represents obligations as at 31 March as a result of past claims. The reserve balance of £16.042m 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 2023 the other provisions balance of £3.785m is comprised of £2.980m for a refund expected to be payable to the Derby and Derbyshire ICB in respect of income recognised relating to Continuing Healthcare and £0.478m expected to be payable for outstanding post-16 payments to colleges. The timing and amount of payments in respect of these provisions are not yet known. A further £0.327m is expected to be payable for the clawback of grant funding from Derbyshire's Adult Community Education Service, which will be determined at the end of the academic year.

The timing of the cash outflows is not expected to be later than one year from 31 March 2023.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 25. NON-CURRENT TOTAL PENSION LIABILITY/ASSET AND OTHER NON-CURRENT LIABILITIES

#### Non-Current Total Pension (Liability)/Asset

31 Mar 2022 £m		31 Mar 2023 £m
(759.230)	Net Pension (Liability)/Asset - LGPS	73.379
(52.653)	Net Pension (Liability) - Teachers	(44.056)
<b>(811.883)</b>	<b>Total Pension (Liability)/Asset</b>	<b>29.323</b>

#### Other Non-Current Liabilities

31 Mar 2022 £m		31 Mar 2023 £m
(11.831)	PFI Phase 1	(10.199)
(16.858)	PFI Phase 2	(15.387)
(22.510)	PFI - BSF	(20.990)
(2.746)	Finance Lease - Joint Service Centre	(2.660)
(1.100)	Finance Lease - Other Leases	(0.762)
<b>(55.045)</b>		<b>(49.998)</b>

Further information about the leases, PFI scheme and net pension liability/asset can be found in Notes 43 to 46.

### 26. 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 11 and 27.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 27. TRANSFERS TO / FROM EARMARKED RESERVES

	1 Apr 2021 £m	Transfers In £mOut £m		31 Mar 2022 £m	Transfers In £mOut £m		31 Mar 2023 £m
Adult Care							
Older People's Housing Strategy	(16.103)	0.000	0.000	(16.103)	0.000	3.337	(12.766)
Prior Year Underspends	0.000	(0.807)	0.000	(0.807)	(2.669)	0.000	(3.476)
Telecare	(1.500)	0.000	1.500	0.000	0.000	0.000	0.000
Other reserves	(0.039)	(0.093)	0.113	(0.019)	(0.009)	0.000	(0.028)
Sub Total	(17.642)	(0.900)	1.613	(16.929)	(2.678)	3.337	(16.270)
Clean Growth and Regeneration							
Regeneration Kick-Start Feasibility Fund	0.000	(2.000)	0.638	(1.362)	(4.000)	2.827	(2.535)
Skills Training	(0.111)	0.000	0.012	(0.099)	(0.776)	0.020	(0.855)
Markham Environment Centre	(0.114)	0.000	0.000	(0.114)	0.000	0.000	(0.114)
Other reserves	(0.395)	(0.006)	0.092	(0.309)	0.000	0.000	(0.309)
Sub Total	(0.620)	(2.006)	0.742	(1.884)	(4.776)	2.847	(3.813)
Corporate Services and Budget							
Revenue Contributions to Capital	(44.584)	(20.478)	14.228	(50.834)	(22.598)	13.649	(59.783)
Loan Modification Gains	(25.254)	0.000	1.024	(24.230)	0.000	1.116	(23.114)
Insurance and Risk Management	(17.104)	(0.047)	1.114	(16.037)	(0.506)	0.500	(16.043)
Budget Management	(11.917)	(20.854)	17.137	(15.634)	(27.398)	30.748	(12.284)
Business Development and Economic Recovery Fund	(15.000)	0.000	3.938	(11.062)	0.000	4.277	(6.785)
Business Rates Risks	0.000	0.000	0.000	0.000	(8.406)	1.838	(6.568)
Covid Emergency and SFC Losses Grants	(11.248)	(16.810)	12.688	(15.370)	0.000	8.963	(6.407)
Cyber Security	0.000	0.000	0.000	0.000	(4.000)	0.000	(4.000)
Planned Building Maintenance	(6.553)	(0.279)	1.210	(5.622)	(0.245)	2.603	(3.264)
Property Insurance Maintenance Pool	(2.997)	(1.481)	1.723	(2.755)	(1.898)	1.593	(3.060)
Prior Year Underspends	(2.878)	(1.326)	1.642	(2.562)	(1.319)	0.871	(3.010)
Investment Losses Contingency	(2.500)	0.000	0.000	(2.500)	0.000	0.000	(2.500)
Computer Purchasing	(2.850)	(0.813)	0.393	(3.270)	(0.025)	0.848	(2.447)
PFI Reserves	(1.980)	(0.335)	0.693	(1.622)	(0.599)	0.157	(2.064)
Feasibility Assessment	0.000	0.000	0.000	0.000	(2.510)	1.095	(1.415)
Inflation Risks	0.000	0.000	0.000	0.000	(10.000)	8.773	(1.227)
Demolition of Buildings	(0.377)	(0.330)	0.370	(0.337)	(1.141)	0.385	(1.093)
Exchequer Traded Services Risks	(0.850)	(0.234)	0.015	(1.069)	(0.040)	0.050	(1.059)
Business Rates Pool	(6.301)	(2.248)	0.155	(8.394)	0.000	7.394	(1.000)
Business Rates Strategic Investment Fund	(1.988)	0.000	1.056	(0.932)	0.000	0.000	(0.932)
Change Management	(1.163)	0.000	0.629	(0.534)	0.000	0.194	(0.340)
Post-Covid Funding Risks	0.000	(14.000)	0.000	(14.000)	0.000	14.000	0.000
Property DLO	(1.424)	(0.134)	1.221	(0.337)	(0.202)	0.539	0.000
Covid-19 Tax Income Guarantee Grant	(1.267)	0.000	1.267	0.000	0.000	0.000	0.000
Other reserves	(4.335)	(1.234)	2.982	(2.587)	(0.704)	1.201	(2.090)
Sub Total	(162.570)	(80.603)	63.485	(179.688)	(81.591)	100.794	(160.485)

## NOTES TO THE CORE FINANCIAL STATEMENTS

	1 Apr 2021 £m	Transfers In £m	Out £m	31 Mar 2022 £m	Transfers In £m	Out £m	31 Mar 2023 £m
<b>Childrens Services and Safeguarding and Education</b>							
Schools Balances	(34.925)	(7.268)	3.849	(38.344)	(3.042)	8.087	(33.299)
Tackling Troubled Families	(3.818)	(1.781)	1.533	(4.066)	(2.238)	1.289	(5.015)
Prior Year Underspends	(0.235)	0.000	0.069	(0.166)	(0.957)	0.000	(1.123)
Education Levelling Up	0.000	0.000	0.000	0.000	(1.000)	0.103	(0.897)
Childrens Services IT Systems	(0.657)	0.000	0.213	(0.444)	(0.200)	0.224	(0.420)
Primary Teacher Pooled Premiums	(0.653)	(0.267)	0.653	(0.267)	(0.316)	0.267	(0.316)
Dedicated Schools Grant (DSG)	0.000	(1.023)	1.023	0.000	(1.177)	0.902	(0.275)
Other reserves	(1.549)	(0.401)	1.083	(0.867)	(0.271)	0.495	(0.643)
<b>Sub Total</b>	<b>(41.837)</b>	<b>(10.740)</b>	<b>8.423</b>	<b>(44.154)</b>	<b>(9.201)</b>	<b>11.367</b>	<b>(41.988)</b>
<b>Highways Assets and Transport</b>							
Bus Services Improvement Plan Grant	0.000	0.000	0.000	0.000	(6.357)	0.000	(6.357)
Prior Year Underspends	(11.301)	(0.706)	1.679	(10.328)	(0.905)	7.174	(4.059)
Highway Development Control Interface	0.000	(1.500)	0.000	(1.500)	0.000	0.000	(1.500)
Highway Drainage	0.000	0.000	0.000	0.000	(0.747)	0.000	(0.747)
Derby and Derbyshire Road Safety Partnership Reserve	(0.617)	(0.044)	0.128	(0.533)	(0.102)	0.024	(0.611)
Winter Maintenance	(2.000)	0.000	0.765	(1.235)	0.000	0.955	(0.280)
Commuted Highways Maintenance	(1.710)	0.000	0.000	(1.710)	(0.222)	1.932	0.000
Other reserves	(1.979)	0.000	0.609	(1.370)	(0.162)	0.451	(1.081)
<b>Sub Total</b>	<b>(17.607)</b>	<b>(2.250)</b>	<b>3.181</b>	<b>(16.676)</b>	<b>(8.495)</b>	<b>10.536</b>	<b>(14.635)</b>
<b>Health and Communities</b>							
Homes for Ukraine Grant	0.000	0.000	0.000	0.000	(10.415)	0.000	(10.415)
Public Health Grant	(8.532)	0.000	0.440	(8.092)	0.000	0.341	(7.751)
Domestic Abuse	(1.622)	(0.003)	0.521	(1.104)	(0.792)	0.520	(1.376)
Community Safety	(0.021)	(0.022)	0.000	(0.043)	(1.218)	0.000	(1.261)
Grant Funding Prospectus	0.000	0.000	0.000	0.000	(1.650)	0.641	(1.009)
Covid Test and Trace Grant	(3.385)	0.000	0.160	(3.225)	0.000	3.225	0.000
Covid Practical Support Funding	0.000	(1.314)	0.000	(1.314)	0.000	1.314	0.000
Other reserves	(2.210)	(0.143)	1.610	(0.743)	(0.068)	0.061	(0.750)
<b>Sub total</b>	<b>(15.770)</b>	<b>(1.482)</b>	<b>2.731</b>	<b>(14.521)</b>	<b>(14.143)</b>	<b>6.102</b>	<b>(22.562)</b>
<b>Infrastructure and Environment</b>							
Digital Growth	0.000	(2.340)	0.000	(2.340)	(0.372)	0.272	(2.440)
Waste Recycling Initiatives	(0.598)	(0.100)	0.000	(0.698)	0.000	0.125	(0.573)
Elvaston Maintenance	(0.198)	(0.073)	0.000	(0.271)	(0.029)	0.000	(0.300)
Bidding and Funding Team	0.000	0.000	0.000	0.000	(0.100)	0.000	(0.100)
Other reserves	(0.492)	(0.012)	0.145	(0.359)	(0.150)	0.142	(0.367)
<b>Sub Total</b>	<b>(1.288)</b>	<b>(2.525)</b>	<b>0.145</b>	<b>(3.668)</b>	<b>(0.651)</b>	<b>0.539</b>	<b>(3.780)</b>

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	1 Apr 2021 £m	Transfers In £m		Out £m	31 Mar 2022 £m	Transfers In £m		Out £m	31 Mar 2023 £m
Strategic Leadership, Culture, Tourism and Climate Change									
Climate Change	0.000	0.000	0.000	0.000	0.000	(4.171)	0.000	(4.171)	
Green Entrepreneurs	0.000	(2.000)	0.096	(1.904)	0.000	0.242	(1.662)		
Community Managed Libraries	(0.742)	0.000	0.000	(0.742)	(0.593)	0.423	(0.912)		
Vision Derbyshire Economic Development Pilot	0.000	(1.000)	0.113	(0.887)	0.000	0.376	(0.511)		
Library Restructure	(0.429)	0.000	0.000	(0.429)	0.000	0.000	(0.429)		
Policy and Research	(0.660)	0.000	0.000	(0.660)	0.000	0.329	(0.331)		
Other reserves	(1.340)	(0.989)	1.136	(1.193)	(0.028)	0.397	(0.824)		
Sub Total	(3.171)	(3.989)	1.345	(5.815)	(4.792)	1.767	(8.840)		
Overall Totals	(260.505)	(104.495)	81.665	(283.335)	(126.327)	137.289	(272.373)		

Some prior year Earmarked Reserves balances have been recategorised to align with the portfolio which has contributed most to the balance at 31 March 2023.

The Council's detailed Reserves Policy for 2023 explains the nature and purpose of these reserves.

### 28. 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 2022 £m		31 Mar 2023 £m
787.970	Revaluation Reserve	958.319
411.876	Capital Adjustment Account	402.506
(4.562)	Financial Instruments Adjustment Account	(4.700)
1.556	Pooled Investments Adjustment Account	(6.032)
0.579	Deferred Capital Receipts Reserve	0.790
(811.883)	Pensions Reserve	29.323
(0.076)	Collection Fund Adjustment Account	2.069
(5.050)	DSG Adjustment Account	(5.050)
(7.521)	Accumulated Absences Account	(8.485)
<b>372.889</b>	<b>Balance at 31 March</b>	<b>1,368.740</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

The movements in unusable reserves in 2022-23 are detailed below.

Narrative	Note	Unusable reserves									Total Unusable Reserves £m
		Deferred Capital Receipts £m	Revaluation Reserve £m	Capital Adjustment Account £m	Pooled Investments Adjustment Account £m	Financial Instruments Adjustment Account £m	Accumulated Absences Account £m	Collection Fund Adjustment Account £m	DSG Adjustment Account £m	Pensions Reserve £m	
<b>BALANCE AT 31 MARCH 2022</b>		<b>(0.579)</b>	<b>(787.970)</b>	<b>(411.877)</b>	<b>(1.557)</b>	<b>4.562</b>	<b>7.523</b>	<b>0.077</b>	<b>5.050</b>	<b>811.883</b>	<b>(372.888)</b>
<b>Comprehensive Income &amp; Expenditure</b>		<b>0.000</b>	<b>(220.830)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(926.950)</b>	<b>(1,147.780)</b>
<b>Adjustments between accounting basis and funding basis</b>											
Depreciation of Non-Current Assets	12	0.000	14.408	29.494	0.000	0.000	0.000	0.000	0.000	0.000	43.902
Impairment of Non-Current Assets	12	0.000	0.000	20.614	0.000	0.000	0.000	0.000	0.000	0.000	20.614
Application of Capital Grants credited to the CIES	37	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Disposal of Non-Current Assets	12	(0.221)	36.073	21.557	0.000	0.000	0.000	0.000	0.000	0.000	57.409
Revenue Expenditure Funded from Capital Under Statute		0.000	0.000	15.043	0.000	0.000	0.000	0.000	0.000	0.000	15.043
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	0.965	0.000	0.000	0.000	0.965
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	(2.145)	0.000	0.000	(2.145)

## NOTES TO THE CORE FINANCIAL STATEMENTS

Reversal of items relating to retirement benefits debited or credited to the CIES	46	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	150.348	150.348
Statutory provision for the financing of capital investment		0.000	0.000	(21.437)	0.000	0.000	0.000	0.000	0.000	0.000	(21.437)
Principal repayments of transferred debt		0.000	0.000	(0.007)	0.000	0.000	0.000	0.000	0.000	0.000	(0.007)
Capital expenditure charged in the year to the General Reserve		0.000	0.000	(0.073)	0.000	0.000	0.000	0.000	0.000	0.000	(0.073)
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	19	0.000	0.000	0.000	7.588	0.000	0.000	0.000	0.000	0.000	7.588
Amount by which finance costs (proportion of previous years' premiums and interest rates) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	19	0.000	0.000	0.000	0.000	0.139	0.000	0.000	0.000	0.000	0.139
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	19	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	46	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(64.604)	(64.604)
Deferred Capital Receipts becoming usable		0.010	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.010
Dedicated Schools Grant (DSG) deficit movement	36	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Financing of capital expenditure	15	0.000	0.000	(55.821)	0.000	0.000	0.000	0.000	0.000	0.000	(55.821)
<b>Adjustments between accounting basis and funding basis</b>		<b>(0.211)</b>	<b>50.481</b>	<b>9.370</b>	<b>7.588</b>	<b>0.139</b>	<b>0.965</b>	<b>(2.145)</b>	<b>0.000</b>	<b>85.744</b>	<b>151.931</b>
<b>Reserves movements</b>											
Transfer to Earmarked Reserves	27	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	27	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>Total movements</b>		<b>(0.211)</b>	<b>50.481</b>	<b>9.370</b>	<b>7.588</b>	<b>0.139</b>	<b>0.965</b>	<b>(2.145)</b>	<b>0.000</b>	<b>85.744</b>	<b>151.931</b>
<b>BALANCE AT 31 MARCH 2023</b>		<b>(0.790)</b>	<b>(958.319)</b>	<b>(402.507)</b>	<b>6.031</b>	<b>4.701</b>	<b>8.488</b>	<b>(2.068)</b>	<b>5.050</b>	<b>(29.323)</b>	<b>(1,368.737)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The movements in unusable reserves in 2021-22 are detailed below.

Narrative	Note	Restated Unusable reserves									Restated Total Unusable Reserves £m
		Deferred Capital Receipts £m	Revaluation Reserve £m	Capital Adjustment Account £m	Pooled Investments Adjustment Account £m	Financial Instruments Adjustment Account £m	Accumulated Absences Account £m	Collection Fund Adjustment Account £m	DSG Adjustment Account £m	Restated Pensions Reserve £m	
<b>RESTATED BALANCE AT 31 MARCH 2021</b>		<b>(1.087)</b>	<b>(712.056)</b>	<b>(445.056)</b>	<b>3.735</b>	<b>4.840</b>	<b>8.315</b>	<b>9.142</b>	<b>1.157</b>	<b>1,024.523</b>	<b>(106.487)</b>
<b>Comprehensive Income &amp; Expenditure</b>		<b>0.000</b>	<b>(122.772)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(304.953)</b>	<b>(427.725)</b>
<b>Adjustments between accounting basis and funding basis</b>											
Depreciation of Non-Current Assets	12	0.000	13.916	27.217	0.000	0.000	0.000	0.000	0.000	0.000	41.133
Impairment of Non-Current Assets	12	0.000	0.000	24.085	0.000	0.000	0.000	0.000	0.000	0.000	24.085
Application of Capital Grants credited to the CIES	37	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Disposal of Non-Current Assets	12	(0.375)	32.942	34.167	0.000	0.000	0.000	0.000	0.000	0.000	66.734
Revenue Expenditure Funded from Capital Under Statute		0.000	0.000	15.697	0.000	0.000	0.000	0.000	0.000	0.000	15.697
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	(0.792)	0.000	0.000	0.000	(0.792)
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	(9.065)	0.000	0.000	(9.065)

## NOTES TO THE CORE FINANCIAL STATEMENTS

Reversal of items relating to retirement benefits debited or credited to the CIES	46	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	156.729	156.729
Statutory provision for the financing of capital investment		0.000	0.000	(11.805)	0.000	0.000	0.000	0.000	0.000	0.000	(11.805)
Principal repayments of transferred debt		0.000	0.000	(0.006)	0.000	0.000	0.000	0.000	0.000	0.000	(0.006)
Capital expenditure charged in the year to the General Reserve		0.000	0.000	(0.363)	0.000	0.000	0.000	0.000	0.000	0.000	(0.363)
Reversal of gains/losses on pooled investment funds measured at FVPL	19	0.000	0.000	0.000	(5.292)	0.000	0.000	0.000	0.000	0.000	(5.292)
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	19	0.000	0.000	0.000	0.000	(0.278)	0.000	0.000	0.000	0.000	(0.278)
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	19	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	46	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(64.416)	(64.416)
Deferred Capital Receipts becoming usable		0.883	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.883
Dedicated Schools Grant (DSG) deficit movement	36	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3.893	0.000	3.893
Financing of capital expenditure	15	0.000	0.000	(55.813)	0.000	0.000	0.000	0.000	0.000	0.000	(55.813)
<b>Adjustments between accounting basis and funding basis</b>		<b>0.508</b>	<b>46.858</b>	<b>33.179</b>	<b>(5.292)</b>	<b>(0.278)</b>	<b>(0.792)</b>	<b>(9.065)</b>	<b>3.893</b>	<b>92.313</b>	<b>161.324</b>
<b>Reserves movements</b>											
Transfer to Earmarked Reserves	27	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	27	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>Total movements</b>		<b>0.508</b>	<b>46.858</b>	<b>33.179</b>	<b>(5.292)</b>	<b>(0.278)</b>	<b>(0.792)</b>	<b>(9.065)</b>	<b>3.893</b>	<b>92.313</b>	<b>161.324</b>
<b>BALANCE AT 31 MARCH 2022</b>		<b>(0.579)</b>	<b>(787.970)</b>	<b>(411.877)</b>	<b>(1.557)</b>	<b>4.562</b>	<b>7.523</b>	<b>0.077</b>	<b>5.050</b>	<b>811.883</b>	<b>(372.888)</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 2023</b>			
Property, Plant and Equipment	12	1,884.324	900.575
Heritage Assets	13	60.011	55.770
Assets Held for Sale	17	2.539	1.973
		<b>1,946.874</b>	<b>958.318</b>
<b>31 March 2022</b>			
Property, Plant and Equipment	12	1,696.787	727.917
Heritage Assets	13	63.423	58.619
Assets Held for Sale	17	2.396	1.434
		<b>1,762.606</b>	<b>787.970</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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### **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. The override was originally effective for financial years 2018-19 to 2022-23 and has since been extended for a further two years to 2024-25.

### **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 credit balance on the Pensions Reserve at 31 March 2023 shows a small surplus 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 an appropriate level of funding will have been set aside by the time the benefits come to be paid.

### **Collection Fund Adjustment Account**

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

### **Dedicated Schools Grant (DSG) Adjustment Account**

The Dedicated Schools Grant (DSG) Adjustment Account separates schools' budget deficits from the General Reserve Balance for a period of six financial years from 2020-21. Deficits arise where schools' budget expenditure exceeds that of available funding provided through the DSG. Where a local authority has a closing deficit balance on its schools' budget at 31 March for the financial years 2020-21 to 2025-26, it must not charge the amount of that deficit to a revenue account. The local authority must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its schools' budget. The DSG Adjustment Account carries forward the deficit to be funded from future DSG income.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

### 29. EXTERNAL AUDIT COSTS

2021-22 £m		2022-23 £m
	<b>Audit Fees</b>	
0.097	External Audit Fees <sup>1</sup>	0.128
0.032	External Audit Fees - Additional Fees for Prior Year	0.006
0.004	Other Fees Payable to the External Auditor	0.005
<b>0.133</b>		<b>0.139</b>

<sup>1</sup>For 2022-23 external audit fees include scale fees and expected additional fees in respect of the 2022-23 external audit, which are recurring but are not included in the scale fees.

### 30. MEMBERS' ALLOWANCES

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

2021-22 £m		2022-23 £m
1.143	Allowances	1.170
0.012	Expenses	0.016
<b>1.155</b>		<b>1.186</b>

In addition to these payments during the year, the Council has also accrued a further £0.056m at 31 March 2023, in respect of the 2022-23 pay award for elected Members, which was approved at the full Council meeting on 22 March 2023, backdated to 1 April 2022 and paid following the year-end, in April 2023.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 31. OFFICERS' REMUNERATION

The definition of a 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 notes and changes in respect of the Council's Senior Officers which occurred during 2021-22 and 2022-23 are relevant to the table of remuneration paid to the Council's Senior Officers below:

- <sup>1</sup>The Executive Director of Adult Social Care and Health left the Council on 12 March 2023.
- <sup>2</sup>The Interim Executive Director of Adult Social Care and Health was appointed on 13 March 2023.
- <sup>3</sup>The Executive Director of Childrens' Services left the Council on 4 October 2021.
- <sup>4</sup>The new Executive Director of Childrens' Services commenced this employment on 6 December 2021.
- <sup>5</sup>Emma Alexander, the Managing Executive Director, Commissioning, Communities and Policy, became the Managing Director on 6 December 2021.
- <sup>6</sup>The Interim Director of Economy, Transport & Environment left the Council on 31 May 2021.
- <sup>7</sup>The Executive Director of Place commenced this employment on 17 May 2021.
- <sup>8</sup>The Director of Finance and ICT became the Interim Executive Director of Corporate Services & Transformation (Section 151 Officer) on 10 January 2022, returned to the position of Director of Finance and ICT on 4 July 2022, and left the Council on 2 January 2023.
- <sup>9</sup>The Interim Director of Finance and ICT was appointed on 3 January 2023.
- <sup>10</sup>The Executive Director of Corporate Services & Transformation was appointed on 4 July 2022.
- <sup>11</sup>The Director of Public Health left the Council on 31 August 2022.
- <sup>12</sup>The new Director of Public Health commenced this employment on 1 September 2022.
- <sup>13</sup>The Director of Community Services left the Council on 6 April 2021 and was not replaced.
- <sup>14</sup>The Director of Organisation, Development and Policy and the Director of Property no longer reported directly to the Head of Paid Service from 10 January 2022, and as a result their 2021-22 remuneration disclosed in the table only reflects the period up to that date.



## NOTES TO THE CORE FINANCIAL STATEMENTS

2021-22					2022-23			
Salary	Employer's Pension Contributions	Compensation for Loss of Employment	Total Remuneration 2021-22		Salary	Employer's Pension Contributions	Compensation for Loss of Employment	Total Remuneration 2022-23
£	£	£	£		£	£	£	£
127,403	19,747	0	147,151	Executive Director of Adult Social Care and Health <sup>1</sup>	112,671	17,464	0	130,136
0	0	0	0	Interim Executive Director of Adult Social Care and Health <sup>2</sup>	5,368	832	0	6,200
66,861	10,364	0	77,225	Executive Director of Children's Services <sup>3</sup>	0	0	0	0
41,141	6,377	0	47,518	Executive Director of Children's Services <sup>4</sup>	131,491	20,381	0	151,873
102,511	15,889	0	118,400	Managing Executive Director, Commissioning, Communities and Policy <sup>5</sup>	0	0	0	0
53,693	8,322	0	62,016	Managing Director <sup>5</sup>	166,908	25,871	0	192,779
19,040	0	0	19,040	Interim Director of Economy, Transport & Environment <sup>6</sup>	0	0	0	0
114,973	17,821	0	132,794	Executive Director of Place <sup>7</sup>	133,525	20,696	0	154,221
78,971	12,240	0	91,211	Director of Finance and ICT <sup>8</sup>	52,400	8,122		60,523
0	0	0	0	Interim Director of Finance and ICT <sup>9</sup>	21,719	3,367	0	25,086
0	0	0	0	Executive Director of Corporate Services & Transformation <sup>10</sup>	99,067	15,355	0	114,422
27,917	4,327	0	32,244	Interim Executive Director of Corporate Services & Transformation (Section 151 Officer) <sup>8</sup>	31,235	4,841	0	36,076
103,169	21,335	0	124,504	Director of Public Health <sup>11</sup>	42,987	9,371	0	52,358
0	0	0	0	Director of Public Health <sup>12</sup>	55,833	12,171	0	68,004
1,232	191	0	1,423	Director of Community Services <sup>13</sup>	0	0	0	0
94,532	14,652	0	109,185	Director of Legal and Democratic Services	98,803	15,314	0	114,118
76,934	11,925	0	88,859	Director of Organisation, Development and Policy <sup>14</sup>	0	0	0	0
78,545	12,174	0	90,719	Director of Property <sup>14</sup>	0	0	0	0

## NOTES TO THE CORE FINANCIAL STATEMENTS

Employer's Pension Contributions in the Council's Senior Officers' Remuneration table only include the future service cost, which is the primary employer's pension contribution rate multiplied by the Senior Officer's pensionable pay.

The Council's employees earning above £50,000 during the year have been paid the following amounts:

2021-22					2022-23			
No of Employees					No of Employees			
School Staff	Senior Officers	Other	Total	Remuneration Between:	School Staff	Senior Officers	Other	Total
127	0	94	221	£50,000 and £54,999	139	0	121	260
105	0	58	163	£55,000 and £59,999	106	0	65	171
76	0	56	132	£60,000 and £64,999	86	0	68	154
63	1	17	81	£65,000 and £69,999	64	0	16	80
31	0	7	38	£70,000 and £74,999	41	0	10	51
7	0	1	8	£75,000 and £79,999	12	1	4	17
5	0	4	9	£80,000 and £84,999	7	1	2	10
2	0	1	3	£85,000 and £89,999	2	0	2	4
4	1	6	11	£90,000 and £94,999	1	1	3	5
2	0	2	4	£95,000 and £99,999	3	2	2	7
1	3	0	4	£100,000 and £104,999	1	1	0	2
1	1	1	3	£105,000 and £109,999	1	0	1	2
0	1	0	1	£110,000 and £114,999	1	1	0	2
1	0	0	1	£115,000 and £119,999	0	0	1	1
0	0	0	0	£120,000 and £124,999	1	0	0	1
0	1	0	1	£125,000 and £129,999	0	0	1	1
0	0	0	0	£130,000 and £134,999	0	2	0	2
0	1	0	1	£155,000 and £159,999	0	0	0	0
0	0	0	0	£165,000 and £169,999	0	1	0	1
425	9	247	681		465	10	296	771

Where the total annual salary received by employees that have held Senior Officers' roles at any point during the year exceeds £50,000, they have also been included in the table above, in addition to the Senior Officers' Remuneration table.

Remuneration includes gross income and compensation for loss of employment.

### 32. TERMINATION BENEFITS

The Council has terminated the contracts of a number of employees in 2022-23, incurring liabilities of £1.255m (2021-22: £1.358m). 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	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
	actual	actual	actual	actual	actual	actual	actual	actual
							£m	£m
£0-£20k	31	55	19	29	50	84	0.335	0.458
£20k-£40k	4	6	8	4	12	10	0.351	0.266
£40k-£60k	0	2	3	4	3	6	0.170	0.320
£60k-£80k	1	3	3	0	4	3	0.277	0.211
£80k - £100k	0	0	1	0	1	0	0.098	0.000
£100k-£150k	1	0	0	0	1	0	0.127	0.000
	<b>37</b>	<b>66</b>	<b>34</b>	<b>37</b>	<b>71</b>	<b>103</b>	<b>1.358</b>	<b>1.255</b>

### 33. 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. The Council was a partner to the fund along with the 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. There have been a number of changes to the structure of the Council's NHS partners in the BCF since then.

In 2019-20 the 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 the NHS Derby and Derbyshire Clinical Commissioning Group. The NHS Tameside and Glossop Clinical Commissioning Group remained separate. On 1 July 2022 the NHS Derby and Derbyshire Integrated Care Board (ICB) was established and includes all the Clinical Commissioning Groups with which the Council is a partner in the BCF.

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 £119.702m (2021-22, £108.604m). Derbyshire County Council's contribution towards the pool is £48.912m, which represents 40.86% of the total contributions (2021-22, £44.838m, 41.29%).

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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.

2021-22	Pool Share		2022-23	Pool Share
£m	%	Income	£m	%
44.838	41.29	Derbyshire County Council	48.912	40.86
61.139	56.29	NHS Derby and Derbyshire ICB	70.239	58.68
2.627	2.42	NHS Tameside and Glossop CCG	0.551	0.46
<b>108.604</b>	<b>100.00</b>		<b>119.702</b>	<b>100.00</b>

2021-22		2022-23
£m	Expenditure	£m
23.759	ICB schemes for community health services	28.259
7.898	Disabled Facilities Grant	7.898
7.234	Equipment	6.712
9.861	Reablement	10.419
3.209	Joint working	0.393
0.439	Administration	0.456
2.304	Care Bill	2.435
2.207	Carers	2.332
1.089	Mental health	1.133
15.724	Support for people to remain out of hospital	21.063
31.055	Improved Better Care Fund	35.733
3.627	Winter Pressures	0.000
0.000	Local Authority Discharge Grant	3.023
<b>108.406</b>	<b>Total Expenditure</b>	<b>119.856</b>
<b>0.198</b>	<b>Net position for Pool</b>	<b>(0.154)</b>

### Children with Complex Needs pooled budget arrangement

The Children with Complex Needs pooled budget arrangement is jointly operated with the NHS Derby and Derbyshire ICB. The NHS Derby and Derbyshire ICB 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 2022 £m		31 Mar 2023 £m
	<b>Funding provided to the pooled budget:</b>	
(4.824)	The Council	(4.788)
(2.376)	Derby and Derbyshire ICB	(2.353)
	<b>Expenditure met by the pooled budget</b>	
7.200	The Council	7.141
0.000	Derby and Derbyshire ICB	0.000
<b>(0.000)</b>	<b>(Surplus)/Deficit</b>	<b>0.000</b>
(0.000)	The Council's Share of the (Surplus)/Deficit	0.000

### 34. TRUST FUNDS AND OTHER FUNDS

Trust Funds are made up of donations or bequests made to the Council. Other Funds include £4.684m held for residents in the Council's residential care homes and £3.801m on behalf of the Constituent Councils which will form part of the East Midlands Combined County Authority (EMCCA). These Trust Funds and Other Funds are not part of the Council's Accounts.

2021-22				2022-23		
Trust Funds £m	Other Funds £m	Total £m		Trust Funds £m	Other Funds £m	Total £m
1.211	4.662	5.873	Opening Balance	0.215	5.990	6.205
0.031	1.423	1.454	Add Income	0.012	13.166	13.178
(1.027)	(0.095)	(1.122)	Less Expenditure	(0.010)	(10.671)	(10.681)
<b>0.215</b>	<b>5.990</b>	<b>6.205</b>	<b>Closing Balance</b>	<b>0.217</b>	<b>8.485</b>	<b>8.702</b>
			<b>The funds are represented by:</b>			
0.025	0.000	0.025	Investments	0.023	0.000	0.023
0.190	5.990	6.180	Cash & temporary loans	0.193	8.485	8.678
<b>0.215</b>	<b>5.990</b>	<b>6.205</b>	<b>Total Assets</b>	<b>0.217</b>	<b>8.485</b>	<b>8.702</b>
9	10	19	No of Funds (actual not £m)	9	14	23

Cabinet approved the transfer of 47 educational charitable Trust Funds, for which the Council is the sole Trustee, to Foundation Derbyshire on 23 April 2020. 44 of these funds were completely transferred in 2020-21. The value of the funds transferred in 2020-21 was £0.295m, with £1.004m transferred in 2021-22. At 31 March 2023 the total value of the remaining funds to be transferred was £0.071m (31 March 2022: £0.076m).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 35. INCOME FROM CONTRACTS WITH SERVICE RECIPIENTS

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

	Income	
	2021-22	2022-23
Type of Goods/Service	£m	£m
<b>Adult Care</b>		
Residential Care Homes	30.609	30.480
Nursing Homes	8.231	11.055
Co-funding Charge	8.607	8.628
Shared Lives	0.578	0.580
Direct Care Trading	0.223	0.243
Other	0.191	0.178
<b>Sub Total</b>	<b>48.439</b>	<b>51.164</b>
<b>Childrens Services and Safeguarding and Education</b>		
Catering	8.483	10.355
School Food and Meals	4.471	4.752
Extended School Services	1.422	1.874
Sport/Outdoor Education	0.923	1.650
Adult Community Education	0.143	0.207
Other	2.443	2.714
<b>Sub Total</b>	<b>17.885</b>	<b>21.552</b>
<b>Corporate Services and Budget</b>		
PFI Services to Academies	5.451	5.916
Pension Fund Administration	2.802	3.013
Registrar Services	1.966	1.968
Property Repairs, Maintenance, Cleaning and Facilities Management	1.533	1.094
Legal Services	1.241	0.600
Human Resource Services	0.467	0.444
Recruitment and Payroll Services	0.436	0.438
Financial Management	0.369	0.432
ICT Support	0.293	0.090
Other	0.180	0.707
<b>Sub Total</b>	<b>14.738</b>	<b>14.702</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Income	
	2021-22	2022-23
Type of Goods/Service	£m	£m
<b>Clean Growth and Regeneration</b>		
Other	0.199	0.347
<b>Sub Total</b>	<b>0.199</b>	<b>0.347</b>
<b>Health and Communities</b>		
Other	0.118	0.097
<b>Sub Total</b>	<b>0.118</b>	<b>0.097</b>
<b>Highways and Transport</b>		
Vehicle Maintenance	1.730	1.836
Pay and Display Parking	0.929	1.115
New Roads and Street Works Act Fees	1.384	0.958
Cross Boundary Bus Services	0.237	0.769
Licence Fees (e.g. skip/scaffold permits)	0.805	0.729
Bus Passes and Tickets	0.181	0.235
Highways & Lighting Works	0.250	0.123
Other	0.525	0.687
<b>Sub Total</b>	<b>6.041</b>	<b>6.452</b>
<b>Infrastructure and Environment</b>		
Commercial Waste Disposal	2.178	2.069
Inspection Fees (S38/S278 Highways Act)*	3.448	1.877
Countryside Shop Merchandise	1.000	0.948
Land Searches	0.169	0.245
Other	0.206	0.166
<b>Sub Total</b>	<b>7.001</b>	<b>5.305</b>
<b>Strategic Leadership, Culture, Tourism and Climate Change</b>		
Other	0.172	0.197
<b>Sub Total</b>	<b>0.172</b>	<b>0.197</b>
<b>Overall Total</b>	<b>94.593</b>	<b>99.816</b>

\* Inspection Fees (S38/278 Highways Act) income is disclosed under the Infrastructure and Environment portfolio (previously Highways and Transport portfolio) from 2022-23.

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

31 Mar 2022		31 Mar 2023
£m		£m
9.211	Receivables	5.902
0.647	Contract Assets	0.480
(1.624)	Contract Liabilities	(1.306)
<b>8.234</b>	<b>Total Included in Net Assets</b>	<b>5.076</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Receivables and Contract Assets are included within Amounts Owed to the Council in the Debtors analysis (Note 21).

Contract Liabilities are included within Income in Advance to the Council in the Creditors analysis (Note 23).

Changes in the Contract Assets and Contract Liabilities balances during the year are as follows:

2021-22			2022-23	
Contract Assets £m	Contract Liabilities £m		Contract Assets £m	Contract Liabilities £m
0.000	(1.624)	Cash received before obligations fulfilled	0.000	(1.306)
0.000	1.624	Obligations relating to contract liabilities at the start of the year fulfilled	0.000	1.624
0.647	0.000	Obligations fulfilled before payment is due	0.480	0.000
(0.647)	0.000	Transfers from Contract Assets to Receivables as payment became due	(0.647)	0.000
<b>0.000</b>	<b>0.000</b>	<b>Movement in Contract Assets and Liabilities</b>	<b>(0.167)</b>	<b>0.318</b>
0.647	(1.624)	Contract Assets and Liabilities at the start of the year	0.647	(1.624)
<b>0.647</b>	<b>(1.624)</b>	<b>Contract Assets and Liabilities at the end of the year</b>	<b>0.480</b>	<b>(1.306)</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 2023.

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
- Vehicle Maintenance – fixed priced annual contracts

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.



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## NOTES TO THE CORE FINANCIAL STATEMENTS

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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 streams:

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

- Commercial Waste Disposal

This is a faithful depiction as the Council has an enforceable right to receive income for performance completed to date. The Council recognises income based on the volume of waste processed which fulfils the terms of these contracts.

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

- Inspections under Section 38 and 278 of the Highways Act
- Catering and School Food and Meals
- Extended School Services
- Sport/Outdoor Education
- Registrar Services
- Vehicle Maintenance – specific jobs

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

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

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The grant is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget as defined in The School and Early Years Finance (England) Regulations 2020.

The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools' Budget (ISB), which is divided into a budget share for each local authority school. An in-year adjustment has been made comprising an addition to the 2022-23 grant receipts for Early Years provision which is due to be received in 2023-24, following final calculation of the amount due from the Department for Education.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2022-23 are as follows:

	2022-23		
	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for 2022-23 before Academy and High Needs Recoupment			672.551
Academy and High Needs Recoupment for 2022-23			(287.162)
<b>Total DSG after Academy and High Needs Recoupment for 2022-23</b>			<b>385.389</b>
<b>Agreed initial budgeted distribution in 2022-23</b>	<b>92.730</b>	<b>292.659</b>	<b>385.389</b>
In-year adjustments	0.000	0.297	0.297
<b>Final budgeted distribution for 2022-23</b>	<b>92.730</b>	<b>292.956</b>	<b>385.686</b>
Less: Actual Central Expenditure	(93.907)		(93.907)
Less: Actual ISB Deployed to Schools		(291.504)	(291.504)
<b>In-year Carry Forward to 2023-24</b>	<b>(1.177)</b>	<b>1.452</b>	<b>0.275</b>
Plus: Carry Forward to 2023-24 agreed in advance			0.000
<b>Total Carry Forward to 2023-24</b>			<b>0.275</b>
Addition to DSG Unusable Reserve at 31 March 2023			0.000
DSG Unusable Reserve at 1 April 2022			(5.050)
<b>Total DSG Unusable Reserve at 31 March 2023*</b>			<b>(5.050)</b>
<b>Net DSG Position at 31 March 2023</b>			<b>(4.775)</b>

\*The School and Early Years Finance (England) Regulations 2020 and Regulation 30L of The Local Authorities (Capital Finance and Accounting) require that the Council's closing deficit balance of DSG Reserves at 31 March 2023 is held within a statutorily ring-fenced unusable reserve – the DSG Adjustment Account. For further details refer to Note 28.

DSG grant income of £385.686m in Note 37 below is the sum of the £385.389m 'Total DSG after Academy and High Needs Recoupment for 2022-23 and the £0.297m 'In-year adjustment' in the table above.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2021-22		
	Central Expenditure £m	Individual Schools Budget £m	Total £m
Final DSG for 2021-22 before Academy and High Needs Recoupment			641.960
Academy and High Needs Recoupment for 2021-22			(268.528)
<b>Total DSG after Academy and High Needs Recoupment for 2021-22</b>			<b>373.432</b>
Less: Carry Forward to 2022-23 agreed in advance			0.193
<b>Agreed initial budgeted distribution in 2021-22</b>	<b>80.553</b>	<b>293.072</b>	<b>373.625</b>
In-year adjustments	0.205	0.000	0.205
<b>Final budgeted distribution for 2021-22</b>	<b>80.758</b>	<b>293.072</b>	<b>373.830</b>
Less: Actual Central Expenditure	(84.643)		(84.643)
Less: Actual ISB Deployed to Schools		(292.887)	(292.887)
<b>In-year Carry Forward to 2022-23</b>	<b>(3.885)</b>	<b>0.185</b>	<b>(3.700)</b>
Carry Forward to 2022-23 agreed in advance			(0.193)
In-year Carry Forward to 2022-23			(3.700)
<b>Addition to DSG Unusable Reserve at 31 March 2022</b>			<b>(3.893)</b>
DSG Unusable Reserve at 1 April 2021			(1.157)
<b>Total DSG Unusable Reserve at 31 March 2022*</b>			<b>(5.050)</b>
<b>Net DSG Position at 31 March 2022</b>			<b>(5.050)</b>

\*The School and Early Years Finance (England) Regulations 2020 and Regulation 30L of The Local Authorities (Capital Finance and Accounting) require that the Council's closing deficit balance of DSG Reserves at 31 March 2022 is held within a statutorily ring-fenced unusable reserve – the DSG Adjustment Account. For further details refer to Note 28.

2021-22 DSG grant income in Note 37 below is the sum of 'Total DSG after Academy and High Needs Recoupment for 2021-22 and the £0.205m 'In-year adjustment' in the table above.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 37. GRANT INCOME

Revenue Grants		Income	
		2021-22	2022-23
		£m	£m
Dedicated Schools Grant (DSG)	ESFA	373.637	385.686
Public Health Grant	DHSC	42.607	43.803
Pupil Premium Grant	ESFA	18.676	20.458
Household Support Fund	DWP	5.404	10.808
Disabled Facilities Grant	DLUHC	7.898	7.898
School Supplementary Grant	ESFA	0.000	7.347
Public Health Contain Outbreak Management Fund	DHSC	5.539	6.495
EFA Post 16	ESFA	5.721	5.383
Universal Free School Meals for Infant Pupils	ESFA	5.320	5.128
DACES AEB	ESFA	4.636	4.643
PE and Sport Premium Grant	ESFA	4.482	4.444
Asylum Seeker Grant	HO	1.896	3.524
Recovery Premium	DfE	0.988	3.045
Discharge Grant	DHSC	0.000	3.023
Holiday activities and food programme Grant	DfE	2.143	2.828
Market Sustainability & Fair Cost of Care	DHSC	0.000	2.448
Supporting Families	DLUHC	1.781	2.238
School-led tutoring Grant	DfE	0.400	1.763
Community Renewal Fund	DLUHC	0.000	1.525
Music Education Hub	Arts Council	1.417	1.420
Covid 19 Bus Services Support Grant	DfT	2.087	1.235
Homes for Ukraine Education and Childcare	ESFA	0.000	1.080
Multiply	DfE	0.000	1.063
Covid-19 Infection Control Fund Round 1	DHSC	5.293	0.000
Covid-19 Infection Control Fund Round 2	DHSC	3.935	0.000
Covid-19 Infection Control Fund Round 3	DHSC	5.990	0.000
Covid-19 Catch Up	ESFA	1.794	0.000
Public Health Community Testing	DHSC	1.196	0.000
Covid Local Support Grant	DWP	2.566	0.000
Workforce Recruit & Retention 1	DHSC	2.456	0.000
Workforce Recruit & Retention 2	DHSC	4.534	0.000
Other Grants	Various	14.009	12.515
<b>Total Departmental Income</b>		<b>526.404</b>	<b>539.800</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Revenue Grants		Income	
		2021-22	2022-23
		£m	£m
Adult Social Care Grant	DHSC	27.617	37.627
Improved Better Care Fund	DHSC	34.682	35.732
Business Rates Relief Grant	DLUHC	15.365	18.797
Revenue Support Grant	DLUHC	13.813	14.249
Homes for Ukraine -Tariff	DLUHC	0.000	13.477
Private Finance Initiative	ESFA	10.504	10.504
Service Grant	DLUHC	0.000	7.781
Bus Service Improvement Plan	DfT	0.000	6.500
Independent Living Fund	DLUHC	2.534	2.534
New Homes Bonus	DLUHC	1.548	1.868
Covid-19 LA Support Grant	DLUHC	15.337	0.000
Covid-19 Sales, Fees and Charges	DLUHC	1.473	0.000
Local Council Tax Support Scheme	DLUHC	6.000	0.000
Other Grants	Various	3.868	4.976
<b>Total Corporate Income</b>		<b>132.741</b>	<b>154.045</b>
<b>Total Grants</b>		<b>659.145</b>	<b>693.845</b>

\* Other Departmental Revenue Grants in 2022-23 include the following amounts which are required to be separately disclosed under specific grant conditions in the respective grant agreements:

- £0.844m Youth Justice Grant from the Youth Justice Board, to fund activities which improve the outcomes of children in the youth justice system.
- £0.133m Commissioner's Community Safety Grant, to assist in the funding of the work of the Derbyshire Youth Offending Service.
- £0.078m Turnaround Grant from the Ministry of Justice for a Turnaround Programme, which is a voluntary youth early intervention programme.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Grants		Income	
		2021-22	2022-23
		£m	£m
Pothole Action Fund	DfT	7.373	15.108
Highways Maintenance Incentive Fund	DfT	10.533	10.533
School Condition Allowance	EFA	10.636	10.306
Special Provision Capital Fund	DfE	2.490	10.180
Devolved Formula Capital	DfE	1.601	5.226
Bus Service Improvement Plan	DfT	0.000	4.452
Integrated Transport	DfT	3.672	3.672
Active Travel	ATE	0.000	3.005
Highways Capital Maintenance	DfT	2.633	2.633
Buxton Crescent & Thermal Spa Project	HLF	0.596	0.000
Public Sector Decarbonisation Grant**	BEIS	(1.530)	(0.108)
Getting Building Fund*	DLUHC	(15.988)	(0.253)
Other Capital Grants	Various	15.773	13.249
		<b>37.789</b>	<b>78.003</b>

\* Using the freedom and flexibilities given to LEP Accountable Bodies, during 2020-21 the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme. In 2022-23 the Council repaid the remaining £0.253m (2021-22: £15.988m) of this funding to the LEP.

\*\* Underspent Public Sector Decarbonisation Grant of £0.108m (2021-22: £1.530m), in respect of projects not completed by 31 March 2023 (2021-22: 31 March 2022), repayable to the Department for Business, Energy and Industrial Strategy (BEIS).

### 38. CASH FLOW – INVESTING ACTIVITIES

2021-22 £m		2022-23 £m
(113.201)	Purchase of Non-Current Assets	(100.035)
(618.969)	Purchase of New Investments	(526.641)
10.039	Proceeds from Sale of Non-Current Assets	4.276
40.154	Capital Grants Received	72.956
557.566	Investments Redeemed	544.639
<b>(124.412)</b>		<b>(4.804)</b>

### 39. CASH FLOW – FINANCING ACTIVITIES

2021-22 £m		2022-23 £m
(156.506)	Repay Amounts Borrowed	(153.826)
(4.560)	Principal Repayment on PFI and Leases	(4.786)
209.000	New Short Term Loans	230.500
0.000	Net (Payments)/Income on behalf of Shadow Combined County Authority	4.782
<b>47.934</b>		<b>76.670</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 40. CASH FLOW – OPERATING ACTIVITIES

2021-22 £m		2022-23 £m
(533.911)	Payments to and on behalf of employees	(563.792)
(731.720)	Other Operating Payments	(821.312)
348.821	Council Tax	369.811
14.570	Business Rates	16.884
13.813	Revenue Support Grant	14.249
629.458	Other Revenue Grants	650.879
320.802	Other Income	294.993
<b>61.832</b>	<b>Operating Costs of Providing Services</b>	<b>(38.287)</b>
(12.599)	External Interest Paid	(13.236)
(3.495)	Interest on PFI and Finance Leases	(3.243)
2.102	Interest Received	3.194
3.208	Dividends Received	3.365
<b>51.048</b>		<b>(48.207)</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

2021-22 £m		2022-23 £m
<b>(169.443)</b>	<b>Surplus/(Deficit) on the Provision of Services</b>	<b>(164.214)</b>
	<b>Non Cash Transactions:</b>	
41.133	Depreciation	43.902
24.085	Impairment	20.614
92.313	Movement in Pension Liability	85.744
(9.065)	Adjustment for Collection Fund	(2.145)
(5.292)	Investments Fair Value Movements	7.588
(2.128)	Movement in Revenue Debtors	(12.963)
(1.966)	Movement in Loss Allowances	5.419
41.002	Movement in Revenue Creditors	(21.181)
0.130	Movement in Inventories	(0.091)
(1.012)	Movement in Provisions	(1.051)
<b>179.200</b>	<b>Total Non Cash Transactions</b>	<b>125.836</b>
	<b>Items Classified Elsewhere</b>	
63.382	Net charge for Disposal of Non-Current Assets	53.131
15.697	Revenue Expenditure Funded from Capital Under Statute	15.043
(37.789)	Capital Grants	(78.003)
<b>51.047</b>		<b>(48.207)</b>

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

	31 Mar 2022 £m	Cash Flows £m	Non-Cash Changes £m	31 Mar 2023 £m
Current Borrowing	136.868	77.598	19.408	233.874
Non Current Borrowing	250.645	(0.925)	(17.123)	232.597
PFI and Finance Lease Liabilities	55.045	(4.786)	(0.261)	49.998
	<b>442.558</b>	<b>71.887</b>	<b>2.024</b>	<b>516.469</b>

Non-cash changes to the Council's liabilities include an increase of £19.409m 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 twelve months of the balance sheet date. Interest of £2.286m was accrued in the year which increased the carrying value of liabilities. The remaining non-cash transactions represent a reduction in carrying value of £0.262m because of a movement between these liabilities and short-term creditors and debtors.



## NOTES TO THE CORE FINANCIAL STATEMENTS

	31 Mar 2021 £m	Cash Flows £m	Non-Cash Changes £m	31 Mar 2022 £m
Current Borrowing	90.058	39.484	7.326	136.868
Non Current Borrowing	243.715	13.010	(6.080)	250.645
PFI and Finance Lease Liabilities	59.832	(4.560)	(0.227)	55.045
	<b>393.605</b>	<b>47.934</b>	<b>1.019</b>	<b>442.558</b>

### 43. 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 12 shows the net value of assets held under Finance Leases.

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

2021-22 £m				2022-23 £m		
Interest	Liability	MLP		Interest	Liability	MLP
<b>0.488</b>	<b>0.400</b>	<b>0.888</b>	<b>Within 1 year</b>	<b>0.457</b>	<b>0.423</b>	<b>0.880</b>
1.637	1.281	2.918	1 to 5 years	1.526	1.079	2.605
2.439	2.565	5.004	More than 5 years	2.093	2.343	4.436
<b>4.076</b>	<b>3.846</b>	<b>7.922</b>	<b>Total Non-Current</b>	<b>3.619</b>	<b>3.422</b>	<b>7.041</b>
<b>4.564</b>	<b>4.246</b>	<b>8.810</b>		<b>4.076</b>	<b>3.845</b>	<b>7.921</b>

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.

#### 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 does not have any vehicles, plant or equipment under operating leases (2021-22: four minibuses).

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

2021-22 £m				2022-23 £m		
PPE	PVE	Total		PPE	PVE	Total
1.032	0.067	1.099	Within 1 year	0.836	0.000	0.836
3.165	0.000	3.165	1 to 5 years	2.790	0.000	2.790
4.391	0.000	4.391	More than 5 years	3.832	0.000	3.832
<b>8.588</b>	<b>0.067</b>	<b>8.655</b>		<b>7.458</b>	<b>0.000</b>	<b>7.458</b>

There was no significant sub-letting of properties in 2022-23.

### FINANCE LEASES – COUNCIL AS LESSOR

The Council has three 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 £0.230m.
- Unit C1 Holmewood Business Park to SBK Property Limited on a 99-year lease, which commenced in 2015 for a one-off payment of £0.300m.
- Land at Welbeck Road to Old Bolsover Town Council on a 99-year lease, which commenced in 2020 for a one-off payment of £0.010m.

The Council also leases out:

- First-floor offices of Ripley Library to Derbyshire Healthcare NHS Foundation Trust on a 15-year lease, which commenced in 2014 for £0.014m each year.
- Nursery School on Windermere Road, Newbold to Kidz Planet Limited on a 10-year lease, which commenced in 2021 for £0.012m each year.
- Belper Community Hall to Belper Community Hall Steering Group on a 25-year lease which commenced in 2020 for £0.001m each year.
- Unit 5 Cobnar Wood Industrial Estate, Chesterfield to Serrations Limited on a 15-year lease which commenced in 2022 for £0.010m each year.
- The Donut Creative Arts Studio, Chesterfield to Fairplay on an 86-year lease which commenced in 2022 for £0.015m each year.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

2021-22 £m					2022-23 £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
0.022	0.000	0.022	0.013	Within 1 year	0.043	0.000	<b>0.043</b>	0.031
0.090	0.000	0.090	0.046	1 to 5 years	0.172	0.000	<b>0.172</b>	0.115
0.061	0.119	0.180	0.029	More than 5 years	0.925	0.207	<b>1.132</b>	0.787
<b>0.173</b>	<b>0.119</b>	<b>0.292</b>	<b>0.088</b>		<b>1.140</b>	<b>0.207</b>	<b>1.347</b>	<b>0.933</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:

2021-22 £m				2022-23 £m		
Vehicles	Land & Building	Total		Vehicles	Land & Building	Total
0.000	0.735	0.735	Within 1 year	0.000	1.181	1.181
0.000	1.875	1.875	1 to 5 years	0.000	3.754	3.754
0.000	4.487	4.487	More than 5 years	0.000	4.767	4.767
<b>0.000</b>	<b>7.097</b>	<b>7.097</b>		<b>0.000</b>	<b>9.702</b>	<b>9.702</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.

### 44. 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:

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### **Payments**

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2021-22			2022-23		
	Ph 1	Ph 2	BSF	Ph 1	Ph 2	BSF
	£m	£m	£m	£m	£m	£m
<b>Unitary Charge Paid</b>						
Delivery of services	3.246	2.983	4.121	2.687	3.104	4.318
Interest Payment	1.028	1.247	0.702	0.929	1.164	0.662
Reduction to Liability	1.426	1.300	1.440	1.525	1.383	1.480
<b>Unitary Charge Paid</b>	<b>5.700</b>	<b>5.530</b>	<b>6.263</b>	<b>5.141</b>	<b>5.651</b>	<b>6.460</b>
<b>Loan Liability B Fwd</b>	<b>(14.781)</b>	<b>(19.542)</b>	<b>(25.428)</b>	<b>(13.355)</b>	<b>(18.242)</b>	<b>(23.988)</b>
Reduction to Liability	1.426	1.300	1.440	1.525	1.383	1.480
<b>Loan Liability C Fwd</b>	<b>(13.355)</b>	<b>(18.242)</b>	<b>(23.988)</b>	<b>(11.830)</b>	<b>(16.859)</b>	<b>(22.508)</b>
Liability in Creditors	(1.525)	(1.383)	(1.479)	(1.631)	(1.471)	(1.521)
Non Current Liabilities	(11.830)	(16.859)	(22.509)	(10.199)	(15.388)	(20.987)
<b>Loan Liability C Fwd</b>	<b>(13.355)</b>	<b>(18.242)</b>	<b>(23.988)</b>	<b>(11.830)</b>	<b>(16.859)</b>	<b>(22.508)</b>

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

	2021-22			2022-23		
	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	0.929	1.164	0.662	0.823	1.076	0.621
Repayment of liability	1.525	1.383	1.479	1.631	1.471	1.521
<b>Two to five years:</b>						
Service charge	9.747	8.930	13.266	9.747	8.930	13.266
Interest element	2.579	3.716	2.229	2.075	3.303	2.054
Repayment of liability	7.237	6.474	6.338	7.740	6.888	6.513
<b>Six to ten years:</b>						
Service charge	5.071	10.898	16.583	2.635	8.665	16.583
Interest element	0.492	2.015	1.750	0.172	1.352	1.503
Repayment of liability	4.593	10.385	8.958	2.459	8.500	9.205
<b>Eleven to fifteen years:</b>						
Service charge	0.000	0.000	11.907	0.000	0.000	8.591
Interest element	0.000	0.000	0.455	0.000	0.000	0.255
Repayment of liability	0.000	0.000	7.213	0.000	0.000	5.269

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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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 12.

## **45. 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 2022-23 the Council paid £42.779m to Teachers' Pensions (2021-22: £42.552m) in respect of teachers' retirement benefits. During 2022-23 the Employer's Contribution rate for the Teachers' Pension Scheme was 23.68% (2021-22: 23.68%).

### **NHS Pension Scheme**

Former NHS employees working in the Surestart and Public Health fields that moved to the Council in 2008 and 2013, respectively, and some Public Health staff employed since then, are members of the NHS Pension Scheme, administered by the Department of Health and Social Care. 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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The Scheme is a multi-employer defined benefit scheme which is unfunded, and the Department of Health and Social Care 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 2022-23 the Council paid £0.559m to the NHS Pension Scheme (2021-22: £0.568m) in respect of the retirement benefits of these Council employees. The Employer's Contribution rate during 2022-23 for the NHS Pension Scheme was 20.68%, with 14.38% continuing to be collected through the Council's payroll, an additional 2.5% collected from the Council through invoicing and the remaining 3.8% being funded by the Department of Health and Social Care (2021-22: 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). No further disclosures are required because of the immateriality of the information.

### **46. DEFINED BENEFIT SCHEME**

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

The Council participates in two post-employment schemes:

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

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

### **Defined Benefit Transactions**

The following defined benefit scheme transactions have occurred during the year:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Notes/ Statement	LGPS		Teachers	
		2021-22 £m	2022-23 £m	2021-22 £m	2022-23 £m
Current service cost		139.209	131.285	0.000	0.000
Net interest cost	6	20.061	21.382	1.111	1.367
Past service costs & curtailments		0.816	0.649	0.000	0.000
Settlements		(4.468)	(4.335)	0.000	0.000
<b>Benefits charged to the CIES</b>		<b>155.618</b>	<b>148.981</b>	<b>1.111</b>	<b>1.367</b>
Remeasurement (gain)/loss		(303.020)	(921.038)	(1.933)	(5.912)
<b>Total (Gain)/Loss</b>		<b>(147.402)</b>	<b>(772.057)</b>	<b>(0.822)</b>	<b>(4.545)</b>
<b>Movements in Reserves Statement:</b>					
Reversal of charges made	28	(155.618)	(148.981)	(1.111)	(1.367)
Contributions - unfunded benefits	28	2.286	2.235	0.000	0.000
Employer's contributions payable	28	58.013	58.317	4.117	4.052

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

Reconciliation of the present value of defined benefit plan liabilities (the defined benefit obligation) of the Council, from the start to the end of the year:

	Funded liabilities: LGPS		Unfunded liabilities: Discretionary Benefits	
	2021-22 £m	2022-23 £m	2021-22 £m	2022-23 £m
<b>Opening balance at 1 April</b>	<b>3,360.078</b>	<b>3,320.908</b>	<b>57.592</b>	<b>52.653</b>
Current service cost	139.209	131.285	0.000	0.000
Interest cost	67.742	90.382	1.111	1.367
Contributions by participants	16.630	17.488	0.000	0.000
Remeasurement (gains)/losses	(169.254)	(1,063.580)	(1.933)	(5.912)
Benefits paid	(79.688)	(80.320)	0.000	0.000
Unfunded benefits paid	(2.286)	(2.235)	(4.117)	(4.052)
Effect of settlements	(12.339)	(8.054)	0.000	0.000
Past service costs	0.816	0.649	0.000	0.000
<b>Closing balance at 31 March</b>	<b>3,320.908</b>	<b>2,406.523</b>	<b>52.653</b>	<b>44.056</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 the fair value of defined benefit plan Fund assets of the Council, from the start to the end of the year:



## NOTES TO THE CORE FINANCIAL STATEMENTS

	LGPS	
	2021-22 £m	2022-23 £m
<b>Opening balance at 1 April</b>	<b>(2,393.147)</b>	<b>(2,561.678)</b>
Interest income	(47.681)	(69.000)
Other remeasurement loss/(gain)	(133.766)	142.542
Employer contributions	(58.013)	(58.317)
Contributions by participants	(16.630)	(17.488)
Benefits paid	79.688	80.320
Effect of settlements	7.871	3.719
<b>Closing balance at 31 March</b>	<b>(2,561.678)</b>	<b>(2,479.902)</b>

### Scheme History

In previous years, net liabilities have had a substantial impact on the net worth of the Council as recorded in the Balance Sheet, shown in the table below, demonstrating the underlying commitments that the Council has in the long run to pay post-employment (retirement) plan benefits. Statutory arrangements for funding any deficit mean that the financial position of the Council remains healthy:

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

However, at 31 March 2023, there is a total net LGPS surplus reported by the Actuary of £85.811m. IAS19 imposes a limit on the maximum amount of surplus which can be recognised in the Balance Sheet. The limit depends on factors unique to each employer and the Actuary has reflected this by carrying out additional calculations. The calculated surplus restriction of £12.432m has been deducted from the reported LGPS net assets in the Council's Balance Sheet, to arrive at a revised total net LGPS surplus of £73.379m, which is reflected in the table below:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Present value of liabilities:		Present Value of assets:	(Surplus)/deficit in the Scheme:		Total
	LGPS £m	Discretionary Benefits £m		LGPS £m	Discretionary Benefits £m	
<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	(1,998.118)	601.941	55.041	<b>656.982</b>
<b>2020-21</b>	3,360.078	57.592	(2,393.147)	966.931	57.592	<b>1,024.523</b>
<b>2021-22</b>	3,320.908	52.653	(2,561.678)	759.230	52.653	<b>811.883</b>
<b>2022-23</b>	2,406.523	44.056	(2,479.902)	(73.379)	44.056	<b>(29.323)</b>

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2024 is £59.434m.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, and an estimate of the pensions that will be payable in future years, dependant on assumptions including mortality rates and salary levels. Both the LGPS and Discretionary Benefits liabilities have been assessed by the Fund Actuary, with estimates for the Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The principal assumptions used by the Fund Actuary have been:

	<b>2021-22</b>	<b>2022-23</b>
Mortality Assumptions:		
Longevity at 65 (current pensioners):		
-Men	21.1	21.0
-Women	23.8	24.0
Longevity at 65 (future pensioners):		
-Men	22.2	21.8
-Women	25.6	25.5
Inflation Rates:		
Increase in salaries (LGPS only)	3.90%	3.95%
Increase in pensions (CPI)	3.20%	2.95%
Discounting scheme liabilities	2.70%	4.75%

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2023:

	<b>Local Government</b>	
	<b>Approximate increase to employer liability %</b>	<b>Approximate monetary amount £m</b>
0.1% decrease in real discount rate	2	41.352
1 year increase in Member life expectancy	4	95.764
0.1% increase in salary increase rate	0	4.698
0.1% increase in pension increase rate (CPI)	2	37.246

At 31 March 2022:

	<b>Local Government</b>	
	<b>Approximate increase to employer liability %</b>	<b>Approximate monetary amount £m</b>
0.1% decrease in real discount rate	2	60.469
1 year increase in Member life expectancy	4	132.836
0.1% increase in salary increase rate	0	7.674
0.1% increase in pension increase rate (CPI)	2	52.283

The Fund 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 2023 has been calculated and compared on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided by the Fund Actuary for the accounts.

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

The return on the Fund in market value terms for the period to 31 March 2023 is based on actual Fund returns as provided by the Administering Authority. The actual total return for the period from 1 April 2022 to 31 March 2023 is a loss of 2.9% (2021-22: 7.5% 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>2021-22</b> %	<b>2022-23</b> %
Equity investments	59.6	61.7
Debt instruments:		
Government bonds	8.4	8.1
Other bonds	14.8	14.5
Property	7.9	7.9
Cash and cash equivalents	4.5	2.9
Other assets	4.8	4.9
<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>
	Restated 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>2018-19</b>	2.84%	7.55%	3.76%
<b>2019-20</b>	(8.88%)	(20.04%)	(12.25%)
<b>2020-21</b>	15.43%	20.84%	9.73%
<b>2021-22</b>	5.22%	(5.10%)	(3.67%)
<b>2022-23</b>	(5.75%)	(44.20%)	(13.42%)

### Forecast for next year

At 31 March 2023 for 2023-24:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme		Teachers Pensions	
	£m	£m	£m	£m
Projected service cost				
Estimated pay:	282.942		0.000	
Service cost (% of pay)	21.6%		n/a	
Implied service cost next year:		59.465		0.000
Net interest (income)/cost		(4.094)		1.988
Administration expenses		1.698		0.000
<b>Total pension cost recognised</b>		<b>57.069</b>		<b>1.988</b>
Projected employer contributions				
Normal contributions	(59.434)		(4.462)	
<b>Total employer contributions next year</b>		<b>(59.434)</b>		<b>(4.462)</b>
Current (surplus)/deficit		(73.379)		44.056
<b>Projected (surplus)/deficit next year</b>		<b>(75.744)</b>		<b>41.582</b>

At 31 March 2022 for 2022-23:

	Restated Local Government Pension Scheme		Teachers Pensions	
	£m	£m	£m	£m
Projected service cost				
Estimated pay:	270.230		0.000	
Service cost (% of pay)	46.4%		n/a	
Implied service cost next year:		123.699		0.000
Net interest cost		21.379		1.365
Administration expenses		1.621		0.000
<b>Total pension cost recognised</b>		<b>146.699</b>		<b>1.365</b>
Projected employer contributions				
Normal contributions	(57.422)		(4.244)	
<b>Total employer contributions next year</b>		<b>(57.422)</b>		<b>(4.244)</b>
Current deficit		759.230		52.653
<b>Projected deficit next year</b>		<b>848.507</b>		<b>49.774</b>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 47. 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 Strategies for 2023-24 which is available on the Council's Derbyshire Democracy website under the Council meeting on 15 February 2023:

[Capital Programme Approvals, Treasury Management and Capital Strategies for 2023-24](#)

#### Credit risk

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

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

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

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

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

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

The Council's maximum exposure to credit risk in relation to its cash deposits, investments in banks and building societies and money market funds is £396.790m, all of which is deposited in the UK, except for £33.205m 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 2023 that this was likely to crystallise.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 £31.793m. These financial assets include trade debtors (£30.865m), transferred debt (£0.034m), contract assets (£0.480m) and lease receivables (£0.415m). The Council recognised an allowance for credit losses which reduced the carrying amount of these financial assets by £5.940m. 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	23.529	46.360	0.000	0.000	0.000	69.889
Investments	0.000	219.036	30.277	0.000	74.682	0.000	323.995
Trade Debtors and Transferred Debt	0.000	0.000	0.000	0.000	0.000	25.853	25.853
<b>Total Net Carrying Amount</b>	<b>0.000</b>	<b>242.565</b>	<b>76.637</b>	<b>0.000</b>	<b>74.682</b>	<b>25.853</b>	<b>419.737</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	23.384	76.689	0.000	0.000	0.000	<b>100.073</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	13.568	0.000	<b>13.568</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	25.250	<b>25.250</b>
<b>No Loss Allowance as relevant statutory provisions prevent default:</b>							
Counterparty is Central Government or another local authority	0.000	219.181	0.000	0.000	0.000	6.543	<b>225.724</b>
<b>No Loss Allowance, Other:</b>							
Financial assets measured at Fair Value	0.000	0.000	0.000	0.000	63.968	0.000	<b>63.968</b>
<b>Total Gross Carrying</b>	<b>0.000</b>	<b>242.565</b>	<b>76.689</b>	<b>0.000</b>	<b>77.536</b>	<b>31.793</b>	<b>428.583</b>
Loss Allowances	0.000	0.000	(0.052)	0.000	(2.854)	(5.940)	<b>(8.846)</b>
<b>Total Net Carrying Amount</b>	<b>0.000</b>	<b>242.565</b>	<b>76.637</b>	<b>0.000</b>	<b>74.682</b>	<b>25.853</b>	<b>419.737</b>

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

	<b>31 Mar 2022 £m</b>	<b>31 Mar 2023 £m</b>
Less than three months	16.476	15.522
Three to six months	2.112	3.308
Six months to one year	2.780	3.274
More than one year	7.937	8.762
<b>Total</b>	<b>29.305</b>	<b>30.865</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 2023</b>
	<b>£m</b>
Finance Lease Receivables	0.414
Contract Assets	0.480
0 - 30 Days	7.776
Over 30 Days	16.580
<b>Debtors Excluding Other Local Authorities and Government</b>	<b>25.250</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 2023 with the historic default rate based on information collated by rating agency Moody's. Macroeconomic conditions are forecast to worsen in 2023 compared to 2022. The expected default rate for 2023 is higher than the historic default rate, therefore the adjustment for current market conditions has resulted in a higher allowance for losses compared to the raw calculation based on the profile of debt, as at 31 March 2023, and the historical rate of debt recovery alone.

Department / Debt Category	Trade Debtors Over 30 Days £m	Referred Debt * £m	Expected Non- Recovery Rate %	Factor for Current Economic Conditions ** %	General Loss Allowance £m	Specific Loss Allowance £m	Total Loss Allowance £m
Adult Care - Secured Over Property	5.572	0.000	0%	112%	0.000	0.000	0.000
Adult Care Other - Over 1 Year	3.613	3.613	61%	112%	2.484	0.000	2.484
Adult Care Other - 1 Year or Under	4.609	4.609	32%	112%	1.640	0.000	1.640
Other	2.786	0.331	32%	112%	0.118	1.697	1.815
<b>Total</b>	<b>16.580</b>	<b>8.553</b>			<b>4.242</b>	<b>1.697</b>	<b>5.939</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 2023 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	<b>0.028</b>	0.011	(0.019)	0.000	0.033	0.000	<b>0.053</b>
<b>Measured at lifetime expected credit losses where:</b>							
Credit risk has increased significantly since initial recognition	<b>1.306</b>	0.109	0.000	0.000	1.439	0.000	<b>2.854</b>
Financial assets have become credit impaired	<b>0.000</b>	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
Allowed under the simplified approach i.e. Debtors	<b>2.073</b>	0.000	(0.530)	0.000	4.397	0.000	<b>5.940</b>
<b>Total Loss Allowance</b>	<b>3.407</b>	<b>0.120</b>	<b>(0.549)</b>	<b>0.000</b>	<b>5.869</b>	<b>0.000</b>	<b>8.847</b>

£2.802m of expected credit losses relate to the loan to Buxton Crescent Limited. The Council agreed to write-off £0.566m of interest accruing on this loan in 2020-21 and £0.162m of interest accruing in 2021-22 from 1 April 2021 to 18 July 2021.

The contractual terms of the loan to Buxton Crescent Limited were varied with effect from 19 July 2021. The changes were an extension to the maturity date of the loan and a revision from a fixed interest rate to a floating interest rate. The level of interest at the point of renegotiation was considered to be a fair market rate.

The Council agreed to the renegotiated terms of the loan because it supports the viability of an asset it ultimately owns, and for wider reasons, of successful regeneration of the local area, there was added value in ensuring the business running the hotel could have 'breathing space' to recover from the impacts of Covid-19.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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In March 2023 the Council received correspondence from one of the joint controlling interests of Buxton Crescent Limited which indicated that the company may not meet the loan covenant tests or be able to commence loan payments at the expected maturity date due to the hotel's weaker than anticipated revenues and high cost of energy. The Council considers this communication evidence that the risk of default on all or part of the loan has increased. As a result, the allowance for expected credit losses on the loan has been increased to cover all of the accumulated interest on the loan. The movement in the loss allowance for default has been funded from earmarked reserves. The Council has opened a dialogue to explore the options to best protect the value of its investment as well as support the viability of the hotel.

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 2023 compared to the historic rate of default collated by rating agency Moody's.
- The expected loss, given default, is assumed to be 62% (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 gross carrying amount.
- The probability of default for that grade of investment, and the expected loss given default.

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 2023</b>
	<b>£m</b>
Less than one year	(230.909)
Between one and two years	(2.745)
Between two and five years	(15.025)
Between five and ten years	(44.910)
More than ten years	(169.917)
	<b>(463.506)</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, excluding finance lease debtors and creditors and PFI creditors, is as follows:

					Fixed rate	
	Total	Non-	Variable or	Fixed > 1	Weighted	Weighted
	£m	interest	Fixed <1	year	average int	average
		bearing	year	£m	rate	period
		£m			(%)	(years)
<b>Financial assets</b>	<b>393.919</b>	1.000	382.919	10.000	2.52	1
<b>Financial liabilities</b>	<b>(463.506)</b>	0.000	(230.909)	(232.597)	3.46	9

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)	0.569	22.496
Decrease by 1% (100 basis points)	(0.569)	(22.496)

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 48. CONTINGENT LIABILITIES

#### Derby & Derbyshire Waste Treatment Centre (DDWTC)

The Council and Derby City Council remain engaged in a project to develop a New Waste Treatment Facility (NWTF) in Sinfen, Derby, to deal with waste that residents in Derby and Derbyshire do not recycle. The facility, which was due to open in 2017, was being built on the councils' behalf by Resource Recovery Solutions (Derbyshire) Ltd (RRS), which was a partnership between national construction firm Interserve, which was also building the plant, and waste management company Renewi plc. However, the contract with RRS was terminated on 2 August 2019, following the issuing of a legal notice by the banks funding the project.

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

Work had been progressing on the facility to determine its condition and capability, however due to the measures introduced by the UK Government to counter the Covid-19 pandemic, work on site has been affected. This work is also being carried out by Renewi UK Services Ltd and will allow the councils to ascertain what measures need to be in place for the facility to become fully operational. At the Balance Sheet date the councils were in negotiations to pay an 'estimated fair value' (EFV) for the plant, taking into account all of the costs of rectifying ongoing issues at the plant and the costs of providing the services to meet the agreed contract standards.

If an agreed EFV could not be reached through negotiation, it would need to be resolved through formal dispute resolution processes. This had been commenced at the previous Balance Sheet date (31 March 2022) and continued at the 2022-23 Balance Sheet date (31 March 2023) but it was not possible based on the information and advice available to accurately estimate the likely payments required by the councils or RRS to settle the dispute. This matter has therefore been reported as a 2022-23 Contingent Liability. The councils agreed the EFV with RRS in July 2023, with the Council paying £56.930m as part of its share of the £93.500m sum paid to RRS's administrators.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### **Buxton Museum**

The Council's Buxton Museum and Art Gallery, which is part of the Peak Buildings complex, was temporarily closed on 1 June 2023, following investigations which revealed dry rot in some of the building's structural timbers and floor joists. Experts must now carefully assess the entire structure to discover how far the problem has spread. To fully examine the extent of any damage the Council will need to remove wall panelling, floor coverings and ceilings, which cannot be done while the building is occupied and the museum is open. Until a full investigation is completed, it will not be possible to fully assess the amount of work needed to deal with the dry rot. It is expected that investigations and remedial work are likely to take some time. There are therefore uncertainties over both final costs and the timing of any payment.

### **49. SUBSEQUENT EVENTS**

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

## ACCOUNTING POLICIES

### INTRODUCTION

The Accounting Policies for Derbyshire County Council (the Council) have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting (the Code) and the Update to the Code and Specifications for Future Codes for Infrastructure Assets - November 2022 (the Update). Where there is no specific guidance in the Code or the Update, 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 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.

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## ACCOUNTING POLICIES

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### 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 (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 or the Update, the Council will disclose the following in the notes to the accounts:

- The nature of the change in accounting policy;



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## ACCOUNTING POLICIES

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- 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.

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## ACCOUNTING POLICIES

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### 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.

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## ACCOUNTING POLICIES

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- 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 determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for Infrastructure Assets when there is replacement expenditure is nil.

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

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

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

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## ACCOUNTING POLICIES

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

### 1.12. Donated Assets

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

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

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

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

### 1.13. Non-Current Asset Classification

The Council manages its assets in the following categories:

#### ➤ **Intangible Assets**

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

#### ➤ **Property, Plant and Equipment Assets**

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

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## ACCOUNTING POLICIES

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- Land and/or Buildings Assets.

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

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

- Community Assets

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

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

- Infrastructure Assets

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

- Vehicles, Plant Furniture and Equipment Assets

These assets are also classified as Property Plant and Equipment.

### Non-Operational Assets:

- Surplus Assets

These 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.

- Assets Under Construction

These are assets which are in the process of being constructed and are not yet operational.

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## ACCOUNTING POLICIES

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➤ **Investment Property Assets**

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

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

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

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

➤ **Heritage Assets**

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

➤ **Assets Held for Sale**

The Council will classify Non-Current 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.

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## ACCOUNTING POLICIES

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

### 1.14. Non-Current Asset Valuation Methodology

The various classifications of assets as outlined in Accounting Policy 1.13 are valued on a differing base. Where not explicitly stated otherwise, property revaluations are completed by a RICS qualified valuer (who is internal to the Council), over a 'short period', interpreted to mean on a five year rolling programme for each class of asset i.e. 20% of the Council's assets are revalued at 31 March for the financial year.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the Revaluation Reserve. This is then reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain. Where there is a downward revaluation, the carrying amount of the asset is written down against any balance of previous revaluation gains for the asset in the Revaluation Reserve (up to the amount of the accumulated gains). Any further decrease is charged to revenue. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

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.

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## ACCOUNTING POLICIES

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

The Code requires Infrastructure Assets and Assets Under Construction (excluding Investment Property, see Section 4.4 of the Code) to be measured at historic cost. Community assets may either be valued in accordance with Section 4.10 of the Code, where the valuation option has been adopted, or measured at historic cost. The Council measures Community Assets at historic cost.

Heritage Assets will be valued in accordance with Section 4.10 of the Code.

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

- Depreciated replacement cost – specialised assets
- Existing use value – non-specialised assets
- Existing use value – social housing
- Fair value for the following assets:
  - Investment assets
  - Surplus assets
  - Assets Held for Sale (less costs to sell)

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

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

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

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

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



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## ACCOUNTING POLICIES

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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 Code Valuation Input Level for the valuation and will compare this with the Code Valuation Input Level for the previous valuation. Where the Input Level is different from that of the previous valuation this will be specifically reported with the valuation together with a narrative description of the reasons and differing circumstances that have resulted in the change.

Valuations are completed under the Code as follows:

- **Intangible Assets** – the Council recognises Intangible Assets at cost. The Council will only revalue intangible assets annually where there is a determinable market value for the asset.
- **Property Plant and Equipment (PPE)** – Property Assets are held at current value which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of Existing Use Value (EUV) in accordance with United Kingdom Practice Statement (UKPS) 1.3 of the RICS Valuation Standards. Where no other valuation method can be used because of the specialist nature of the asset, current value is estimated using a Depreciated Replacement Cost (DRC) approach. Vehicles, Plant, Furniture and Equipment, IT Hardware, and Assets Under Construction within PPE are held at historic cost (not valued).
- **Infrastructure Assets** – the Council recognises Infrastructure Assets at Depreciated Historical Cost.
- **Investment Property Assets** – Investment Properties are annually revalued at fair value which is interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. An investment property under construction is measured at cost until such time as its fair value can be determined reliably or its construction is complete, whichever comes first. The fair value of Investment Property held under a lease is the lease interest.
- **Community Assets** – the Council recognises Community Assets at historic cost.
- **Heritage Assets** – where it is possible to determine a valuation for Heritage Assets, then the Council will recognise the asset in the Balance Sheet at that valuation. Where a valuation has been applied to this class of assets, other than a historic valuation, a range of valuation bases have been used which include external valuations, curatorial valuations and a limited number of cases of insurance valuations. Where a curatorial valuation has been applied the valuation is dependent upon the experience and knowledge of the Derbyshire Museums Manager. However, where it is not practicable to obtain a valuation the asset will

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## ACCOUNTING POLICIES

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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** – Non-Current Assets Held for Sale are, at initial classification and at the end of each reporting year, valued at the lower of carrying amount and fair value less costs to sell and depreciation on these assets should cease.
- **Surplus Assets** - Surplus assets are valued at Fair Value in accordance with the Code.

### 1.15. Impairment of Non-Current Assets

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

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

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

The Council recognises impairment as:

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

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

### 1.16. Disposal of Non-Current Assets

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

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## ACCOUNTING POLICIES

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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 taxpayer, the Council removes this charge through the Movement in Reserves Statement and charges it to the Capital Adjustment Account.

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

The economic lives of assets are:

- **Intangible Assets** – 5 years.
- **Property Plant and Equipment**
  - Combined Group for Flat Roof and Mechanical Engineering – 20 years
  - Land – not depreciated
  - Temporary Buildings – 15 years
  - Modular Buildings – 25 years
  - Combined group for structure, external works, pitched roof and components of less than 25% of the overall structure value – 40 years
  - Other unique features (i.e. a swimming pool) – as required
  - Fixtures and Fittings – 10 years
  - IT Hardware – 5 years
  - Vehicles – 3 to 10 years
- **Infrastructure Assets**
  - Carriageways – 40 years
  - Footways and cycle tracks – 40 years
  - Structures – 120 years
  - Lighting – 40 years
  - Traffic management – 30 years
  - Street furniture – 40 years
- **Investment Property Assets** – not depreciated

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## ACCOUNTING POLICIES

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- **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
- **Assets Under Construction** – are not depreciated
- **Heritage Assets (with indefinite lives)** – are not depreciated

### 1.18. Leases

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

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

### 1.19. Defining a Finance Lease

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

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

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

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## ACCOUNTING POLICIES

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- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

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

### 1.20. Defining an Operating Lease

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

### 1.21. Lessee Accounting for a Finance Lease

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

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

### 1.22. Lessor Accounting for a Finance Lease

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

### 1.23. Lessor Accounting for an Operating Lease

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

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

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

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

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## ACCOUNTING POLICIES

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

PFI Credits are treated as general revenue government grants.

### **1.25. Capital Grants and Contributions**

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

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

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

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

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

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

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

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

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

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## ACCOUNTING POLICIES

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The Council will provide for 2.5% of debt outstanding on all debt as at 31 March 2008. On any new debt since this date the Council will provide 2.5% of the balance on all borrowing, unless any unsupported borrowing relates to any significant assets with a life of less than 20 years. In this case an annual amount based on the expected useful life of the individual assets is used and where those assets are vehicles then an average life of five years is used.

The Council has adopted the policy of charging MRP for PFI and Leased Assets at the value of the associated loan liability repayment each year, thus mitigating the impact to the General Reserve.

### 1.28. Capital Reserves

The Council holds Capital Reserves for the purpose of financing capital expenditure. Reserves will be disclosed as either usable (available to fund capital expenditure) or unusable (reserves held as a result of timing differences associated with recognition of capital expenditure and related financing).

Movements in capital reserves are accounted through the Movement in Reserves Statement.

## REVENUE ACCOUNTING

### 1.29. Recognition of Revenue Expenditure

The Council recognises revenue expenditure as expenditure which is not capital.

### 1.30. Employee Costs

In accordance with IAS 19, the Council accounts for the total benefit earned by employees during the financial year.

Employee Costs are split into 3 categories; short term benefits, termination benefits and pensions costs.

#### Short Term Employee Benefits

- **Salaries and Wages** – The total salary and wages earned by employees during the financial year are charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.

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## ACCOUNTING POLICIES

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- **Leave Owed, Accumulating Absences** – The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu.

If an employee were to leave the Council, cash payment would be made for entitlements such as annual leave; this leave is termed vesting. Where no cash payment would be due, the leave is termed non-vesting.

In order to correctly reflect the cost of time owed to staff, a charge has been made to the Comprehensive Income and Expenditure Statement and a creditor accrual has been reflected in the Balance Sheet. This charge is reflective of the estimated time cost value of all accumulating leave owed to employees. Vesting leave will be charged in full; however non-vesting leave has been adjusted to reflect the turnover of staff.

- **Easter Bank Holiday** – When Good Friday and/or Easter Monday fall in April, the preceding financial year only accounts for 6 or 7 bank holidays rather than the statutory 8. When this occurs, a charge is made to the Comprehensive Income and Expenditure Statement and a creditor accrual is reflected in the Balance Sheet.
- **Non-accumulating Absences** – are periods of leave that cannot be carried forward for use in future periods. Examples include Maternity Leave, Special Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs.
- **Non-monetary Benefits** – Where employees have non-monetary benefits (e.g. retirement benefits or life insurance), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.

### Termination Benefits

- **Redundancy Costs** – The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies. The plan would include the location, function and approximate number of employees affected; the termination benefits offered; and the time of implementation. When these recognition criteria have been met the Council recognises the costs associated with this in the service revenue expenditure and creates a creditor in the Balance Sheet. Where the payable amount is due in more than 12 months from the year end date, the costs are discounted at the rate determined by reference to market yields. In the case of an offer to encourage voluntary redundancy, the Council has recognised the estimated cost based on the expected number of employees taking the offer.

The Council will disclose details of exit packages within the notes to the accounts.



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## ACCOUNTING POLICIES

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### Pensions Costs

- **Teachers' Pension Scheme** – is a defined benefit scheme administered by the Department for Education. The assets and liabilities of the Teachers' Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.
- **Local Government Pension Scheme** – is a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates and employee turnover rates, and projections of earnings for current employees.

Pension liabilities are measured using the projected unit method, discounted using the rate on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of "spot yields" on AA rated corporate bonds.

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

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

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## ACCOUNTING POLICIES

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valuation or because the actuaries have updated their assumptions – debited to the Movement in Reserves Statement.

- Employer Contributions – cash paid by the Council to the Pension Fund.

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

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

### 1.31. Lessee Accounting for an Operating Lease

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

### 1.32. Revenue Grants and Contributions

Grants, contributions and donations (referred to as grants for the purposes of this policy) are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (income in advance). Any grant which had met the recognition criteria but had not been received would be shown as a debtor.

Revenue grants will either be received to be used only for a specific purpose or can be used for general purpose. Those for a specific purpose are recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services. Those which are for general purpose are shown within Other Operating (Income) and Expenditure in the Comprehensive Expenditure and Income Statement.

### 1.33. Income from Service Recipients

Income from service recipients is defined as consideration that a party, which has contracted with the Council, has given in exchange for goods or services that are the output of the Council's normal operating activities. Such a contract may be in writing, orally or in accordance with customary business practices. These may include:

- Charges for service provided by the Council.
- Sale of goods provided by the Council.
- Fees and charges for services under statutory requirements where there is an exchange of assets or services, such as the issuing of a licence or processing of an application.

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## ACCOUNTING POLICIES

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In such cases the Council recognises income when it has satisfied the performance obligation by transferring the promised goods or services to the service recipient. The point of transfer is when the service recipient takes control of the goods or benefits from the service.

The Council deems performance obligations to be satisfied over time, rather than at a point in time if any of the following criteria are met:

- The service recipient simultaneously receives and consumes the benefits of a service.
- The Council's performance enhances an asset that the service recipient controls.
- The Council has an enforceable right to payment for performance completed to date and that performance does not create an asset for which it has an alternative use.

Such income is recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services.

### 1.34. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision. Where payment is not expected for more than 365 days after the balance sheet date, the provision has been discounted using the rate of a high quality corporate bond.

Estimated settlements are reviewed at the end of each financial year and adjustments with the Comprehensive Income and Expenditure Statement are made as required.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income if it is virtually certain that reimbursement will be received if the obligation is settled.

The Council does not hold any general provisions.

### 1.35. Revenue Reserves

The Council holds usable revenue reserves for the purpose of funding future expenditure. The General Reserve represents the balance of reserves to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the Five Year Financial Plan. Earmarked Reserves represent balances where approval has been received to use the reserve for a specific purpose.

Unusable revenue reserves represent timing differences such as those associated with the recognition of retirement benefits, Council tax income and financial instruments.

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## ACCOUNTING POLICIES

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Movement in reserves are accounted through the Movement in Reserves Statement.

The Council publishes a separate Reserves Policy document, which is reviewed by Cabinet at least annually.

### **1.36. Research Costs**

Research costs should be treated as revenue expenditure at the point in which they are incurred and charged to the Comprehensive Income and Expenditure Statement.

### **1.37. Members' Allowances**

The Council in exercise of the powers and duties conferred by the Local Authorities (Members' Allowances) (England) Regulations 2003, has established a Members Allowance Scheme, outlining the allowances payable to Members of the Council.

Members are reminded of the need to keep detailed supporting information, such as a diary, about every attendance for which they claim. This information should be available for scrutiny by the Council's Auditors or other relevant persons as and when required. The scheme is updated annually, and full details are available on the Council's website.

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

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

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

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

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

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

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

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

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

Credit risk is assessed based on the expectation of a debtor's or an investment issuer's ability to pay future cash flows due under the contractual terms. This risk is estimated,

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## ACCOUNTING POLICIES

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where possible, based on historical loss experience, the debtor's or investment issuer's credit rating and other impacting factors including forward-looking information.

The loss allowance for an investment is initially measured at an amount equal to the portion of the lifetime credit losses which might be expected from a default event within 12 months of the balance sheet date. If the Council considers that the risk of default on an investment has increased significantly since the investment was initially recognised it will measure the loss allowance at an amount equal to the total lifetime credit losses expected from a default event.

At each Balance Sheet date, the Council makes a two-stage assessment of significant increases in credit risk since initial recognition:

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

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

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

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

## TREASURY MANAGEMENT

### 1.41. Definition of Treasury Management Activities

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

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

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

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## ACCOUNTING POLICIES

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

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

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

### **1.43. Financial Liabilities**

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

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus any interest accrued to 31 March and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

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

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

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## ACCOUNTING POLICIES

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

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

### 1.44. Financial Assets

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

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

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

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

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## ACCOUNTING POLICIES

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

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

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

**2) Financial Assets Measured at Fair Value Through Other Comprehensive Income** – assets where it is the Council's intention to hold the asset both to sell the asset and to collect the contractual cash flows and those cash flows consist solely of payments of principal and interest which arise on specified dates, or assets which are equity instruments which it is the Council's intention to hold for more than 12 months and which the Council has irrevocably elected to present changes to their fair value in Other Comprehensive Income and Expenditure

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

Values are based on the following principles:

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

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



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## ACCOUNTING POLICIES

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

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

Values are based on the following principles:

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

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

### **1.45. Interests in Companies and Other Entities**

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, it is required to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

## **Independent Auditor's Report to the Members of Derbyshire County Council**

### **Report on the audit of the financial statements**

#### **Opinion on the financial statements**

We have audited the financial statements of Derbyshire County Council ("the Council") for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement in Reserves Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2023 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance (Section 151 Officer) with respect to going concern are described in the relevant sections of this report.

**Other information**

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance (Section 151 Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of the Director of Finance (Section 151 Officer) for the financial statements**

As explained more fully in the Statement of the Section 151 Officer's Responsibilities, the Director of Finance & (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Director of Finance (Section 151 Officer) is also responsible for such internal control as the Director of Finance (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance (Section 151 Officer) is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance (Section 151 Officer) is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

We evaluated the Director of Finance (Section 151 Officer)'s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

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## AUDITOR'S OPINION – DERBYSHIRE COUNTY COUNCIL ACCOUNTS

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There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Director of Finance (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources**

#### **Matter on which we are required to report by exception**

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in this respect.

#### **Responsibilities of the Council**

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

#### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

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## AUDITOR'S OPINION – DERBYSHIRE COUNTY COUNCIL ACCOUNTS

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### **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

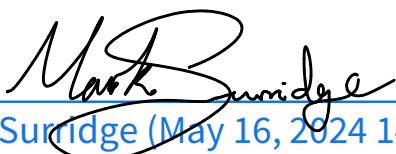
We have nothing to report in these respects.

### **Use of the audit report**

This report is made solely to the members of Derbyshire County Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.



Mark Surridge (May 16, 2024 14:20 GMT+1)

Mark Surridge, Key Audit Partner  
For and on behalf of Mazars LLP

2 Chamberlain Square  
Birmingham  
B3 3AX  
United Kingdom  
16 May 2024

# **Statement of Accounts Derbyshire Pension Fund 2022-23**

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## **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

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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 Pension Fund/Fund) has over 340 participating employers and approaching 110,000 membership records, relating to approximately 93,500 members, either active contributors, pensioners or deferred pensioners 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). Although the profile of the Pension Fund is gradually maturing, it continues to be cashflow positive, with combined contributions and investment income exceeding benefit payments on an annual basis.

The triennial actuarial valuation of the Fund at 31 March 2022 was completed during the year. The whole fund results, which provide a high-level snapshot of the funding position at 31 March 2022, reported an improvement in the funding level of the Fund from 97% at 31 March 2019 to 100% at March 2022, moving from a deficit of £163m to a small positive surplus of £1m. For the purposes of reporting a funding level, an investment return of 3.8% p.a. was assumed.

Employer covenant analysis and engagement with the Fund's employers supported the agreement of employer contribution rates for the three years from 1 April 2023. Employers' primary rates, covering the cost of the benefits that active members will build up in the future, generally increased due to higher inflation expectations; secondary rates, covering the costs associated with funding benefits accrued up to the valuation date, generally decreased due to strong investment performance since the last actuarial valuation in March 2019.

As part of the actuarial valuation, an updated Funding Strategy Statement and an updated Admission, Cessation and Bulk Transfer Policy were approved by the Pensions and Investments Committee. During the year, the Committee also approved an updated Pension Administration Strategy and an updated Governance Policy and Compliance Statement. The Fund also published its third Climate-Related Disclosures Report, which demonstrated the positive progress made in reducing the carbon footprint of the Pension Fund's listed equity portfolio and increasing the Fund's weighting in low carbon and sustainable investments.

At the end of March 2023, the value of the Fund's investments assets had fallen to just under £5.9bn, returning -3.1% over the year. However, the Fund continued to outperform on a relative basis against its benchmark over 1, 3, 5 and 10 years.



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## **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

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Investment markets globally were impacted by the reaction of central banks to rising levels of inflation. As the global economy recovered with the easing of Covid-19 pandemic-related lockdown restrictions, demand for products and materials increased sharply. Global supply chains were tight coming out of the pandemic and were further impacted by the conflict in Ukraine. The strong consumer demand for products against a backdrop of tight supply, tight labour markets and rising commodity prices (particularly rising energy prices) resulted in higher levels of price inflation.

Following their first steps to tighten monetary policy towards the end of 2021-22, after a long period of low interest rates, the major central banks moved swiftly during the year to increase rates as the worsening inflationary outlook unfolded. The Bank of England increased its base rate from 0.75% at the start of the year to 4.25% in March 2023, the highest level since October 2008. The US Federal Reserve increased its federal funds rate from a range of 0.25%-0.50% in March 2022 to a range of 4.75% to 5% in March 2023, its highest level since September 2007. Returns from the majority of asset classes were negative during the year, with the prices of government bonds and corporate bonds particularly impacted by the increases in interest rates.

The Fund continued to work closely with its partners in the LGPS Central Pool, overseeing the continued development of LGPS Central Limited (LGPSC), the company established to manage investments on behalf of the LGPS Central Pool. LGPSC is currently managing the Fund's investment grade bonds allocation and a portion of the Fund's emerging market equity and global sustainable equity allocations through pooled products and a commitment has been made to the company's private debt fund. The Fund expects further assets to be transitioned into LGPSC pooled products in 2023-24.

The rollout of the i-Connect system continued during with year, with employers representing around 90% of the Fund's membership now using the automated data submission and validation system.

Registrations on My Pension Online, the Fund's member self-service system, continued to grow, with over 30% of the Pension Fund's combined active and deferred members registered on the system by the end of the year.

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://www.derbyshirepensionfund.org.uk/publications/annual-report/annual-report.aspx>

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

### Membership Statistics

The Fund has approaching 110,000 membership records, relating to approximately 93,500 members, either active contributors, pensioners, or deferred pensioners:

	Actuals		
	31 Mar 2021	31 Mar 2022	31 Mar 2023
Contributors	38,065	38,170	38,025
Pensioners and Dependants	32,463	33,699	34,751
Deferred Pensioners	32,427	33,634	34,866

### 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	2022-23	2023-24
Derbyshire County Council	15.5% plus £15.536m	20.8% plus £0.582m
Derby City Council	14.5% plus £6.981m	20.3% plus £0.883m
Amber Valley Borough Council	15.0% plus £1.057m	21.1% plus £0.631m
Bolsover District Council	14.9% plus £0.962m	20.8% plus £0.262m
Chesterfield Borough Council	15.2% plus £1.991m	20.4% plus £0.726m
Derbyshire Dales District Council	14.6% plus £0.561m	20.5% plus £0.192m
Erewash Borough Council	14.1% plus £0.999m	20.7% plus £0.502m
High Peak Borough Council	13.4% plus £1.833m	20.9% plus £1.227m
North East Derbyshire District Council	14.7% plus £1.527m	20.6% plus £0.901m
South Derbyshire District Council	14.8% plus £0.678m	20.3% plus £0.174m

The percentage rates that were determined by the Actuary in the valuation of the Fund at 31 March 2019, for 2020-21 to 2022-23, and in the valuation of the Fund at 31 March 2022, for 2023-24 to 2025-26, 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 2022-23 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 2023-24.

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## **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

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### **Investment Policy**

During 2022-23, responsibility for policy matters rested with a Pensions and Investments Committee, which was comprised of eight County Councillors, two Derby City Councillors and one non-voting Trade Union representative. The Pensions and Investments Committee received advice from the Council's Section 151 Officer and from one independent external adviser.

Day-to-day management of the Fund is delegated to the Council's Section 151 Officer and their 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 Fund's benchmark asset allocation in 2022-23. The Fund's benchmark asset allocation was changed on 1 January 2022, following changes to the Fund's Investment Strategy Statement approved in November 2020, together with the development of a standalone Responsible Investment Framework and Climate Strategy. The changes to the asset allocation benchmark included a 1% switch from Growth Assets to Income Assets, together with some of the Fund's regional equity allocations being switched into Global Sustainable Equities. 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 2023, compared to those of its strategic benchmark, as well as the impact of inflation on Fund returns.

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

	Return		Inflation	Derbyshire Pension Fund Real Return
Periods to 31 Mar 2023	Derbyshire Pension Fund	Benchmark	CPI	Versus CPI Inflation
	% pa	% pa	%	%
1 Year	(3.1)	(3.6)	10.1	(13.2)
3 Years	8.0	7.7	5.9	2.1
5 Years	4.9	4.5	4.2	0.7
10 Years	6.6	6.2	2.8	3.8

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 across all time periods relative to the benchmark. It is important to note that the Fund delivered real returns over all time periods other than on a one year basis, with returns ahead of inflation in each of those time periods. UK inflation increased in 2022-23, from 7.0% in March 2022 to 10.1% in March 2023, reflecting rising energy costs and tight global supply chains following the Covid-19 pandemic.

Markets remained volatile in 2022-23, with the markets being impacted by higher global inflation following the Covid-19 pandemic. Lockdown restrictions severely disrupted global supply chains, and the easing of these restrictions released a surge of pent-up demand. Russia's invasion of Ukraine in February 2022 also significantly disrupted the trade for basic goods such as energy, food and industrial metals, pushing up energy costs and placing further upward pressure on global inflation. The effects of the invasion were felt most severely across the United Kingdom and Europe; in the United Kingdom inflation peaked at a 41-year high of 11.1% in October 2022. In response, the major central banks increased interest rates to slow down economic activity. In the United Kingdom, the Bank of England raised interest rates eight times during 2022-23, taking rates from 0.75% to a fourteen-year high of 4.25% by 31 March 2023. Against a backdrop of rising inflation and significantly higher bond yields, the Fund's overall investment return for 2022-23 was negative, at -3.1%, with negative contributions from the majority of the Fund's asset classes. However, on a relative basis, the Fund outperformed its benchmark by 0.5%, principally due to positive excess returns from the Fund's Income and Protection assets.

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## PENSION FUND ACCOUNTS

### EXPLANATORY FOREWORD

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By asset class, equity returns to Sterling investors in 2022-23 ranged from +8.7% in Europe Ex-UK to -4.1% in Emerging Markets. The FTSE All World returned -0.9% in Sterling terms, falling to -6.9% in US dollar terms, as Sterling strengthened relative to the US dollar. Government bond returns were poor in 2022-23, as bond yields increased in response to central bank interest rate rises. UK Gilts returned -16.3% and UK Index-Linked bonds returned -26.7%. UK Investment Grade Bonds returned -11.4%. Property (70% direct / 30% indirect) returned -13.2% in 2022-23, down from a positive return of 18.8% in 2021-22, as rising interest rates and slow economic growth weighed on investor confidence.

#### **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 most recently undertaken as at 31 March 2022 and set the level of contributions payable by each participating employer for the three years commencing 1 April 2023.

At 31 March 2022, the Net Assets of the Fund were £6.132bn and the Past Service Liabilities were £6.131bn. The Fund had a small surplus of £1m at that date. The Fund's Funding Strategy Statement is available on the Council's website at:  
<https://www.derbyshirepensionfund.org.uk/publications/policies-strategies-and-statements/funding-strategy.aspx>

The funding level is the Fund's ratio of assets to liabilities at the valuation date. The funding level at the 2022 valuation was 100%, which is an improvement on the funding level at the 2019 valuation of 97%. This means that the Fund's assets were sufficient to meet 100% of its liabilities (the present value of promised retirement benefits) accrued up to that date. For the purposes of reporting a funding level, an investment return of 3.8% was assumed.

A market-related approach was taken to valuing the Fund liabilities, for consistency with the valuation of the Fund assets at their market value. The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership. An allowance has been included at this valuation for the expected benefit change related to the McCloud remedy.

A number of factors, both positive and negative, impacted on the overall funding level in the 2022 valuation, with an overall improvement in funding of £0.164bn over the three years to 31 March 2022, an improvement of £0.304bn compared to the expected position.

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

The actual investment return on the Fund's assets for the period 31 March 2019 to 31 March 2022 was better than expected, increasing the market value of the Fund's assets, and improving the funding position, by £1.212bn, £0.655bn more than expected. The accrual of new benefits reduced the funding position by £0.575bn to 31 March 2022, albeit this reduction was £0.071bn lower than expected.

Other membership experience in the period since the last valuation increased the value of the Fund's liabilities and reduced the funding position by £0.172bn. Changes in future expectations further reduced the actual funding position at 31 March 2022 by £0.252bn, with an improvement in investment returns and other demographic assumptions being more than offset by changes in inflation, salary increases and longevity assumptions, used to calculate the present value of the Fund's liabilities.

Assumptions used in the March 2022 actuarial valuation:

	Assumption
Benefit Increases (Consumer Price Index (CPI) Inflation)	2.70%
Career Average Revalued Earnings (CARE) Revaluation (CPI Inflation)	2.70%
CPI Inflation	2.70%
Discount Rate	3.80%
Future Investment Return*	3.80%
Life Expectancy for Current Pensioners - Women Age 65	24.3 years
Life Expectancy for Future Pensioners - Women Age 45	25.8 years
Life Expectancy for Current Pensioners - Men Age 65	21.3 years
Life Expectancy for Future Pensioners - Men Age 45	22.2 years
Salary Increases**	3.70%

\* 77% likelihood that the Fund's assets will return at least 3.8% over the 20 years following the 2022 actuarial valuation date. This is the same methodology used for the 2019 actuarial valuation.

\*\* Plus a promotional salary scale.

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).

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## **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

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Since 31 March 2022, markets have continued to be affected by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates, which reduces the value placed on the Fund's liabilities.

As an open scheme, with a strong covenant, the Fund takes a long-term view when considering the funding impact of such events. For employers who have a very short time horizon, recent volatility may be more immediately impactful, and the Fund has engaged with these employers as appropriate. No explicit allowance has been made for this volatility in the valuation results or contribution rates detailed in the Rates & Adjustments Certificate. The Fund will continue to monitor changes in the financial and demographic environment as part of its ongoing risk management approach. The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

### **Further Information**

Derbyshire Pension Fund's Investment Strategy Statement, Funding Strategy Statement, Actuarial Valuation Report, Governance Policy and Compliance Statement, Communications Policy 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

2021-22 £m		Note	2022-23 £m
	<b>Dealings with Members, Employers and Others Directly Involved in the Fund</b>		
193.536	Contributions	6,23	202.768
11.940	Transfers in from Other Pension Funds	7	17.144
<b>205.476</b>			<b>219.912</b>
(185.578)	Benefits	8,23	(195.410)
(18.262)	Payments to and on Account of Leavers	9	(15.510)
<b>(203.840)</b>			<b>(210.920)</b>
<b>1.636</b>	<b>Net Additions from Dealings with Members, Employers and Others Directly Involved in the Fund</b>		<b>8.992</b>
(32.413)	Management Expenses	10	(33.136)
<b>(30.777)</b>	<b>Net (Withdrawals) Including Fund Management Expenses</b>		<b>(24.144)</b>
	<b>Return on Investments</b>		
62.217	Investment Income	11	71.587
0.018	Taxes on Income	12	0.008
393.710	Profits and Losses on Disposal of Investments and Changes in Value of Investments	13	(248.868)
<b>455.945</b>	<b>Return on Investments</b>		<b>(177.273)</b>
<b>425.168</b>	<b>Net Increase/(Decrease) in the Net Assets Available for Benefits During the Year</b>		<b>(201.417)</b>
5,706.917	Opening Net Assets of the Fund		6,132.085
<b>6,132.085</b>	<b>Closing Net Assets of the Fund</b>		<b>5,930.668</b>



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## PENSION FUND ACCOUNTS

### NET ASSETS STATEMENT

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#### NET ASSETS STATEMENT

31 Mar 2022			31 Mar 2023
£m		Note	£m
6,092.012	Investment Assets	13-15	5,899.509
(2.980)	Investment Liabilities	13-15	(1.519)
53.926	Current Assets	17	44.488
(10.873)	Current Liabilities	18	(11.810)
<b>6,132.085</b>	<b>Net Assets of the Scheme Available to Fund Benefits at the Period End</b>		<b>5,930.668</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.

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## **PENSION FUND ACCOUNTS**

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

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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 2022-23 (“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.

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

The amount of separately invested Additional Voluntary Contributions (“AVCs”) paid by members during the year and their value at the net assets statement date are not included in the Pension Fund financial statements in accordance with Regulation 4 (1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Members’ AVCs are disclosed in Note 16 of these accounts.

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## **PENSION FUND ACCOUNTS**

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

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## **2. Accounting policies**

### **Contributions**

Employee contributions are accounted for when deducted from members' pay. Employers' normal contributions are accounted for in the period to which the corresponding pay relates. Other employers' contributions, such as deficit funding contributions, are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a cash basis.

### **Benefits**

Benefits and payments to leavers are accounted for in the period they fall due for payment. Where a member has a choice about the form of their benefit, the benefit is accounted for and the liability is recognised when the member notifies the Council of their decision as to what form of benefit they will take. Where a member has no choice about the form of benefit, the benefit is accounted for in the period of leaving/retirement/death, being the period in which the liability to pay the benefit arises.

### **Transfers**

Where past service liabilities do not transfer between schemes until assets/liabilities have been transferred, transfers are accounted for on a cash basis. Where trustees have agreed to accept past service liabilities in advance of the transfer of funds, the transfer is accounted for in accordance with the terms of the agreement.

### **Management expenses**

Management expenses are accounted for on an accruals basis. They are analysed in accordance with CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs (2016)".

### **Investment income**

Dividends from quoted securities are accounted for when the securities are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statements as an investment asset. Rent is accounted for in accordance with the terms of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Interest on cash and bonds is accrued on a daily basis. Income arising on the underlying investments of accumulation funds is accounted for within change in market value of investments. Distributions from pooled investment vehicles are recognised at the date of issue. Distribution income is accounted for on an accruals basis and any outstanding amount is included in the Net Asset Statement as an investment asset.

### **Taxes on income**

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of The Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable taxation is accounted for as a Fund expense as it arises.

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## **PENSION FUND ACCOUNTS**

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

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#### **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 or at amortised cost 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:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

The Fund has concluded that although these amendments lead to improved reporting they would not have had a significant impact on the Fund's 2022-23 accounts.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

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## **PENSION FUND ACCOUNTS**

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

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This is only applicable to local authorities with group accounts and, therefore, would not have impacted on the Fund's 2022-23 accounts.

- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

The Fund has concluded that this amendment would not have impacted on the Fund's 2022-23 accounts.

IFRS 16 (Leases) is not included in the list above because early adoption is not envisaged in 2023-24.

#### **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**

##### **Valuation of investment assets**

###### **Basis of valuation**

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

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

Level 3 assets also include the Fund's direct property portfolio, which is independently valued by the Fund's external property valuer, Savills, at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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The value of the Fund's Level 3 assets at 31 March 2023 was £3,393.958m, accounting for 57.5% of total investment assets. The estimated impact of price risk in respect of Level 3 assets is  $\pm 6.0\%$ , equating to £203.637m at 31 March 2023. 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. Note 15 provides further details, including a breakdown of the Level 3 assets, the nature of the assumptions that give rise to uncertainty, and a sensitivity analysis in respect of values at 31 March 2023.

The global economy continues to experience inflationary pressures against a backdrop of faltering economic growth and concerns over the cost of living. Whilst global inflation appears to be close to peaking, it remains persistent and central banks, including the Bank of England, have sought to address this by increasing interest rates, placing further pressure on corporate and consumer finances and confidence. Financial markets remain volatile and heavily focused on the future direction of inflation and interest rates. It is unclear how the tightening of credit conditions, particularly in the US, in response to some regional bank failures in the first quarter of 2023, will impact on economic activity.

#### **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.

Since 31 March 2022, markets have continued to be affected by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund at 31 March 2023 is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates, which reduces the value placed on the Fund's liabilities.

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

#### 6. Contributions

	2021-22	2022-23
	£m	£m
<b>Employers</b>		
Normal	111.891	121.244
Deficit Funding	37.081	34.722
<b>Members</b>		
Normal	44.564	46.802
	<b>193.536</b>	<b>202.768</b>

Employers' contributions rates payable in 2021-22 and 2022-23 were set as part of the 2019 valuation which revealed an overall funding level of 97%.

On 30 April 2021, Derbyshire County Council paid employer contributions of £55.781m to the Fund, for 2021-22. This advance payment was based on an estimate of pensionable pay. Derbyshire County Council's employer contributions payable for 2021-22, based on actual pensionable pay, are £55.295m, which is £0.486m less than the advance payment. The excess cash payment of £0.486m has been retained by the Fund and accounted for as employer deficit funding contributions in 2021-22 in accordance with the Derbyshire County Council 2021-22 Rates and Adjustments Certificate agreed with the Actuary.

On 29 April 2022, Derbyshire County Council paid employer contributions of £56.494m to the Fund, for 2022-23. This advance payment was based on an estimate of pensionable pay. Derbyshire County Council's employer contributions payable for 2022-23, based on actual pensionable pay, are £57.720m, which is £1.226m more than the advance payment. An additional cash payment of £1.226m was paid to the Fund on 28 April 2023, in accordance with the Derbyshire County Council 2022-23 Rates and Adjustments Certificate agreed with the Actuary.

On 15 October 2020, Derby Homes Limited paid employer contributions of £3.535m to the Fund, for an eighteen-month period, October 2020 to March 2022. Of this payment, £2.184m related to 2021-22, and these contributions were accounted for as employer deficit funding contributions in 2020-21. On 1 April 2022, Derby Homes Limited paid employer contributions of £2.484m to the Fund, for 2022-23. These contributions have been accounted for in 2022-23 as £2.385m of employer normal contributions and £0.099m of employer deficit funding contributions.

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

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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

	2021-22	2022-23
	£m	£m
Individual transfers in from other pension funds	11.940	17.144

#### 8. Benefits

	2021-22	2022-23
	£m	£m
Pensions	146.923	155.695
Commutation of pensions and lump sum retirement benefits	32.711	33.284
Lump sum death benefits	5.944	6.431
	185.578	195.410

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

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

	2021-22	2022-23
	£m	£m
Refund of contributions to members leaving the Fund	0.668	0.709
Group transfers out to other pension funds	8.009	0.000
Individual transfers out to other pension funds	9.585	14.801
	18.262	15.510

Group transfers out in 2021-22 relate to the transfer of members of six East Midlands Education Trust (EMET) academies to the Nottinghamshire Pension Fund with effect from 1 September 2021.

#### 10. Management expenses

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



## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

	2021-22	2022-23
	£m	£m
Investment management expenses	28.275	28.257
Administrative costs	2.774	3.119
Oversight and governance costs	1.364	1.760
	<b>32.413</b>	<b>33.136</b>

Oversight and governance costs increased by £0.396m in 2022-23, to £1.760m (2021-22, £1.364m), with the increase relative to the prior year mainly reflecting an increase in actuarial fees relating to the actuarial valuation of the Fund at 31 March 2022. Oversight and governance costs include external audit fees of £0.038m (2021-22: £0.027m), which are comprised of a scale fee of £0.026m for the 2022-23 audit, £0.005m estimated in respect of additional audit fees for the 2022-23 audit not included in the scale fee, for instance in respect of new auditing standards, and additional audit fees of £0.007m estimated in respect of 2022-23 work reviewing membership data in the 31 March 2022 actuarial valuation. The statutory audit fee does not include fees chargeable to the Fund for pension assurance work, undertaken at the request of employer auditors, which the Fund recharges to the respective employers. Fees payable for this work in 2022-23 are estimated to be £0.018m (2021-22: £0.018m).

Administration costs increased by £0.345m in 2022-23, to £3.119m (2021-22, £2.774m), with the increase relative to the prior year reflecting an increase in the cost of the Pension Fund Team and a number of write-offs related to pension overpayments. Pension administration costs per member were £28.98 in 2022-23 (2021-22: £26.29).

Investment management expenses are analysed below:

	2021-22	2022-23
	£m	£m
Fund value based management fees	26.125	26.721
In house management fees	0.452	0.470
Transaction costs	1.677	1.046
Custody fees	0.021	0.020
	<b>28.275</b>	<b>28.257</b>

Fund value-based management fees increased by £0.596m, to £26.721m in 2022-23 (2021-22, £26.125m). A reduction in the average value of underlying investments during the year was more than offset by switches into more expensive to manage private market assets. Based on average investment assets across the year, management fees as a proportion of average investment assets were 0.46% (2021-22, 0.44%).

Transaction costs relate to the following asset classes:

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

	2021-22	2022-23
	£m	£m
Equities	0.231	0.120
Pooled Investment Vehicles	1.446	0.926
	<b>1.677</b>	<b>1.046</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, anti-dilution levies, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties.

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

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

Other 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

	2021-22	2022-23
	£m	£m
Income from equities	12.224	10.564
Income from bonds	9.566	10.502
Net rents from properties	10.854	15.229
Income from pooled investment vehicles	29.168	32.143
Interest on cash deposits	0.405	3.149
	<b>62.217</b>	<b>71.587</b>

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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Income from equities decreased by £1.660m in 2022-23, to £10.564m (2021-22, £12.224m), principally reflecting the ongoing transition from direct equity holdings into accumulation unit pooled investment vehicles, where dividend income is automatically reinvested and not distributed. Income from pooled investment vehicles increased by £2.975m in 2022-23, to £32.143m (2021-22, £29.168m), reflecting increased allocations to income generating asset classes such as infrastructure and private debt which are managed through pooled investment vehicles. The increase of £4.375m in respect of net rent from properties, from £10.854m in 2021-22 to £15.229m in 2022-23, principally reflects the fact that the Fund added six new properties to the direct property portfolio in 2022-23.

Rents from properties are net of £0.795m of property expense (2021-22, net of £0.596m of property expense), which includes a £0.101m credit loss allowance expense adjustment for property rent debtors at the year-end (2021-22, £0.032m income adjustment). 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, adjusted for the movement in credit loss allowance.

#### 12. Taxes on income

	2021-22	2022-23
	£m	£m
Taxation payable	(0.018)	(0.008)

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.

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

#### 13. Investment assets and liabilities

	Value at 31 Mar 2022	Purchases & hedging payments	Sales & hedging receipts	Profits & losses on disposal of investments & changes in value of investments	Value at 31 Mar 2023
	£m	£m	£m	£m	£m
<b>Investment assets</b>					
Equities	370.726	49.866	(85.218)	(37.993)	297.381
Bonds	619.498	83.008	(19.386)	(108.281)	574.839
Pooled investment vehicles	4,622.108	240.669	(229.206)	(38.415)	4,595.156
Properties	292.200	89.077	0.000	(50.002)	331.275
Currency hedging contracts	0.000	0.000	0.000	0.988	0.988
	5,904.532	462.620	(333.810)	(233.703)	5,799.639
Cash deposits & short term loans	182.079			0.000	93.917
Other investment balances	5.401			0.000	5.953
	<b>6,092.012</b>			<b>(233.703)</b>	<b>5,899.509</b>
<b>Investment liabilities</b>					
Currency hedging contracts	(0.592)	1,332.833	(1,317.076)	(15.165)	0.000
Other investment balances	(2.388)			0.000	(1.519)
	<b>(2.980)</b>			<b>(15.165)</b>	<b>(1.519)</b>
	<b>6,089.032</b>			<b>(248.868)</b>	<b>5,897.990</b>

The total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities has reduced the Fund's value by £248.868m during 2022-23 (2021-22, £393.710m 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. All net gains and losses on financial instruments relate to financial assets held at fair value through profit and loss. In 2022-23, net losses on financial assets and financial liabilities measured at fair value are £198.866m (2021-22, £358.832m net gains). This differs to the total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities in the table as direct property investments are excluded from the total because they are not financial instruments.

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

At 31 March 2023 the Fund's investments accounting for more than 5% of the total value of the Fund's net assets available for benefits were:

- LGIM UK Equity Index Fund £774.200m, representing 13.1% (2022, £751.690m, 12.3%).
- LGIM MSCI World Low Carbon Target Index Fund £677.564m, representing 11.4% (2022, £686.933m, 11.2%).
- RBC Global Equity Focus Fund £378.812m, representing 6.4% (2022, £412.479m, 6.7%).
- LGPS Central Global Active Corporate Bond Fund A (Acc) £337.078m, representing 5.7% (2022, £378.001m, 6.2%).
- LGPS Central All World Equity Climate Multi Factor Fund £314.073m, representing 5.3% (2022, £312.322m, 5.1%).

The 2021-22 position was:

	Value at 31 Mar 2021 £m	Purchases & hedging payments £m	Sales & hedging receipts £m	Profits & losses on disposal of investments & changes in value of investments £m	Value at 31 Mar 2022 £m
<b>Investment assets</b>					
Equities	577.325	230.566	(520.738)	83.573	370.726
Bonds	580.511	50.576	(10.995)	(0.594)	619.498
Pooled investment vehicles	3,930.149	1,168.619	(753.941)	277.281	4,622.108
Properties	252.200	11.967	(6.845)	34.878	292.200
	5,340.185	1,461.728	(1,292.519)	395.138	5,904.532
Cash deposits & short term loans	325.128			0.000	182.079
Other investment balances	5.635			0.000	5.401
	<b>5,670.948</b>			<b>395.138</b>	<b>6,092.012</b>
<b>Investment liabilities</b>					
Currency hedging contracts	(1.472)	1,062.309	(1,060.001)	(1.428)	(0.592)
Other investment balances	(2.676)			0.000	(2.388)
	<b>(4.148)</b>			<b>(1.428)</b>	<b>(2.980)</b>
	<b>5,666.800</b>			<b>393.710</b>	<b>6,089.032</b>

## 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 and from 2021-22 onwards, the Fund's Infrastructure, Multi-Asset Credit and Indirect Property investment assets following a change to the Fund's Investment Strategy Statement to also currency hedge these assets. 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 were two currency hedging contracts, with less than six months to expiry, with a gross contract value of £360.439m (2022, two contracts, with less than six months to expiry, with a gross contract value of £309.258m).

Pooled investment vehicles are further analysed below:

	31 Mar 2022	31 Mar 2023
	£m	£m
<b>Pooled Investment Vehicles</b>		
Equities	3,009.986	2,928.709
Bonds	844.350	806.664
Property	194.206	135.416
Private Equity	191.371	201.763
Infrastructure	382.195	522.604
	<b>4,622.108</b>	<b>4,595.156</b>

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

	31 Mar 2022		31 Mar 2023	
	£m	%	£m	%
In-house	3,028.978	49.7	2,887.344	48.9
Colliers Capital Holdings Ltd	293.973	4.8	333.903	5.7
Legal and General Investment Management	1,762.703	29.0	1,775.302	30.1
LGPS Central Ltd	872.126	14.3	837.538	14.2
UBS Global Asset Management Life Ltd	30.500	0.5	0.000	0.0
Wellington Management International Ltd	100.752	1.7	63.903	1.1
	<b>6,089.032</b>	<b>100.0</b>	<b>5,897.990</b>	<b>100.0</b>

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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

	31 Mar 2022		31 Mar 2023	
	£m	%	£m	%
UK	2,619.506	43.0	2,568.224	43.6
North America	1,687.963	27.7	1,523.189	25.8
Asia and other	925.118	15.2	940.332	15.9
Europe	856.445	14.1	866.245	14.7
	<b>6,089.032</b>	<b>100.0</b>	<b>5,897.990</b>	<b>100.0</b>

The changes in the regional mix of the Fund's investments reflects a combination of asset allocation changes and/or relative investment performance.

#### 15. Basis of valuation

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

- Market quoted investments, where there is a readily available market price, are valued at the bid market price on the final day of the accounting period.
- Quoted bonds are valued at net market value excluding accrued income.
- Pooled investment vehicles are included at closing bid price for funds with bid/offer spreads, or if single priced, at the closing price. For unquoted pooled investment vehicles this is at the price advised by the fund manager.
- Unquoted investments are valued at fair value, at the price or net asset value advised by the fund manager, or for private equity investments, based on the Fund's share of net assets at the year end, using the latest financial information available from the respective fund managers, adjusted for drawdowns and distributions to the final day of the accounting period, if the latest financial information is not produced to that date.
- 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.

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## **PENSION FUND ACCOUNTS**

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

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- 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.

Property, which is a non-financial asset, is included at market value on the final day of the accounting period, 31 March 2023, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. The property portfolio was independently valued by Savills, Property Advisers.

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

- Level 1 – Assets and liabilities assigned to Level 1 in the fair value hierarchy are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Fund's investments classified as Level 1 are quoted UK and Overseas Equities and quoted UK and Overseas Bonds issued by governments.
- Level 2 – Assets and liabilities assigned to Level 2 in the fair value hierarchy are those where quoted market prices are not available, for instance in a market that is not considered to be active, or where observable valuation techniques are used to determine fair value. The Fund's investments classified as Level 2 are quoted Pooled Investment Vehicles, Currency Hedging Contracts and unquoted LGPSC Bonds and Equities.
- Level 3 – Assets and liabilities assigned to Level 3 in the fair value hierarchy are those where at least one input which could have a significant effect on an instrument's valuation is not based on observable market data. The Fund's investments classified as Level 3 are unquoted Pooled Investment Vehicles and Properties (non-financial assets).

The Fund's fair value hierarchy of investment financial assets and financial liabilities held at fair value through profit or loss, additionally including investment financial assets held at amortised cost, to reconcile to total financial assets and financial liabilities, is as follows:



## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

	31 Mar 2022	31 Mar 2023
	£m	£m
<b>Financial Assets at Fair Value through Profit or Loss</b>		
<b>Level 1</b>		
UK quoted equities	267.504	231.229
Overseas quoted equities	101.906	64.837
UK quoted bonds	510.758	476.558
Overseas quoted bonds	108.056	97.596
	<b>988.224</b>	<b>870.220</b>
<b>Level 2</b>		
Property - quoted pooled investment vehicles	32.769	13.980
Other quoted pooled investment vehicles	1,654.526	1,518.493
UK unquoted equities*	1.315	1.315
UK unquoted bonds	0.685	0.685
Currency hedging contracts	0.000	0.988
	<b>1,689.295</b>	<b>1,535.461</b>
<b>Level 3</b>		
Property – unquoted pooled investment vehicles	161.437	121.436
Other unquoted pooled investment vehicles	2,773.376	2,941.247
UK freehold properties (non-financial instruments)	236.650	279.275
UK leasehold properties (non-financial instruments)	55.550	52.000
	<b>3,227.013</b>	<b>3,393.958</b>
<b>Financial Assets at Amortised Cost</b>		
Sterling cash deposits	20.449	22.481
Money market funds	120.000	30.000
Other Sterling short term loans	40.000	40.000
Foreign currency	1.630	1.436
Other investment balances	5.401	5.953
	<b>187.480</b>	<b>99.870</b>
<b>Financial Assets</b>	<b>6,092.012</b>	<b>5,899.509</b>

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

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	31 Mar 2022	31 Mar 2023
	£m	£m
<b>Financial Liabilities at Fair Value through Profit or Loss</b>		
<b>Level 2</b>		
Currency hedging contracts	(0.592)	0.000
	<b>(0.592)</b>	<b>0.000</b>
<b>Financial Liabilities at Amortised Cost</b>		
Other investment balances	(2.388)	(1.519)
	(2.388)	(1.519)
<b>Financial Liabilities</b>	<b>(2.980)</b>	<b>(1.519)</b>
	<b>6,089.032</b>	<b>5,897.990</b>

\*The Fund had £1.315m invested in share capital and £0.685m in a loan to LGPSC at 31 March 2023 (31 March 2022: £1.315m and £0.685m, respectively). This share capital investment in LGPSC is carried at cost, which approximates to fair value at 31 March 2023.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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Additional information in respect of the fair value measurement is provided below.

<b>Description of asset</b>	<b>Valuation hierarchy</b>	<b>Basis of valuation</b>	<b>Observable and unobservable inputs</b>	<b>Key sensitivities affecting the valuation</b>
UK quoted equities	Level 1	Bid market price	Not required	Not required
Overseas quoted equities	Level 1	Bid market price	Not required	Not required
UK quoted bonds	Level 1	Net market value excluding accrued income	Not required	Not required
Overseas quoted bonds	Level 1	Net market value excluding accrued income	Not required	Not required
Property quoted pooled investment vehicles	Level 2	Closing bid price where bid and offer prices are published	Net Asset Value (NAV) - based pricing	Not required
Other quoted pooled investment vehicles	Level 2	Closing bid price where bid and offer prices are published	Evaluated price feeds	Not required
UK unquoted equities	Level 2	Fair value based on price or net asset value advised by the fund manager	Evaluated price feeds	Not required
UK unquoted bonds	Level 2	Fair value based on price or net asset value advised by the fund manager	Evaluated price feeds	Not required
Currency hedging contracts	Level 2	Published exchange prices at the year-end date	Exchange rate risk	Not required

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

Property unquoted pooled investment vehicles	Level 3	Investment method whereby all current and future income streams are capitalised at the rate or rates compared against yields achieved in market investment transactions and adjusted for individual characteristics of the subject property, based on valuer's opinion, wholly derived from observable prices achieved in market transactions	Net Asset Value (NAV) - based principal	Valuations could be affected by material events occurring between the date of the financial statements provided and the year-end date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Other unquoted pooled investment vehicles (private equity; infrastructure; private debt)	Level 3	At the price or net asset value advised by the manager using the latest financial information available from the respective manager, adjusted for drawdowns and distributions to the final date of the accounting period, if the latest financial information is not produced to that date	Private Equity & Infrastructure: EBITDA; Revenue & EBITDA multiple; Discount for lack of marketability; Control premium; Discounted cash flows Private Debt: Comparable valuation of similar assets; Revenue & EBITDA; Discounted cash flows; Asset security; Enterprise value estimation	Valuations could be impacted by material events occurring between the date of the financial statements provided and the year-end date, by changes to expected cash flows, and any differences between the audited and unaudited accounts
UK freehold and leasehold properties (non-financial instruments)	Level 3	Determined in accordance with the RICS Valuation Standards	Existing lease term rentals; Independent market research; Covenant strength for existing tenants; Actual and assumed vacancy levels; Estimated rental growth; Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes in market prices

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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 2022-23:

	Value at 31 Mar 2022	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	Value at 31 Mar 2023
	£m	£m	£m	£m	£m	£m
<b>Financial Assets</b>						
<b>Level 3</b>						
<b>Pooled investment vehicles</b>						
Property – unquoted	161.437	1.662	(36.309)	(17.112)	11.758	121.436
Other unquoted	2,773.376	184.383	(100.136)	70.486	13.138	2,941.247
<b>Properties</b>						
UK freehold (non-financial instruments)	236.650	89.077	0.000	(46.452)	0.000	279.275
UK leasehold (non-financial instruments)	55.550	0.000	0.000	(3.550)	0.000	52.000
	<b>3,227.013</b>	<b>275.122</b>	<b>(136.445)</b>	<b>3.372</b>	<b>24.896</b>	<b>3,393.958</b>

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 2021-22 position was:

	Restated Value at 31 Mar 2021*	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	Value at 31 Mar 2022
	£m	£m	£m	£m	£m	£m
<b>Financial Assets</b>						
<b>Level 3</b>						
<b>Pooled investment vehicles</b>						
Property – unquoted	154.854	2.487	(18.688)	16.443	6.341	161.437
Other unquoted	2,280.640	566.858	(317.370)	212.815	30.433	2,773.376
<b>Properties</b>						
UK freehold (non-financial instruments)	208.500	0.855	(6.845)	35.947	(1.807)	236.650
UK leasehold (non-financial instruments)	43.700	11.112	0.000	0.738	0.000	55.550
	<b>2,687.694</b>	<b>581.312</b>	<b>(342.903)</b>	<b>265.943</b>	<b>34.967</b>	<b>3,227.013</b>

\*Reanalysed in 2021-22 to remove a quoted fund following correction of its classification from Level 3 other unquoted pooled investment vehicles to Level 2 other quoted pooled investment vehicles. This fund had a value of £348.746m at 31 March 2021.

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

The impact of current global economic conditions 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 2023 above are likely to be accurate to within the ranges set out in the sensitivity analysis below:

	Value at	Assessed	Value	Value
	31 Mar 2023	valuation	on increase	on decrease
	£m	range	£m	£m
		%		
<b>Level 3 sensitivity</b>				
Direct property (non-financial instruments)	331.275	10.0	364.402	298.147
Diversified multi-asset credit funds	231.352	5.0	242.920	219.784
Equity index tracking funds	1,775.475	2.0	1,810.985	1,739.966
Short dated investment grade fund	19.409	3.0	19.991	18.827
Indirect property	121.436	15.0	139.651	103.221
Infrastructure	522.604	12.5	587.930	457.279
Private debt	190.644	10.0	209.708	171.580
Private equity	201.763	15.0	232.027	171.499
	<b>3,393.958</b>	<b>6.0</b>	<b>3,597.595</b>	<b>3,190.321</b>

The position at 31 March 2022 was:

	Value at	Assessed	Value	Value
	31 Mar 2022	valuation	on increase	on decrease
	£m	range	£m	£m
		%		
<b>Level 3 sensitivity</b>				
Direct property (non-financial instruments)	292.200	10.0	321.420	262.980
Diversified multi-asset credit funds	264.752	5.0	277.990	251.514
Equity index tracking funds	1,762.703	2.0	1,797.957	1,727.449
Short dated investment grade fund	19.635	3.0	20.224	19.046
Indirect property	161.437	15.0	185.653	137.221
Infrastructure	382.195	12.5	429.969	334.421
Private debt	152.720	10.0	167.992	137.448
Private equity	191.371	15.0	220.077	162.665
	<b>3,227.013</b>	<b>6.0</b>	<b>3,421.281</b>	<b>3,032.745</b>

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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#### 16. Additional Voluntary Contributions

In accordance with Regulation 4(1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Accounts do not include employees' Additional Voluntary Contributions ("AVCs"). 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.

The total value of funds provided by AVC contributions at 31 March 2023 was:

	31 Mar 2022	31 Mar 2023
	£m	£m
<b>Utmost Life and Pensions</b>		
With profits fund	0.064	0.045
Unit-linked funds	0.438	0.353
Total Utmost Life and Pensions	0.502	0.398
<b>Standard Life</b>		
Managed fund	0.735	0.704
Multi asset managed fund	0.113	0.089
Protection fund	0.060	0.082
Ethical fund	0.106	0.080
With profits fund	0.322	0.270
Total Standard Life	1.336	1.225

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

	31 Mar 2022	31 Mar 2023
	£m	£m
<b>Prudential Assurance Company Ltd</b>		
Deposit fund	1.983	1.534
With profits cash accumulation fund	5.057	4.877
Cash fund	0.539	0.775
Discretionary fund	0.742	0.740
Dynamic global equity passive fund	0.217	0.594
Dynamic growth funds	1.268	2.112
Fixed interest fund	0.184	0.142
Global equity fund	0.419	0.435
Index-linked fund	0.349	0.231
International equity fund	0.633	0.680
Long-term bond fund	0.027	0.053
Long-term gilt passive fund	0.237	0.179
Positive impact fund	0.219	0.182
UK equity fund	0.278	0.309
UK equity passive fund	0.197	0.093
<b>Total Prudential Assurance</b>	<b>12.349</b>	<b>12.936</b>
<b>Clerical Medical</b>		
With profits fund	0.128	0.116
Unit linked fund	0.052	0.024
<b>Total Clerical Medical</b>	<b>0.180</b>	<b>0.140</b>
<b>Total AVC Investments</b>	<b>14.367</b>	<b>14.699</b>
<b>Death in Service Cover</b>		
Utmost Life and Pensions	<b>0.093</b>	<b>0.048</b>

Death in Service cover is payable by the AVC provider where an employee has opted to pay an extra life insurance sum. The Local Government Pension Scheme Regulations 2013 require the death grant payable for contributors into the LGPS to be three times their “final pay” (in the case of a part-time employee it is three times their actual pensionable pay). The Inland Revenue limit for death in service cover is four times “final pay”, so the maximum extra amount insurable is, therefore, restricted to an amount equivalent to one times “final pay” and in the case of a part-time contributor, their actual pensionable pay. “Final pay” is defined in the above Regulations.



## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

	Utmost		Standard	Clerical	
	Life	Prudential	Life	Medical	Total
	£m	£m	£m	£m	£m
<b>Value at 31 Mar 2022</b>	<b>0.502</b>	<b>12.349</b>	<b>1.336</b>	<b>0.180</b>	<b>14.367</b>
<b>Income</b>					
Contributions received	0.000	2.922	0.016	0.001	2.939
Interest and bonuses and change in market value	(0.020)	(0.082)	(0.029)	(0.004)	(0.135)
Transfers in	0.000	0.011	0.000	0.000	0.011
<b>Expenditure</b>					
Retirement benefits	(0.079)	0.000	(0.098)	(0.037)	(0.214)
Deaths	0.000	(0.202)	0.000	0.000	(0.202)
Full encashment	0.000	(1.963)	0.000	0.000	(1.963)
Asset transfer	0.000	(0.085)	0.000	0.000	(0.085)
Transfers out and withdrawals	(0.005)	(0.014)	0.000	0.000	(0.019)
<b>Value at 31 Mar 2023</b>	<b>0.398</b>	<b>12.936</b>	<b>1.225</b>	<b>0.140</b>	<b>14.699</b>

#### 17. Current assets

	31 Mar 2022	31 Mar 2023
	£m	£m
Employers' contributions due	8.787	8.896
Employees' contributions due	2.521	2.487
Sundry debtors	1.450	1.328
Cash balance	41.168	31.777
	<b>53.926</b>	<b>44.488</b>

Employers' and employees' contributions due at 31 March 2023 have been received since the year-end.

As at 31 March 2023, the Fund was owed rent totalling £0.667m in respect of 2022-23 (31 March 2022, the Fund was owed rent totalling £0.556m in respect of 2021-22). Whilst the Fund's discretionary direct property manager is actively managing the collection of this rent, the aftermath of the Covid-19 pandemic, together with inflationary pressures and challenging economic conditions, has had a significant impact on the trading and cash flows of some of the Fund's tenants. As a result, the Fund has provided a credit loss allowance of £0.296m against these rents (2021-22, £0.195m).

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

#### 18. Current liabilities

	31 Mar 2022	31 Mar 2023
	£m	£m
Unpaid benefits	1.925	3.027
Sundry creditors	4.495	6.673
Amounts owed to Derbyshire County Council	4.453	2.110
	<b>10.873</b>	<b>11.810</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 2022-23 are charges from the Council of £3.071m (2021-22: £2.853m), for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for the management of the Fund's in-house investments. At 31 March 2023 the Fund owed the Council £2.110m (31 March 2022: the Fund owed the Council £4.453m).

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 30 and 31 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. The Fund is one of the shareholders.

The Council's Section 151 Officer, or their nominee, represents the Council on the LGPS Central Shareholders' Forum, with delegated authority to make decisions on any matters which require a decision by the shareholders of LGPS Central Limited. All decisions made by the Section 151 Officer or their nominee, using delegated powers, are reported to the Pensions and Investments Committee.

The Fund had £1.315m invested in share capital and £0.685m in a loan to LGPSC at 31 March 2023 (31 March 2022: £1.315m and £0.685m, respectively) and was owed interest of £0.047m on the loan to LGPSC on the same date (2021-22: £0.032m).

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## **PENSION FUND ACCOUNTS**

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

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The Fund incurred costs of £0.164m associated with LGPSC Investment Management and Monitoring Costs in respect of an Active Emerging Markets Equities Multi Manager sub-fund, an index-tracking All World Equity Climate Multi Factor sub-fund, an Active Global Investment Grade Corporate Bond sub-fund and a Credit Partnership Limited Partnership sub-fund (Private Debt) in 2022-23 (2021-22: £0.087m), of which £0.041m was payable to LGPSC at 31 March 2023 (31 March 2022: £0.023m). The charge excludes fees paid to the underlying investment managers of £1.265m in 2022-23 (2021-22: £0.990m), with the increase between 2021-22 and 2022-23 reflecting an increase in the level of investment assets managed through LGPSC products.

The Fund incurred £1.065m in respect of Governance, Operator Running and Product Development costs in connection with LGPSC in 2022-23 (2021-22: £0.947m), of which £0.332m was payable to LGPSC at 31 March 2023 (31 March 2022: £0.240m).

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 2022-23 amounted to £0.015m (2021-22: £0.015m). For the duration of the lease term, subsequent years' rentals will be subject to an annual increase of 2.8%. Subsequent to 31 March 2023, LGPSC has notified the Council that it will not be renewing the lease on expiry.

From 29 March 2023, an amended guarantee was put in place to enable LGPSC to recognise an offsetting asset to the IAS19 liability on its balance sheet. The new agreement extends the definition of 'Outstanding Liabilities' to include the total IAS 19 defined benefit obligation. As the IAS 19 figure was previously used as a proxy to estimate the possible cost of cessation, this does not change the amount estimated under the guarantee. LGPSC is responsible for employer and employee contributions and pays these when due. The LGPSC IAS19 pension liability at 31 March 2023 (calculated annually at the year-end) amounts to £0.665m. Derbyshire Pension Fund's share of this LGPSC IAS19 pension liability is £0.083m. The partners are jointly and severally liable.

#### **Members of the Pensions and Investments Committee**

There is one non-voting Union Representative on the Fund's Pensions and Investments Committee who is an active member of the Fund. In addition, there is one full Member on the Committee who is a deferred member of the Fund.

One full Member on the Committee is also a director of one of the employers of the Fund, Derby Homes Ltd, whose employer contribution rates are determined by the Actuary in the valuation of the Fund.

#### **20. Investment commitments**

At the end of the financial year, investment commitments in respect of future payments were:

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

	31 Mar 2022	31 Mar 2023
	£m	£m
Unquoted investments	321.277	277.517
Direct property	19.325	0.000
Other Sterling short-term loans	35.000	0.000
	<b>375.602</b>	<b>277.517</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. The Direct Property commitment of £19.325m at 31 March 2022 (£nil at 31 March 2023) related to the purchase of a retail warehouse and hotel in Saffron Walden. The Fund exchanged a legally binding contract with the vendor on 7 March 2022, with completion and settlement due in June 2022, following the completion of snagging work by the vendor.

The Other Sterling short-term loans commitments are commitments to make short-term investments at the year-end. There were no such commitments at 31 March 2023 (2022, five). The 2022 commitments were secured to take advantage of higher rates available at that time. There was no provision or creditor for these amounts in the financial statements as at 31 March 2022 as the legal obligation to pay was not fulfilled at that date. The commitments at 31 March 2022 were met in 2022-23 using funds received from the maturity of earlier investments and, therefore, had no impact on the financial position reported at 31 March 2022.

## 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:

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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- **Credit risk** – the risk of the Fund suffering loss due to another party defaulting on its financial obligations.
- **Liquidity risk** – the risk that funds might not be available to meet commitments because the Fund's assets are not readily marketable or easily turned into cash.
- **Market risk** – the risk that the Fund's financial instruments may suffer an adverse change in value, which is common to an entire class of assets or liabilities.

Responsibility for Fund investments has been delegated to the Council's Pensions and Investments Committee (the Committee). Day to day responsibility for the management of the Fund is delegated to the Director of Finance; 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.

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 2023, the Fund was owed rent totalling £0.667m (31 March 2022, the Fund was owed rent totalling £0.556m). Whilst the Fund's discretionary direct property manager is actively managing the collection of this rent, the aftermath of the Covid-19 pandemic, together with inflationary pressures and challenging economic conditions, has had a significant impact on the trading and cash flows of some of the Fund's tenants. The Fund has provided a credit loss allowance of £0.296m (31 March 2022, £0.195m) against these rents in Note 17, Current Assets, calculated based on a tier risk rating system, using information provided by both the in-house investment management team and the discretionary direct property manager.

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

	Rental Income Debt	General Loss Allowance	Total Loss Allowance
	31 Mar 2023		31 Mar 2023
	£m	£m	£m
<b>Property Rental Income</b>	<b>0.667</b>	<b>0.296</b>	<b>0.296</b>

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 2023 is provided as follows:

		Change in average default risk	
	Value at 31 Mar 2022	rate	Value at 31 Mar 2023
	£m	£m	£m
<b>Credit Loss Allowance</b>	<b>0.195</b>	<b>0.101</b>	<b>0.296</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 Fund's Treasury Management Strategy for 2022-23 was approved by the Pensions and Investments Committee on 2 March 2022.

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 £125.694m (2022, £223.247m) 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 2023 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. At 31 March 2023, the Fund had £31.777m in its operational account with Lloyds Bank.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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**Forward currency contracts** – Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the US Dollar and Euro currency risk on sovereign fixed income holdings, and from 2021-22 onwards, the Fund's Infrastructure, Multi-Asset Credit and Indirect Property investment assets, following a change to the Fund's Investment Strategy Statement to also currency hedge these assets, the value of which comprise 6.1% (2022, 5.1%) of investment assets at the year end, and by selecting large banks as the counterparties. The two forward currency contracts at the year-end are with Bank of New York Mellon.

The maximum credit risk exposure on forward currency contracts is the full amount of the foreign currency which the Fund pays when settlement occurs, should the counterparty fail to pay the amount which it has committed to pay the Fund. At the year end, there were two currency hedging contracts, with less than six months to expiry, with a gross contract value of £360.439m (2022, two contracts, with less than six months to expiry, with a gross contract value of £309.258m). The Fund does not expect any losses from non-performance by any of its counterparties in relation to these contracts. The investment asset in Note 13 associated with these forward currency contracts, which is the difference between the Sterling value the Fund has contracted to receive on expiry of the contracts and is what would theoretically have been receivable based on the exchange rate at the year end, is £0.988m (31 March 2022, £0.592m investment liability).

**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.

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## **PENSION FUND ACCOUNTS**

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

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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 13% and Private Equity to 6%.

Sufficient funds are retained on instant access accounts to ensure that payment of benefits and the settlement of investment transactions can be made without the need to borrow.

The Fund manages its liquidity position using a comprehensive cash flow management system, as required by the CIPFA Code of Practice.

Maturity analysis for liabilities at the year-end:

- There were no financial liabilities within the portfolio at the year-end other than those that arose from the trading of investments. Such liabilities fall due within 12 months of the year end.
- There were no derivative financial liabilities held at the year-end in respect of the currency hedging contracts referred to above (2022, two).

#### **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.



## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

**Interest rate risk** – This risk primarily impacts on the valuation of the Fund's bond holdings, in particular the Fund's sovereign bond, non-Government investment grade bonds and diversified multi-asset credit portfolios. Interest rate sensitivity can be estimated by multiplying an assumed change in the prevailing market interest rate by the portfolio benchmark duration. The table below shows the estimated impact of a  $\pm 100$  basis points ( $\pm 100$  bps) in the prevailing market interest rate for these assets.

	Value at	Benchmark	Change in	Effect	Effect
	31 Mar 2023	duration	prevailing	-100bps	+100bps
	£m	Years	market	£m	£m
			interest rate		
<b>Asset type</b>					
Conventional gilts	282.771	9.23	$\pm 100$ bps	26.100	(26.100)
Index-linked bonds	291.383	16.99	$\pm 100$ bps	49.506	(49.506)
Non-Government investment grade bonds	337.078	6.67	$\pm 100$ bps	22.483	(22.483)
Short dated investment grade bonds	47.589	2.67	$\pm 100$ bps	1.270	(1.270)
Diversified multi-asset credit funds	231.352	1.00	$\pm 100$ bps	2.314	(2.314)
<b>Total change in asset values</b>	<b>1,190.173</b>			<b>101.673</b>	<b>(101.673)</b>

The position at 31 March 2022 was:

	Value at	Benchmark	Change in	Effect	Effect
	31 Mar 2022	duration	prevailing	-100bps	+100bps
	£m	Years	market	£m	£m
			interest rate		
<b>Asset type</b>					
Conventional gilts	271.433	11.10	$\pm 100$ bps	30.156	(30.156)
Index-linked bonds	347.380	20.40	$\pm 100$ bps	70.866	(70.866)
Non-Government investment grade bonds	378.001	7.50	$\pm 100$ bps	28.350	(28.350)
Short dated investment grade bonds	48.877	3.00	$\pm 100$ bps	1.466	(1.466)
Diversified multi-asset credit funds	264.752	1.00	$\pm 100$ bps	2.648	(2.648)
<b>Total change in asset values</b>	<b>1,310.443</b>			<b>133.486</b>	<b>(133.486)</b>

A 100 basis points increase in the prevailing market interest rate would reduce the aggregate value of the identified assets by an estimated £101.673m (2022, £133.486m), whereas a 100 basis points reduction in the prevailing market interest rate would increase the aggregate value of the identified assets by a comparable amount. It should also be noted that both non-Government investment grade bonds and diversified multi-asset credit funds are also sensitive to changes in the interest rate spread, which is the interest rate received relative to sovereign bonds, which can either increase (reducing asset values) or reduce (increasing asset values).

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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

The Fund has a number of strategies for managing interest rate risk. Interest rates and the durations of the bond portfolios are monitored during the year, by the Fund's in-house and external managers. Within the annual Treasury Management Strategy, maximum limits are set for fixed and variable interest rate exposure. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, subject to liquidity requirements.

**Other price risk** – Other price risk originates from factors specific to the individual instrument or to its issuer, or from factors affecting all instruments in the market.

The Fund manages price risk by holding fixed interest bonds, index-linked stocks and property and by holding a diversified equity portfolio spread geographically, across market sectors and across investments. Contracts specify the level of risk to be taken by the external Fund managers investing in overseas equities. These external managers are monitored by in-house managers.

A Fund specific benchmark has been drawn up, which is designed to meet the Fund's performance requirements for the level of risk agreed by the Committee. Economic background, asset allocation, recent transactions, investment strategy and performance are monitored by the Committee on a quarterly basis.

The impact of current global economic conditions 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 2023 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 2023	Change	on increase	on decrease
	£m	%	£m	£m
<b>Underlying asset type</b>				
UK Government bonds	240.065	10.24	264.648	215.482
UK index-linked bonds	236.494	13.18	267.664	205.324
Corporate bonds	385.352	9.41	421.614	349.090
Overseas index-linked bonds	54.889	11.13	60.998	48.780
Overseas bonds	43.694	4.37	45.603	41.785
UK equities	901.820	12.74	1,016.712	786.928
Overseas equities	2,115.346	12.64	2,382.726	1,847.966
Private equity	291.908	7.35	313.363	270.453
Infrastructure	641.383	3.31	662.613	620.153
Multi asset credit	421.996	3.67	437.483	406.509
Cash	93.917	0.56	94.443	93.391
Other investment balances	4.434	0.00	4.434	4.434
Properties (non-financial instruments)	466.692	6.20	495.627	437.757
<b>Total investment assets and liabilities</b>	<b>5,897.990</b>	<b>7.67</b>	<b>6,350.366</b>	<b>5,445.614</b>

The position at 31 March 2022 was:

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

	Value at 31 Mar 2022 £m	Change %	Value on increase £m	Value on decrease £m
<b>Underlying asset type</b>				
UK Government bonds	229.664	5.91	243.237	216.091
UK index-linked bonds	281.094	9.67	308.276	253.912
Corporate bonds	427.563	7.00	457.492	397.634
Overseas index-linked bonds	66.287	7.40	71.192	61.382
Overseas bonds	41.177	4.02	42.832	39.522
UK equities	890.573	16.02	1,033.243	747.903
Overseas equities	2,248.506	13.60	2,554.303	1,942.709
Private equity	305.449	9.30	333.856	277.042
Infrastructure	509.749	4.19	531.107	488.391
Multi asset credit	417.472	6.01	442.562	392.382
Cash	182.079	0.13	182.316	181.842
Other investment balances	3.013	0.00	3.013	3.013
Properties (non-financial instruments)	486.406	3.71	504.452	468.360
<b>Total investment assets and liabilities</b>	<b>6,089.032</b>	<b>8.15</b>	<b>6,585.288</b>	<b>5,592.776</b>

**Currency risk** – The Fund is exposed to currency risk through its unhedged overseas currency denominated investment assets. Except for overseas sovereign bonds, infrastructure, multi-asset credit and indirect property investments, the Fund's exposure to overseas currency risk is not hedged. If Sterling weakens, this currency exposure will make a positive contribution to the Fund's performance in Sterling terms.

The table below quantifies the level of currency risk that the Fund's overseas currency denominated investment assets at 31 March 2023 are potentially exposed to. For the categories of assets where there are investments denominated in overseas currencies, the potential aggregate currency exposure within the Fund at 31 March 2023 is determined using a currency "basket" based on that asset category's currency mix at that date. The weight of each currency multiplied by the change in its exchange rate relative to Sterling is summed to create the aggregate currency change of the basket. As currency risk on the hedged assets is managed using forward currency contracts, the currency risk on these assets is nil, and this is shown as 0.0% below. The outcomes are then applied to all overseas currency denominated assets.

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

	Value at		Value	Value
	31 Mar 2023	Change	on increase	on decrease
	£m	%	£m	£m
<b>Underlying asset type</b>				
Overseas index-linked bonds	54.889	0.00	54.889	54.889
Overseas bonds	43.694	0.00	43.694	43.694
Overseas equities	2,115.346	7.28	2,269.343	1,961.349
Overseas private equities	107.600	7.32	115.476	99.724
Overseas infrastructure	189.097	0.00	189.097	189.097
Overseas multi asset credit	86.854	0.00	86.854	86.854
Overseas cash	1.436	8.86	1.563	1.309
Overseas properties (funds)	51.479	0.00	51.479	51.479
<b>Overseas investment assets</b>	<b>2,650.395</b>	<b>6.02</b>	<b>2,809.949</b>	<b>2,490.841</b>

The position at 31 March 2022 was:

	Value at		Value	Value
	31 Mar 2022	Change	on increase	on decrease
	£m	%	£m	£m
<b>Underlying asset type</b>				
Overseas index-linked bonds	66.287	0.00	66.287	66.287
Overseas bonds	41.177	0.00	41.177	41.177
Overseas equities	2,248.506	7.12	2,408.600	2,088.412
Overseas private equities	119.670	6.99	128.035	111.305
Overseas infrastructure	240.318	0.00	240.318	240.318
Overseas multi asset credit	77.800	0.00	77.800	77.800
Overseas cash	1.630	8.30	1.765	1.495
Overseas properties (funds)	52.630	0.00	52.630	52.630
<b>Overseas investment assets</b>	<b>2,848.018</b>	<b>5.80</b>	<b>3,013.203</b>	<b>2,682.833</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, IAS 26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation is carried out using assumptions in line with IAS 19 and not the Fund's funding assumptions.

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

*“The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. 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.*

*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 2022	31 Mar 2023
	£m	£m
Active members	3,668.000	2,358.000
Deferred members	1,648.000	1,005.000
Pensioners	2,927.000	2,445.000
<b>Present Value of Promised Retirement Benefits</b>	<b>8,243.000</b>	<b>5,808.000</b>

*It should be noted the above figures are appropriate for the Administering Authority only for the preparation of the Pension Fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).*

#### **Assumptions**

*The assumptions used are those adopted for the Administering Authority’s IAS 19 report and are different as at 31 March 2023 and 31 March 2022. I estimate that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £3,185m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £44m.*

#### **Financial assumptions**

	31 Mar 2022	31 Mar 2023
Year ended (% p.a.)	%	%
Pension Increase Rate (CPI)	3.20	2.95
Salary Increase Rate	4.20	3.95
Discount Rate	2.70	4.75

#### **Demographic assumptions**

*The longevity assumptions have changed since the previous IAS 26 disclosure for the Fund. Life expectancy is based on the Fund’s VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:*

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

	<b>Males</b>	<b>Females</b>
<i>Current Pensioners</i>	21.0 years	24.0 years
<i>Future Pensioners*</i>	21.8 years	25.5 years

*\*Future pensioners are assumed to be aged 45 at the latest funding valuation of the Fund.*

*All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.*

#### **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 obligations are set out below:*

	<b>Approximate increase to promised retirement benefits %</b>	<b>Approximate monetary amount £m</b>
<b>Change in assumption at 31 March 2023</b>		
<i>0.1% p.a. decrease in the Discount Rate</i>	2%	107
<i>1 year increase in member life expectancy</i>	4%	232
<i>0.1% p.a. increase in the Salary Increase Rate</i>	0%	13
<i>0.1% p.a. increase in the Pension Increase Rate (CPI)</i>	2%	96

*Barry Dodds FFA*

*19 June 2023*

*For and on behalf of Hymans Robertson LLP*

The actuarial present value of promised retirement benefits in the Report from the Actuary above is £5,808.000m at 31 March 2023, compared to the net assets available for benefits at that date of £5,922.701m.

#### **23. Participating Employers**

The participating employers with active members in the Fund are Derbyshire County Council (which is also the Administering Authority), Derby City Council (Unitary Authority), District Councils (which are Scheduled Bodies) and further Scheduled Bodies and Admission Bodies.

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

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

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	<b>2021-22</b>		<b>2022-23</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	85.909	75.052	91.040	75.686
Scheduled Bodies	92.468	112.417	97.062	121.502
Admission Bodies	7.201	6.067	7.308	5.580
	<b>185.578</b>	<b>193.536</b>	<b>195.410</b>	<b>202.768</b>



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## AUDITOR'S OPINION – PENSION FUND ACCOUNTS

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### Independent auditor's report to the members of Derbyshire County Council

### Report on the audit of the financial statements of the Derbyshire Pension Fund

#### Opinion on the financial statements of the Derbyshire Pension Fund

We have audited the financial statements of Derbyshire Pension Fund ('the Pension Fund') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report.

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## AUDITOR'S OPINION – PENSION FUND ACCOUNTS

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### **Other information**

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Director of Finance for the financial statements**

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022-23, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material

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## AUDITOR'S OPINION – PENSION FUND ACCOUNTS

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misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Director of Finance's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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## AUDITOR'S OPINION – PENSION FUND ACCOUNTS

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A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **Use of the audit report**

This report is made solely to the members of Derbyshire County Council, as a body and as administering authority for the Derbyshire Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.



Cameron Waddell, Key Audit Partner  
For and on behalf of Mazars LLP

The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF  
United Kingdom

16 May 2024

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## GLOSSARY OF TERMS

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### **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.

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## GLOSSARY OF TERMS

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### **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.

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## GLOSSARY OF TERMS

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**Capital**

Assets which have a long term value (more than one year) to the Council such as Buildings.

**Capital Adjustment Account**

Capital reserve largely comprising of resource applied to capital financing and is not available to the Council to support new investment.

**Capital Appreciation**

Increase in the worth of assets over time due to changes in market conditions or enhancements to the asset.

**Capital Costs**

Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.

**Capital Expenditure**

Expenditure on the acquisition of, or enhancement to fixed assets. This cannot be merely to maintain the value of an existing asset.

**Capital Financing Requirement**

The Capital Financing Requirement measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It is a measure of the underlying need to borrow for a capital purpose.

**Capital Grant**

Grant which is intended to fund capital expenditure.

**Capital Grants Unapplied Reserve**

Balance of capital grants received which is available to finance future capital expenditure.

**Capital Receipts**

Income received from the sale or utilisation of property, such as sale proceeds or rental income on finance leases.

**Capital Reserves**

Reserve balances held for capital purposes.

**Carrying Value**

The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

**Cash Flow Statement**

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

**Cash Flows**

Monies received or paid either as cash or bank transactions. Cash inflow denotes money received, cash outflow denotes money paid.

**Chartered Institute of Public Finance And Accountancy (CIPFA)**

The main authority on accountancy and financial management for the public services in the UK.

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## GLOSSARY OF TERMS

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### **CIPFA Code**

A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts

### **Collection Fund**

The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

### **Collection Fund Adjustment Account**

Revenue reserve to represent the difference between the income received by a local authority in Council Tax and the amount attributable to them.

### **Collection Fund Statements**

The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

### **Community Assets**

Assets which are held for the benefit of the community where there is no determinable useful life.

### **Comparative Year**

The previous year to that which is being reported.

### **Component Accounting**

The concept that individual parts of an asset (such as land, building, roof, sheds) should be treated differently in the financial statements dependent on the expected useful life or value of those individual parts. The concept expects that some parts of an asset require repair or replacement sooner than others.

### **Comprehensive Income And Expenditure Statement**

Financial Statement detailing the revenue operations of the Council. This represents the private sector equivalent of a Profit and Loss Statement.

### **Condition**

A requirement which must be met for an asset or liability to be recognised by the Council. For example, a donation which can only be spent within a specific service area such as museums or to support children.

### **Contingent Assets And Liabilities**

A possible asset or obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

### **Contract Asset**

The Council's right to receive consideration in exchange for goods or services that it has transferred to a service recipient where that right is conditional on something other than the passage of time (such as the Council's future performance).

### **Contract Liability**

The Council's obligation to deliver goods or services to a service recipient for which it has already received consideration.

### **Contributions**

Income received by the council which is not a grant, donation, fine, or in direct exchange for goods or services.



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## GLOSSARY OF TERMS

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### **Core Service Areas**

The services provided by the Council externally, such as education, highway maintenance and adult social care.

### **Corporate And Democratic Core**

Costs associated with maintaining a democratic representation and management within the Council. For example Members Allowances and administrative costs associated with supporting elected Members.

### **Council**

The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

### **Council Tax**

Council Tax is a local taxation that is levied on dwellings within the local Council area, and funds all Council services.

### **Credit**

A credit represents income to a revenue account.

### **Credit Loss**

The difference between contractual amounts due to the Council and the amounts it expects to receive.

### **Creditor**

Represents the amount that the Council owes other parties.

### **Current Service Cost**

The current service cost is the increase in the value of the pension schemes future pension liabilities arising from the employees on-going membership of the pension scheme.

### **Current Value**

IFRS13 introduces the concept of current value and defines it as the measurements that reflect the economic environment prevailing for a service or function the asset is supporting at the reporting date. Current value can be fair value, existing use value, existing use value – Social Housing and depreciable replacement cost.

### **Current Year Entry**

A transaction which has occurred in the financial year being reported.

### **Curtailments**

Materially reducing the expected years of future services of current employees or eliminating for a significant number of employees the accrual of defined benefits for some or all of their future services.

### **Debit**

A debit represents expenditure against a revenue account.

### **Debt Outstanding**

The remaining principal balance owed on a loans or investments.

### **Debtors**

Represents the amounts owed to the Council.

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## GLOSSARY OF TERMS

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### **Equity Instrument**

A contract which evidences a residual interest in the assets of another entity after deducting all of its liabilities. Examples include shares and derivatives that give the Council the right to receive a fixed number of shares for a fixed amount of cash (or another financial asset) in an exchange which is expected to be favourable to the Council.

### **Defined Benefit Scheme**

Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members' contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

### **Defined Contribution Scheme**

Also known as a Money Purchase Scheme. Pension scheme arrangement where the employer's liability is restricted to the amount that they contribute. Benefits payable to the members depend on the performance of the invested contributions of the members and the employer, the level of contributions invested, the charges deducted by the product provider and the annuity rate at retirement.

### **De-Minimis**

Minimum level required. For example expenditure below the capital de-minimis is below the minimum level required to be treated as a capital expenditure item.

### **Department For Education**

Central Government Department, responsible for education and children's services in England.

### **Depreciable Replacement Cost (DRC)**

DRC is a method of valuation that provides the current cost of replacing an asset with its Modern Equivalent Asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

### **Depreciation**

The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed by, for example, wear and tear.

### **Derecognition**

The process whereby a component is replaced to avoid double counting when no future economic benefits or service potential are expected from its use or upon disposal.

### **Discount**

An allowance received through the early repayment of debt.

### **Discounted**

Reflecting the equivalent value today of a payment or income made or due in the past or future.

### **Discounted Cash Flow**

A method of analysing future cash flows, by removing the impact time has on the value of money, and producing an equivalent current value (present value).

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## GLOSSARY OF TERMS

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**Discretionary Benefits**

Benefits given to employees which are not statutorily obliged.

**Disposal**

Operations or assets which have left the responsibility of the Council, such as through sale, a Government reorganisation, donation or merger.

**Donated Assets**

Assets which have been acquired at below market cost.

**Dowry**

One off payment made as donation, contribution or pre-payment of an obligation.

**Earmarked Reserves**

Reserve balances which have been set aside for future spending in a specific area.

**Economic Life**

The number of years the Council is expected to receive economic benefits to deliver services.

**Effective Rate**

The interest rate embedded within a contract or lease, allowing for regular annual payments and the time value of money.

**Employee**

**A person who holds an office within the Council, but does not include a person who is an elected Councillor.**

**Employee Benefits**

Monetary or other awards to employees of the Council in exchange for services provided. For example, pay, holidays, and pensions.

**Employee Costs**

The costs directly associated with employees, including but not exhaustively salaries and wages, National Insurance contributions and pension's costs.

**Employer Contributions**

The payments made to an employee's pension scheme by the Council.

**Enhancement Expenditure**

Expenditure which increases the value of an asset.

**Entity**

Something with a legal status such as the Council, a company, or an individual.

**Events After The Balance Sheet Date**

An event which occurs between 31 March and the date that the accounts are signed which would alter the conclusion reached by any reader of the accounts.

**Exceptional Items**

Material items that result from the ordinary activities of the Council, but to a value so significantly abnormal that is not expected to recur at that level.

**Existing Use Value (EUV)**

The value of an asset based on what it is currently being used for. For example, two identical buildings in construction and design may have different values where one is used as a school and another is used as offices.

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## GLOSSARY OF TERMS

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**Exit Packages**

The payment made to an employee upon leaving the Council.

**Expenditure**

Payments made of goods or services.

**Fair Value**

The income that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Fair Value Through Other Comprehensive Income (FVOCI)**

Measurement of a financial asset at fair value where any gain or loss on revaluation is recognised in other comprehensive income and expenditure and taken to the Financial Instrument Revaluation Reserve.

**Fair Value Through Profit or Loss**

Measurement of a financial asset at fair value where any gain or loss on revaluation is recognised as a credit or charge to Surplus or Deficit on Provision of Services within the CIES.

**Finance Income**

Interest receipts.

**Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**Financial Assets**

A type of financial instrument which gives the Council the right to receive future economic benefits.

**Financial Instruments**

An umbrella term to describe all financial services and trading with which the Council may operate, including loans, borrowings, bank accounts and debtors.

**Financial Instruments Adjustment Account**

Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against Council tax.

**Financial Instruments Revaluation Reserve**

This reserve contains the cumulative gains and losses relating to the valuation of financial assets held at fair value through other comprehensive income. When the underlying financial assets are de-recognised any gains or losses held in this reserve are credited or expensed to the Surplus or Deficit on Provision of Services.

**Financial Liabilities**

A type of financial instrument that confers an obligation on the Council to transfer economic benefits under its control.

**Financial Statements**

Published document, consisting of the Balance Sheet, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Cash Flow Statement and Notes to the Accounts.

**Financial Year**

The current year being reported upon running from 1 April to 31 March.

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## GLOSSARY OF TERMS

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### **Five Year Financial Plan**

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

### **Fixed Assets**

See Non-Current Assets.

### **Flexi-Time**

Time owed to employees who have worked above the contracted hours.

### **Gain**

Where income exceeds expenditure.

### **General Provisions**

Money set aside in the Balance Sheet where its future use is not known.

### **General Reserve**

The reserve held by the County Council for general purposes, i.e. against which there are no specific commitments.

### **General Revenue Government Grants**

Grant income received from Central Government (or Government Department) which is not restricted in its use.

### **Going Concern**

The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

### **Goods Or Services**

Supplies required by the Council to perform its operations. Examples of goods; paper, bricks or light bulbs, and services; electricity, petrol or agency staff.

### **Grants**

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

### **Group Accounts**

Where a Council has a controlling interest in another organisation, group accounts have to be produced. These accounts report the financial position of all of the group entities.

### **Hire Purchase**

A contract for the provision of an asset which becomes the property of the lessee at the end of the contract period.

### **Historic Cost**

The cash paid in obtaining an asset in its current form. Inclusive of purchase price and enhancement expenditure.

### **HM Revenue & Customs**

Her Majesty's Revenue and Customs is a non-ministerial department of the UK Government responsible for the collection of taxes, the payment of some forms of state support, and the administration of other regulatory regimes including the national minimum wage.

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## GLOSSARY OF TERMS

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### **HM Treasury**

Her Majesty's Treasury, sometimes referred to as the Exchequer, or more informally the Treasury, is the United Kingdom government department responsible for developing and executing the British government's public finance policy and economic policy.

### **IFRIC**

International Financial Reporting Interpretation Committee.

### **Immateriality**

Immateriality is an expression of the relative insignificance or unimportance of a particular matter in the context of the financial statements as a whole.

### **Impairment**

Impairment is the amount by which the carrying amount of an asset exceeds its recoverable amount.

### **Inception**

The point in time which something began such as a project, contract or lease.

### **Income**

Cash flows into the Council.

### **Income From Service Recipients**

Consideration a party, that has contracted with the Council, has given in exchange for goods or services that are the output of the Council's normal operating 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.

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## GLOSSARY OF TERMS

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### **International Accounting Standards (IAS)**

Regulations outlining the method of accounting for activities, IAS's are currently being replaced with International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board.

### **International Financial Reporting Standards (IFRS)**

Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

### **International Public Sector Accounting Standards (IPSAS)**

Public Sector regulations outlining the method of accounting for activities.

### **Inventories**

Goods purchased in advance of their use which are held in store.

### **Investment Property**

Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation) or both.

### **Joint Venture**

An organisation which the Council has partial control and ownership, but decisions require the consent of all participants.

### **Lease**

Financial contract for the continuing use of an asset.

### **Lease Interest**

The interest rate inherent within a lease allowing for regular rental payments and an adjustment for the time value of money.

### **Lease Payments**

Regular payment made in exchange for the use of an asset.

### **Leases**

A method of funding expenditure by payment over a defined period of time.

### **Lessee**

The person or organisation that is using or occupying an asset under lease (tenant).

### **Lessor**

The person or organisation that owns an asset under lease (landlord).

### **Liabilities**

An obligation to transfer economic benefits. Current liabilities are payable within one year.

### **Loans And Receivables**

Financial assets which are not quoted in an active market and have either a fixed or determinable payment.

### **Loan Modification**

A change to the terms of an existing loan. Changes may include a reduction in the interest rate, an extension of the loan term, or a reduction in the principal balance.

### **Loan Modification Gain/Loss**

An amount arising from adjusting the carrying value of a loan to reflect the cash flows under the renegotiated terms of the loan, but accruing interest at the rate specified in the original loan terms.

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## GLOSSARY OF TERMS

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**Long Term Debtor**

Income due in more than 365 days of the balance sheet date.

**Long Term Liability**

Payment due in more than 365 days of the balance sheet date.

**Loss**

Where expenditure exceeds income.

**Loss Allowance**

A reduction to the value of financial assets for the expected credit losses relating to those assets.

**Materiality / Material**

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

**Maternity Leave**

Statutory time off due to pregnant women and new mothers.

**Members**

Elected Councillors responsible for the democratic leadership of the Council.

**Members Allowances**

Allowances paid to members in association with their roles and responsibilities.

**Minimum Lease Payments**

The minimum which will be paid or received over the life of a lease agreement.

**Minimum Revenue Provision (MRP)**

A prudent amount of revenue set aside to contribute towards capital expenditure which has been financed by borrowing or credit arrangements.

**Misstatement**

An error whereby something was included in the accounts wrongly.

**Modern Equivalent Asset (MEA)**

The MEA should give the same service and performance as the existing asset, but should use modern materials and technology.

**Movement In Reserves Statement (MiRS)**

The statement detailing the movement in the reserves of the Council.

**Net Cost Of Services**

The direct cost of delivering the Councils services after allowing for specific income received by those services.

**Net Operating Expenditure**

The cost of operational items which are not direct services, such as disposing of the Councils assets, after allowing for specific income received.

**Net Realisable Value**

The estimated selling price of an asset in the ordinary course of operations less any completion costs and costs to make the sale, exchange or distribution.

**Non Distributed Costs**

The value of revenue operating expenditure that is not able to be apportioned to one of the authorities core service areas.

**Non-Accumulating Absences**

Types of leave an employee may take in a financial year, which if are not taken do not get added to the following year's entitlement. For example, Sick Leave.



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## GLOSSARY OF TERMS

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### **Non-Current Assets**

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

### **Non-Vesting**

An obligation which cannot be settled by a monetary payment.

### **Notes To The Accounts**

A set of supplementary comments, tables and information which further explains the main Financial Statements.

### **Obligation**

The requirement to transfer economic benefits.

### **Operating Lease**

A lease where an asset is used only for a small proportion of its economic life.

### **Operational**

The normal activities of the Council.

### **Past Service Cost**

Past service cost is the change in the present value of defined benefit obligations caused by employee service in prior periods.

### **Payment In Advance**

A payment made which is before the point of any obligation.

### **Pension Liabilities**

The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.

### **Pensions Costs**

The benefits paid by the Council which are accrued during the period of employment and paid to ex-employees after retirement.

### **PFI**

See Private Finance Initiative.

### **PFI Credits**

The financial support provided to Local Authorities to part fund PFI capital projects.

### **Pooled Investment Funds Adjustment Account**

This reserve contains the cumulative gains and losses related to pooled investment funds measured at FVPL as required by the statutory override. The override was originally effective for financial years 2018-19 to 2022-23 and has since been extended for a further two years to 2024-25.

### **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.

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## GLOSSARY OF TERMS

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**Principal**

The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

**Private Finance Initiative (PFI)**

A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.

**Projected Unit Method**

This is a common actuarial funding method to value pension scheme liabilities.

**Property, Plant And Equipment Assets (PPE)**

Assets with a long Term value and physical substance such as buildings, land, IT equipment or vehicles.

**Provisions**

Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.

**Prudent**

A cautious approach to present the Financial Statements without significant risk of failure to achieve the assets presented.

**Quoted Market Prices**

A method of determining the fair value of financial assets via prices quoted on an active market.

**Recognition**

The process upon which assets are deemed to belong to the Council 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.

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## GLOSSARY OF TERMS

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**Revenue Expenditure Funded From Capital Under Statute (REFCUS)**

This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.

**Revenue Grant**

Grant which is not capital.

**Risk**

The chance of an asset not coming to fruition or a liability being greater than anticipated.

**Royal Institute Or Chartered Surveyors (RICS)**

An international organisation who represent everything professional and ethical in land, property and construction.

**Salaries And Wages**

Payments made to employees in exchange for service worked at the Council.

**Service Concession Arrangements**

Arrangements which involve the supply and maintenance of assets and service delivery.

**Service Costs**

Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.

**Service Expenditure Reporting Code of Practice (SERCOP)**

CIPFA guidelines on reporting revenue expenditure.

**Service Level Agreements**

Contract of service.

**Short Term**

Less than 365 days from the balance sheet date.

**Short Term Benefits**

Employee benefits earned and consumed during employment.

**Significant**

A measure of materiality where the value is deemed to be almost all of the total value in question.

**Soft Loans**

Low interest rate loans.

**Spot Yields**

A calculation of the projected return on bonds if held to maturity.

**Staff**

See employee.

**Statute**

Set out in legislation.

**Straight Line Basis**

The method of calculation of depreciation to allocate an equal amount of depreciation each year over an asset's useful life.

**Support Services**

Indirect costs of providing Council services including HR, Finance, Legal and Property Maintenance.

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## GLOSSARY OF TERMS

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**Surplus**

Arises when income exceeds expenditure or when expenditure is less than available budget.

**Surplus Assets**

Assets which are no longer in operation.

**Tangible**

Physical, can be touched.

**Tenant**

The person or organisation that is occupying an asset under lease.

**Termination Benefits**

Employee benefits paid upon termination of employment such as redundancy.

**The Code**

CIPFA guidelines on accounting within Local Government.

**Transactions**

Individual items of income or expenditure.

**Treasury Management**

Utilisation of cash flows through investments and loans.

**Unidentified Income**

Income received by the Council where the reason for the income is unknown.

**Unusable**

Balances which are not available to support future spending.

**Usable**

Balances which are available to support future spending.

**Useful Life**

The period with which an asset is expected to be useful to the Council in its current state.

**Value Added Tax**

National taxation charged on goods and services.

**Vesting**

Obligation due which can be paid in cash.

**Work In Progress**

The fair value of incomplete contracts for goods and services which are to be charged to external customers.

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## CONTACT INFORMATION

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If you require any further assistance

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# **Annual Governance Statement 2022-23**

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## ANNUAL GOVERNANCE STATEMENT

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### Introduction and the Purpose of the Governance Framework

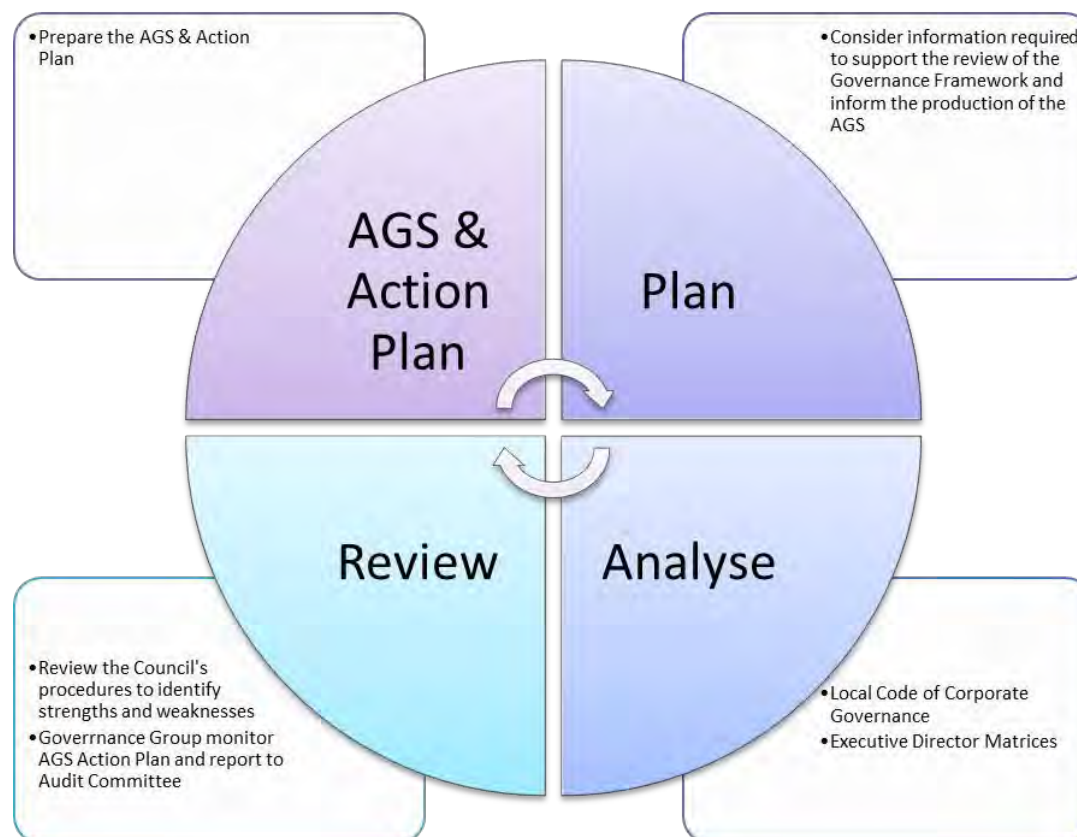
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#### Defining Corporate Governance

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

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

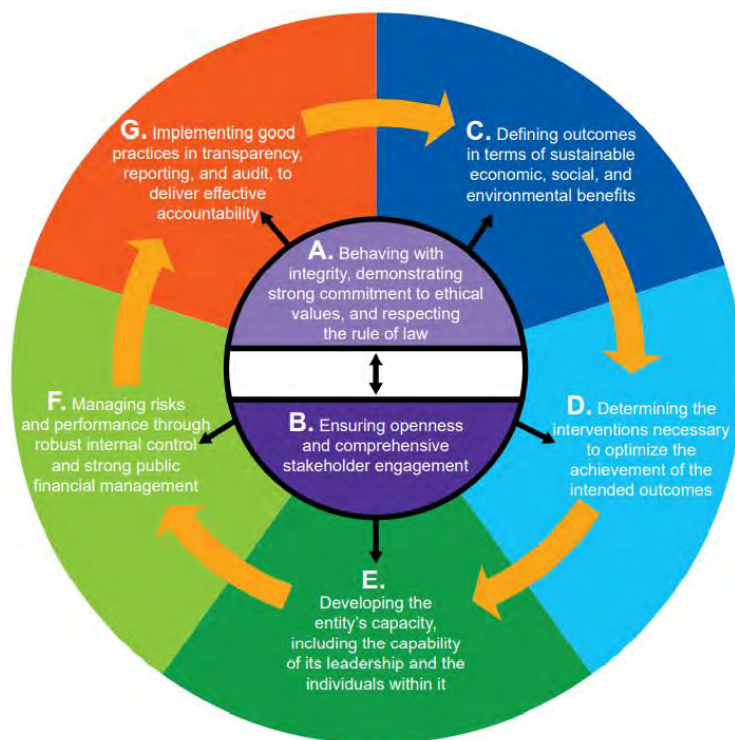
- Reviewing the Council's Governance Arrangements against the CIPFA / SOLACE Delivering Good Governance in Local Government Framework;
- Assessed the effectiveness of the Governance Arrangements against the Local Code of Corporate Governance;
- Obtaining Executive Director Assurance Matrices;
- Considering the impact of External Assessments; and
- Monitoring the progress against the recommendations in the 2021-22 AGS Action Plan.





## ANNUAL GOVERNANCE STATEMENT

### Scope of Responsibility



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

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

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

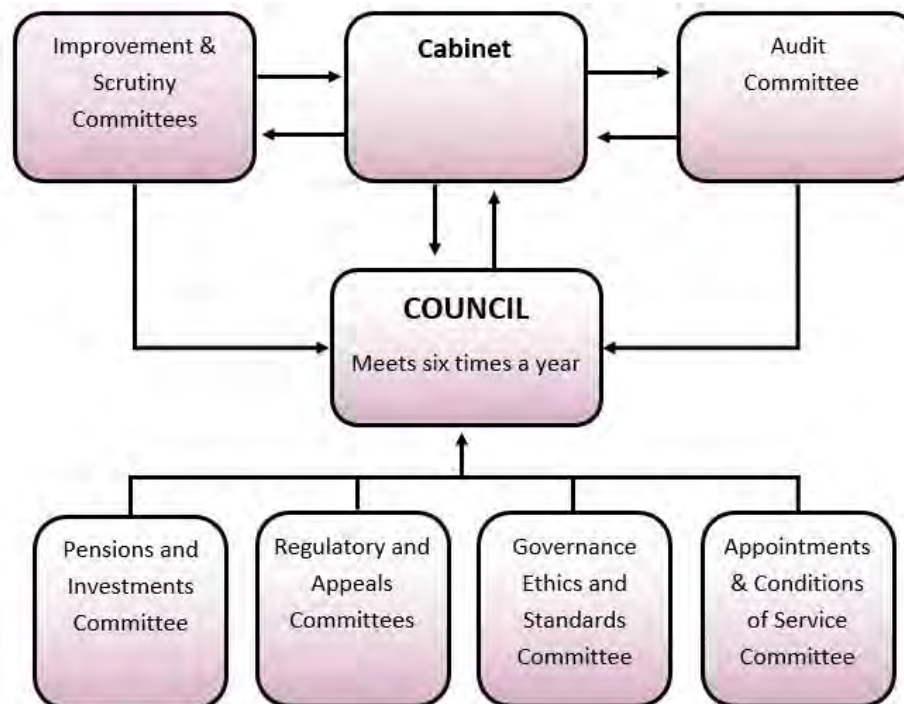
This Statement explains how the Council demonstrates compliance with the Framework whilst meeting the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

## ANNUAL GOVERNANCE STATEMENT

### Derbyshire County Council's Governance Framework and Structure

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically. The governance framework has been in place at the County Council for the year ended 31 March 2023 and up to the date of the Statement of Accounts being certified by the Director of Finance & ICT.



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## ANNUAL GOVERNANCE STATEMENT

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### Council

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

### Cabinet

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

### Governance, Ethics and Standards Committee

- Promotes and maintains high standards
- Assists Members in observing the Code of Conduct
- Advises the Council on matters relating to the Code
- Receives regular reports on corporate complaints
- Advises on amendments to the Constitution

### Appointments & Conditions of Service Committee

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

### Improvement and Scrutiny Committees

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

### Audit Committee

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

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## ANNUAL GOVERNANCE STATEMENT

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### **The Annual Governance Statement 2022-23**

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Departmental Representatives attend the Governance Group and the group has made some progress in the last year to ensure that the areas for improvement identified in the 2021-22 Action Plan have been addressed, or there is a plan to do so. The Group has reviewed its terms of reference and has defined its role in ensuring good governance across the Council, with the Executive Director of Corporate Services and Transformation now chairing the meetings. During the year the Local Code of Corporate Governance has been finalised and approved by Audit Committee and reviews of lessons learnt from other public bodies and public interest reports have commenced. In addition, the Council's Constitution continues to be kept under review and is updated, as and when required, to strengthen the robustness and integrity of the governance framework. The main changes in 2022-23 include:

- A delegation to the Director of Public Health authorising the reimbursement of stop smoking pharmacotherapy products available on prescription only.
- Reference to the new Integrated Care Partnership (ICP) joint committee and their Terms of Reference, as well as an amended terms of reference for the Health and Wellbeing Board.
- An updated list of legislation under which the Council's Trading Standards Service can take enforcement action.
- Amended terms of reference of the Appointments and Conditions of Service Committee and revised Officer Employment Procedure Rules.
- Amended Cabinet Procedure Rules.
- Delegations to approve special severance payments.
- Amendments to the Local Choice functions and a number of consequential changes.

The Council continues to monitor the views and wellbeing of employees through the Employee Survey and is developing strategies to support our employees. However, there remain ongoing pressures in terms of staffing levels and recruitment to certain jobs and roles which nationally are seeing shortages of workforce supply which is proving to be a challenge for some services and functions which may prove to be difficult in the short term.

The external audit of the draft Statement of Accounts for 2021-22 has not yet been fully completed due to a variety of complex factors. This has caused a slight delay to the publication of the Council's 2022-23 unaudited accounts.

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## ANNUAL GOVERNANCE STATEMENT

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The economic shocks created by the invasion of Ukraine by Russia, has led to rising fuel and food costs, general inflation and fragile supply chains, these being the most significant challenge to the Council's financial resilience. Inflation has been running at above 10% for a number of months, however, it is forecast to fall significantly in the latter part of the 2023 calendar year. These impacts have created a cost of living crisis in the UK which has had a direct effect on certain Council services, residents and the wider economy with uncertainty when the situation will stabilise. Whilst the Council continues to demonstrate strong financial management even in these times of great uncertainty, there will be significant risks and challenges in the short to medium term as the Council is not immune from these economic shocks. The Council has had significant inflationary costs in 2022-23, as well as a pay award which was substantially higher than that estimated when setting the budget in February 2022. The additional funding announced in the Autumn Statement 2022 was welcome, but the Council still faces a myriad of financial pressures in both the short and medium term which will have to be managed prudently.

Other significant risks and challenges which must be addressed by the Council include the threat of cyber-attacks and climate change. This has been brought to the forefront of priorities following a cyber-attack against the Council in May 2022. Whilst the impact appears to have been limited in respect of any data loss and the Council has been able to continue with business as usual, so services were not directly affected, significant employee resources and other costs have been incurred to rectify the situation. The council are currently developing a new ICT Strategy which will incorporate a refresh of the cybersecurity strategy, underpinning how the council prepares for, and deals with cybersecurity threats. In addition, the resources required to limit and manage the impact of climate change are also potentially significant. In April 2022, Cabinet approved the adoption, delivery and publication of the Vision Derbyshire Climate Change Strategy (2022-2025) which focuses on reducing emissions across Derbyshire.

The Corporate Peer Challenge follow-up visit in October 2021 reviewed the progress the Council had made against the recommendations identified by the original report in 2018 where it was considered that the Council's approach to governance appeared to be sound. This follow-up review identified a range of areas where the Council's approach is positive, many of which are fundamental to good governance including leadership, priorities and performance management, partnerships and financial management and decision making. Although generally positive, the review made three recommendations to ensure that the Council maintains its momentum and continues to improve. Whilst the Council considered that it was already making progress in these areas, it outlined and agreed the next steps to address the recommendations. Key actions identified to support recommendations were included in the refresh of the Council Plan and an update on progress has been prepared and will be reported to Cabinet in July 2023 as part of the annual review progress.

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## ANNUAL GOVERNANCE STATEMENT

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The Council created 3 joint ventures with other organisations during 2020 to help deliver property services. In May 2020, PSP (Derbyshire) Limited was created to review, develop, and renew our property and land assets, subsequently changing its name to Develop Renew. In September 2020, Concertus Derbyshire Limited was created to provide design services for capital projects that the Council delivers. At the same time Vertas Derbyshire Limited was created to provide caretaking and cleaning services to schools and the Council's other buildings. In November 2020, Vertas also took over responsibility for the Council's grounds maintenance service. The DCC Trading Committee has been established to ensure oversight of the JVs performance.

The Council has been collaborating with neighbouring local authorities and partners in health and the police, to ensure we are best placed for local delivery of the Government's levelling up strategy. This includes work to secure a County Deal across the Derby, Derbyshire, Nottingham and Nottinghamshire. A proposal will be submitted to Government in 2023, setting out the arrangements for the creation of the East Midlands Combined County Authority, once the enabling legislation receives royal assent. The Council's Monitoring Officer chairs the Governance Group, which is supported by external legal advisers. The Governance Group seeks to ensure the four councils receive legal advice and appropriate governance is in place to support decision making.

Following the release of CIPFA's revised Audit Committees: Practical Guidance for Local Authorities and Police in October 2022, the Council's Audit Committee have undertaken a self-assessment exercise in good practice and has formally evaluated its own impact and effectiveness. These results identified a number of opportunities for potential development, including enhanced training on the roles of the Committee, introduction of independent members and an additional annual report to Council detailing the work completed and the Committee's performance. All development opportunities have now been formally reported and will be explored by both officers and committee members throughout 2023-24.

The Annual Governance Statement for 2022-23 follows a similar format to those published in previous years, aligned with the CIPFA/Solace Delivering Good Governance in Local Government Framework.

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## ANNUAL GOVERNANCE STATEMENT

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### **The Effectiveness of the Council's Governance Arrangements**

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

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

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

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

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



## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment		
<b>Principle A</b>  Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	<b>Review</b>	<ul style="list-style-type: none"> <li>➤ The Constitution sets out the roles of Cabinet, full Council, Committees, Executive Directors and Statutory Officers, alongside details of their decision-making powers;</li> <li>➤ Codes of Conduct for Members and employees set out clear behavioural responsibilities to ensure high standards of professionalism and integrity. The Code of Conduct for Employees has recently been reviewed and aligned with Officer of Declaration of Interests Policy;</li> <li>➤ Training on the new Member Code of Conduct was delivered to Members between April and June 2022;</li> <li>➤ A process for dealing with Members code of conduct complaints is embedded;</li> <li>➤ There is an electronic process for officers to make declarations of gifts and hospitality, this data is then reported on a quarterly basis to departmental management teams;</li> <li>➤ Quarterly reminders are sent to Members by the Monitoring Officer to keep their register of interests up to date and report offers of gifts and hospitality;</li> <li>➤ The Authority operates an Equality and Diversity Policy 2022-25, Whistleblowing Policy and Complaints Procedures; the Council's Complaints procedures are scheduled for review in 2023-24 to test effectiveness.</li> <li>➤ The Monitoring Officer is responsible for ensuring the lawfulness of decisions taken by Council, Cabinet, Committees and officers;</li> <li>➤ Financial Management Arrangements conform to the Financial Management Code;</li> <li>➤ The Governance, Ethics and Standards Committee monitors and reviews the operation of the Constitution and has recommended a number of amendments during the year that have been agreed by Council;</li> <li>➤ Role profiles have been agreed for Members;</li> </ul>	<ul style="list-style-type: none"> <li>➤ Continued officer awareness of the gifts and hospitality process is required to ensure the electronic process is effectively embedded;</li> <li>➤ The Whistleblowing Policy was updated 2021-22 but work is required to complete and promote a Whistleblowing Referral Form and continue to ensure that the policy is communicated widely, understood and embedded;</li> <li>➤ Quarterly meetings between group leaders, Head of Paid Service and Monitoring Officer have commenced but need to be embedded in 2023-24;</li> <li>➤ Employees and Members to be provided with formal ethical awareness training;</li> <li>➤ The Anti-Fraud and Anti-Corruption Strategy, and Fraud Response Plan are currently under review with an anticipated implementation date of quarter two, 2023-24. Increased promotion is required to improve officer awareness. A training module for the Council's employees and maintained schools has been developed through Derbyshire Learning Online (DLO);</li> <li>➤ The Anti-Money Laundering Policy is reviewed on an annual basis, but is not widely publicised;</li> <li>➤ Recorded training session on the new Member Code of Conduct is to be made available via DLO for future reference;</li> <li>➤ Wider training for all employees in respect of Financial Regulations and Standing Orders;</li> <li>➤ Improved process for production of reports is required to ensure they are not presented to decision makers without being appropriately considered for legal and financial implications.</li> </ul>



## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment		
		<ul style="list-style-type: none"> <li>➤ Clear channels of communication are in place for all sections of the community and stakeholders, including digital and social media, internal communications, publications and campaigns;</li> <li>➤ The Council's Corporate Governance Group is chaired by the Executive Director of Corporate Services &amp; Transformation and attended by representatives from each Department, Audit Services and the Section 151 and Monitoring Officers, as well as deputies for the statutory roles;</li> <li>➤ The Council reviews how it best protects its vulnerable residents and seeks to take on board learning from all relevant reviews whether they are Derbyshire focussed or not;</li> <li>➤ An online learning introduction to equality, diversity and inclusion was introduced in March 2023 for all current employees to complete and this is now part of the induction programme for all new starters.</li> </ul>	
<b>Principle B</b>  Ensuring openness and comprehensive stakeholder engagement	<b>Good</b>	<ul style="list-style-type: none"> <li>➤ The Assistant Director of Finance (Audit) produces an Annual Report which is considered by Audit Committee, highlights both significant areas of good practice and those where improvements can be made. This Report includes the annual internal audit opinion which concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control;</li> <li>➤ The Council engages with the citizens of Derbyshire and consults stakeholders as part of the decision-making process where appropriate. Revised reporting has assisted in consistently ensuring openness and consideration of stakeholder consultation. Citizens, trade unions and business ratepayers are all engaged when setting the budget. This consultation sits within the wider context of the annual Your Council, Your Voice Survey which measures resident satisfaction with</li> </ul>	<ul style="list-style-type: none"> <li>➤ Work is underway to review and further develop the Council's approach to resident voice. This includes plans to improve the Council's current approach and develop a new consultation, engagement and involvement strategy by March 2024. The new strategy will follow review of existing mechanisms, identify gaps and outline proposals for the future;</li> <li>➤ The proposed redesign of the Partnership Protocol and Toolkit is now underway following an audit of Council partnership activity. The approach will commence with a review of existing partnerships which will provide the baseline for the wider redesign of tools and create a clearer picture of current arrangements, including a Statement of Business Ethics for communication to external suppliers and ethical values featured in contracts with external suppliers;</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment		
		<p>Council services as well as identifying residents' priorities;</p> <ul style="list-style-type: none"> <li>➤ The Council has reinstated its Parish and Town Council Liaison Forum with six monthly meetings in place. These have been highly successful with increased attendance, greater involvement of Council Services and opportunities to undertake networking across the sector;</li> <li>➤ The Council undertakes a wider range of partnership and stakeholder activity to support the development of key programmes of work which enhance services, improve systems and increase investment into the county, examples of this include the development of the Devolution Deal for the East Midlands which has resulted in the region securing £38 million of funding each year for 30 years;</li> <li>➤ The Council has undertaken a wide range of stakeholder and resident engagement consulting on proposals for a new East Midlands County Combined Authority working alongside the three upper tier authorities of Nottinghamshire, Derby and Nottingham. This has included a programme of engagement with protected characteristics groups to support the development of Equality Impact Assessments (EIA) on outlined proposals;</li> <li>➤ An annual Employee engagement cycle is in place with annual employee surveys and feedback on outcomes and progress against the organisation action plan;</li> <li>➤ Decision making protocols are in place which include the use of Equality Impact Assessments;</li> <li>➤ A Communications Strategy is in place;</li> <li>➤ The Council's "Enterprising Council" Strategy and approach seeks to ensure services meet needs of users, utilising the best delivery vehicle in each circumstance;</li> </ul>	<ul style="list-style-type: none"> <li>➤ Improve how the organisation interacts and delivers services with partners. This includes risks of particular partnerships on the County Council.</li> <li>➤ A new streamlined process for Officer decisions to be published through Mod.gov. requires further development;</li> <li>➤ The calendar of dates for drafting reports, seeking advice and publication is not always followed and needs further promotion;</li> <li>➤ Improved engagement in the production and use of the Joint Strategic Needs Assessment.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment		
		<ul style="list-style-type: none"> <li>➤ The Council has an online Committee Management System (mod.gov) to improve access to councillors, decision making and democracy;</li> <li>➤ The Forward Plan of forthcoming key decisions to be considered by Cabinet and Cabinet members is embedded, published online and reported to CMT and Cabinet;</li> <li>➤ The template report contains a specific paragraph heading to ensure consultation feedback, including comments from Improvement and Scrutiny Committee where they have carried out pre-decision scrutiny, is clear and transparent.</li> </ul>	
<b>Principle C</b>  Defining outcomes in terms of sustainable economic, social and environmental benefits	<b>Good</b>	<ul style="list-style-type: none"> <li>➤ The Council Plan 2022–2025 outlines the Authority's strategy and vision, defining key priorities, values and intended outcomes;</li> <li>➤ The Council Plan outlines the Council's strategy and vision;</li> <li>➤ Departmental and Service Plans are developed which are consistent with the overarching Council Plan and incorporate a range of performance measures;</li> <li>➤ Progress against a range of targets is monitored. Performance against financial and performance targets is formally monitored on a quarterly basis within the Performance Monitoring and Budget Monitoring / Forecast Outturn Report;</li> <li>➤ The Authority has in place an effective risk management framework which is consistent with the Corporate Risk Management Strategy 2021-25. A Strategic Risk Register is subject to regular review;</li> <li>➤ Capital investment is structured and in line with the Investment Strategy;</li> <li>➤ The Asset Management Strategy provides the vision and strategy for the alignment of assets with Council goals and objectives;</li> <li>➤ Reporting templates prompt consideration of a longer-term view in the decision-making process, with more</li> </ul>	<ul style="list-style-type: none"> <li>➤ The use of detailed reporting templates has facilitated a consistent approach to the consideration of potential implications, however, further officer training and support is required to ensure all associated risks have been fully explored and reflected within decision making proposals. Introduction of the PMO will bring consistent business case management and monitoring of benefits realisation.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment		
		<p>emphasis placed on measuring and monitoring outcomes as opposed to outputs. The templates also ensure that the decision maker is advised on the wider implications of the decision, including Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding;</p> <ul style="list-style-type: none"> <li>➤ A social value approach has been developed to assist in ensuring that the economic, environmental and social benefits are embedded, realised and captured consistently for Derbyshire when procuring services. The newly developed Sustainable Procurement Policy was approved by Cabinet in June 2022;</li> <li>➤ A Climate Change Strategy and Action Plan are in place with specific and measurable targets.</li> </ul>	
<b>Principle D</b>  Determining the interventions necessary to optimise the achievement of the intended outcomes	<b>Review</b>	<ul style="list-style-type: none"> <li>➤ Financial and Procurement Strategies are in place;</li> <li>➤ The Council has Improvement and Scrutiny Committees in place;</li> <li>➤ The People Strategy has been approved and implemented to ensure a consistent, council-wide approach for future investment in its workforce;</li> <li>➤ The Council updates its Five-Year Financial Plan as part of the annual budget setting process, alongside a review of its reserves position;</li> <li>➤ The Council undertakes Equality Impact Assessments to support decision making. Work is underway to develop an electronic portal to ensure these are collated and opportunities for sharing best practice exploited;</li> <li>➤ Briefings between officers and Cabinet members are embedded to ensure information needs to support decision making are met;</li> <li>➤ The People Strategy has been deployed with departmental people plans in place, and HR deliverable plans focused on key workforce priorities for action.</li> </ul>	<ul style="list-style-type: none"> <li>➤ ICT strategies are under development including an up to date ICT strategy and digital strategy;</li> <li>➤ Work to improve consistency and effectiveness of business cases is in progress as part of the development of the new Practical Project Management Approach. This will be completed by August 2023;</li> <li>➤ A Portfolio Management Implementation Programme is being developed alongside the establishment of a new Corporate Portfolio Management Office to ensure projects and programmes are coordinated, consistent and deliver improved outcomes and value for money;</li> <li>➤ The Council is working to develop a more proactive approach to the use of collective intelligence to guide decision making, rather than data. This is expected to be achieved through the development of cloud, SAP S4/HANA, other software, roles and use of intelligence by early 2024;</li> <li>➤ Where departments have unachieved savings, alternative initiatives need to be developed in order to ensure the Council sets a balanced budget;</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment		
			<ul style="list-style-type: none"> <li>➤ Improvements to be made to align budget and Council plan development;</li> <li>➤ The Executive/Scrutiny Protocol has been agreed in principle but requires formal approval;</li> <li>➤ Improvement needed in the oversight of joint venture companies to ensure the risks to the Council are managed and the Council's interests are protected.</li> </ul>
<b>Principle E</b>  Developing the entity's capacity, including the capability of its leadership and the individuals within it	<b>Review</b>	<ul style="list-style-type: none"> <li>➤ Members and officers work together to deliver a common purpose with clearly defined functions and roles;</li> <li>➤ The arrangements for Member training and development are reviewed through the Member Development Working Group;</li> <li>➤ A Member Induction Programme was delivered following the last elections;</li> <li>➤ Employee development is supported through the provision of generic and specific learning interventions, including initiatives on DLO and supporting the maintenance of professional standards and qualification training. Improved awareness and utilisation of key talent pipelines, including apprenticeships, have been deployed, alongside the successful development and deployment of an organisational graduate development scheme.</li> <li>➤ The approach to engaging, informing and developing leaders has been deployed with the Shaping the Future forum regularly held and the leadership forum recently re-launched;</li> <li>➤ The Inspiring Leaders development programme has now launched phase 1 to circa 1200 leaders, with plans progressing to develop phase 2. Mandatory development programme for all line managers and leaders at G12+, which aims to develop the leadership behaviours needed to lead change and inspire our people and teams to high performance. The</li> </ul>	<ul style="list-style-type: none"> <li>➤ Work is required to fully embed the new PDR process and ensure all employees are provided with this opportunity. Development of a technological solution is needed to determine completion rates and support the wider roll out of the PDR process across the Organisation;</li> <li>➤ The Core Induction and Leadership induction processes are currently under review with plans to refresh and reframe these to consider organisation, departmental and individual inductions;</li> <li>➤ Recruitment and retention issues remains prevalent across the organisation, with work progressing to outline options available to the organisation aligned to total reward;</li> <li>➤ Whilst departmental people plans are in place aligned to the People Strategy, the organisation would benefit from a strategic workforce plan to support future talent provision and workforce changes;</li> <li>➤ Detailed officer guidance on executive decision making and non-executive decision making is in place and published on mod.gov, however it has not been widely promoted. Further work is required to ensure it is embedded;</li> <li>➤ Member training and development programmes require improvement. A recent self-assessment exercise highlighted areas of weakness in relation to training, support and engagement.</li> <li>➤ A 'governance' training programme for officers covering Local Government Governance Basics; Decision</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment		
		<p>programme takes 5 months to complete and will be delivered through a top-down approach over 3 years;</p> <ul style="list-style-type: none"> <li>➤ The Council has approved a revised employee performance management policy and is implementing the Performance and Development Review (PDR) across leadership cohorts, replacing the former MyPlan approach. Talent reviews have been held to consider the performance and potential of all leaders undertaking roles at grade 14 and above;</li> <li>➤ Employees are able to access training in new technology and IT systems to ensure effective use of systems;</li> <li>➤ The Constitution contains a clear statement of the roles and responsibilities of the Leader and Head of Paid Service;</li> <li>➤ The Member and Officer Relationships Protocol in the Constitution sets out the different roles of Members and Officers.</li> </ul>	<p>Making basics; Report writing/Producing Effective reports, The Constitution, Understanding the Code of Conduct for Members and Member/Officer Relations, Political awareness, Contracts and Procurement; Anti-Fraud and Corruption and Whistleblowing is being developed to improve knowledge. Financial management, oversight and appropriate challenge have also been identified as areas for potential improvement.</p> <ul style="list-style-type: none"> <li>➤ The Scheme of delegation in the Constitution requires review.</li> </ul>
<b>Principle F</b>  Managing risks and performance through robust internal control and strong public financial management	<b>Review</b>	<ul style="list-style-type: none"> <li>➤ The Audit Committee operates in accordance with prescribed terms of reference. The Committee receives, approves and monitors the Audit Plans for internal and external audit;</li> <li>➤ The Audit Committee monitors the effectiveness of the Authority's risk management arrangements. Executive directors attend the Committee to discuss key risk within their department;</li> <li>➤ The effectiveness of the governance framework including the system of internal control is reviewed annually;</li> <li>➤ Audit Services review the effectiveness of the Authority's internal controls;</li> <li>➤ The Strategic Risk Register is subject to regular review;</li> <li>➤ Horizon scanning activity is undertaken to identify new and emerging risks;</li> <li>➤ The Council has been proactive in its approach to the data protection, information governance and dealing</li> </ul>	<ul style="list-style-type: none"> <li>➤ Cyber security threats require ongoing monitoring and development of appropriate responses. The need for a Cyber Security working group requires reviewed in light of the ICT Strategy, currently under development;</li> <li>➤ The APEX performance system is currently being further developed to include integration of risk. This will support the use of the system to its full capacity;</li> <li>➤ A new project management approach is under development, once embedded it will strengthen management of change and associated risks;</li> <li>➤ There have been delays in revaluing property for insurance purposes;</li> <li>➤ A Data Management Strategy has not yet been introduced;</li> <li>➤ The follow-up report to the Corporate Peer Review recommended "Reviewing the financial plan to recognise the new financial environment as the Council</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment		
		<p>with data breaches which are continually monitored by the officer Groups;</p> <ul style="list-style-type: none"> <li>➤ Embedded Financial Regulations and Standing Orders, Procurement policies and practices which are subject to periodic review by officers and the Audit Committee;</li> <li>➤ The Council has a Medium-Term Financial Plan and Budget Monitoring policies in place, endorsed by the LGA's Corporate Peer Review;</li> <li>➤ The Improvement and Scrutiny Committees scrutinise decisions made, or actions taken in connection with the discharge of any of the Council's functions;</li> <li>➤ The standards of behaviour and conduct are detailed in the Member and Officer Relationships Protocol and Code of Conduct;</li> <li>➤ Quarterly corporate performance and financial management reports are produced and presented to Cabinet. This supplements performance management arrangements operating within individual Departments;</li> <li>➤ The Audit Charter formalises procedures including the independence of Internal Audit and unrestricted access to all Members, officers and documentation as appropriate;</li> <li>➤ The value for money opinions from the ISA260 highlights strong financial management;</li> <li>➤ The Council has a designated Data Protection Officer, who provides an annual report to CMT.</li> </ul>	<p>emerges from the pandemic". The financial plan will be reviewed as part of budget setting 2024-25;</p> <ul style="list-style-type: none"> <li>➤ Develop the process for lessons learnt from internal incidents and external Public Interest Reports;</li> <li>➤ The Council has a Risk Management Strategy in place, although further embedding and increased understanding of risk management at an operational level is required. Departmental risk registers are subject to review by management teams, however the frequency and quality of this review has been highlighted as an area requiring improvement in recent Audit reviews. Mitigation actions are not currently allocated to specific managers and do not have defined timescales for action;</li> <li>➤ Post implementation reviews are not completed;</li> <li>➤ A small number of departmental financial assurance packs have not been submitted in accordance with agreed timescales;</li> <li>➤ The organisation needs to improve how it develops and delivers savings and efficiency proposals;</li> <li>➤ Financial reporting needs to be improved to detail the cost of services linking to activities and the performance of services.</li> </ul>
<b>Principle G</b>  Implementing good practices in transparency, reporting and audit to deliver	<b>Review</b>	<ul style="list-style-type: none"> <li>➤ The Constitution defines how the Council operates and the decision-making processes to ensure the Council is efficient, transparent and accountable to local people;</li> <li>➤ Audit Committee Members have completed a review of their own effectiveness;</li> <li>➤ The Audit Plan determines how Audit resources will be focused, allowing formation of an annual internal opinion on the Council's framework of governance, risk management and control;</li> </ul>	<ul style="list-style-type: none"> <li>➤ Continue to improve robust systems for property valuations building on the enhancements completed during recent years;</li> <li>➤ An action plan is being developed to support and develop the Audit Committee's effectiveness;</li> <li>➤ Continue to action the recommendations of LGA Corporate Peer Review follow-up;</li> <li>➤ Continue to develop systems and protocols to support and monitor partnership working. The initial focus has been to review the Partnership Protocol and approach</li> </ul>



## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment		
effective accountability		<ul style="list-style-type: none"> <li>➤ The Council's Audit function is subject to an external quality assessment;</li> <li>➤ Assurance mapping has identified opportunities to leverage assurance on the control environment from third parties and regulatory bodies, permitting Internal Audit resources to be targeted on areas which add most value;</li> <li>➤ Council, Departmental and Service Plans set out objectives and include performance targets;</li> <li>➤ Council, Cabinet and Committee meetings are open to the public, unless exempt or confidential information is being considered, and minutes are published on the website to aid transparency;</li> <li>➤ Financial Statements are produced and published on a consistent and timely basis;</li> <li>➤ Departmental Financial Schemes of Delegation supplement the Council's Financial Regulations and Standing Orders relating to Contracts;</li> <li>➤ The Assistant Director of Finance (Audit) produces their Annual Report which is considered by Audit Committee and highlights both significant areas of good practice and those where improvements can be made;</li> <li>➤ The Council routinely publishes data and meets requirements of Local Government Transparency Code;</li> <li>➤ A Forward Plan of 'key decisions' is now embedded that looks to the future for a period longer than the statutory requirement;</li> <li>➤ Resource has been made for an Internal Audit Service; and regular progress reports on audit findings are received by Audit Committee to provide assurance on the risk management, governance and internal control arrangements of the Council.</li> </ul>	<p>as overall context for the work plan and future actions, including the creation of a comprehensive picture of all current partnership arrangements;</p> <ul style="list-style-type: none"> <li>➤ Improvements in officer training required for Financial Regulations, Schemes of Delegation and associated policies given the high number of new employees joining the Council without local government experience. E-learning module to be rolled out following ongoing update of policies;</li> <li>➤ Embed the process to produce the AGS in a timely manner;</li> <li>➤ Strengthen the understanding of the legal basis for treating reports as exempt or confidential and introduce processes to ensure as much information is provided openly and transparently;</li> <li>➤ Understanding and compliance with terms and conditions associated with grant funding, failure to adhere may result in the partial or full recovery of funding.</li> </ul>



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## ANNUAL GOVERNANCE STATEMENT

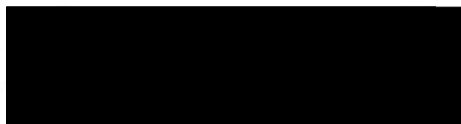
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### **The Annual Governance Statement & Opinion**

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

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



**Councillor Barry Lewis**  
**Leader of the Council**

**August 2023**

On behalf of Derbyshire County Council



**Emma Alexander**  
**Managing Director**

**August 2023**

## ANNUAL GOVERNANCE STATEMENT

### Action Plan - Areas for Improvement

Principle	Area for Improvement	Agreed Action	Responsible Officer	Completion Date	Position June 2023
<b>Principle A</b>  <b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</b>	Continued officer awareness of the gifts and hospitality process is required to ensure the electronic process is effectively embedded.	Ensure the process continues to be appropriately communicated across the organisation	Director of Legal & Democratic Services	Ongoing	An online process for declaring gifts and hospitality has been introduced and embedded to improve consistency and recording. Quarterly reports should be submitted to departmental team meetings. Continued promotion is required to ensure officers are aware of the need to declare offers of gifts and hospitality.
	Work required to develop a Whistleblowing Referral Form and continue to ensure Whistleblowing Policy is communicated widely, understood and embedded.	Approve the referral form, publish on the website and ensure the policy is appropriately communicated across the organisation	Director of Legal & Democratic Services	By end of December 2023	Referral form has been drafted and needs review and sign off.
	Quarterly meetings between group leaders, Head of Paid Service and Monitoring Officer have commenced but need to be embedded in 2023-24.	Ongoing	Director of Legal & Democratic Services	By end of 2023-24	Ongoing.

## ANNUAL GOVERNANCE STATEMENT

	Employees and Members to be provided with formal ethical awareness training.	To be scheduled, learning request to be completed.	Interim Director of Organisation Resilience, People and Communications	Planning to have commenced by end 2023-24	Not yet commenced.
	The Anti-Fraud and Anti-Corruption Strategy, and Fraud Response Plan were updated in 2022/23. However, increased promotion is required to improve officer awareness.	Work has commenced to review the Council's Counter Fraud Arrangements against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption and the Fighting Fraud and Corruption Locally Strategy.	Assistant Director of Finance (Audit)	Quarter two of 2023-24	All employees and Members now have access to the Fraud training via Derbyshire Learning Online. An Audit Committee Workshop was held on 31 January 2023 to provide additional guidance on the roles and responsibilities of the Audit Committee (including those relating to Counter fraud).
	The Anti-Money Laundering Policy is not widely publicised.	Ensure the policy is appropriately communicated across the organisation	Director of Finance & ICT	By the end of September 2023	Ongoing
	Recorded training session on the new Member Code of Conduct to be made available via DLO.	Assistant Director of Legal Services to liaise with L&D.	Director of Legal & Democratic Services	TBC	Ongoing
	Wider training for all employees in respect of Financial Regulations and Standing Orders.	Develop a training programme to ensure all employees understand Financial Regulations and Standing Orders	Director of Finance & ICT	By the end of October 2023	Ongoing

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## ANNUAL GOVERNANCE STATEMENT

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	Improve process for production of reports to ensure they are not presented to decision makers without being appropriately considered for legal and financial implications.	No reports to be presented to decision makers via mod.gov without being appropriately considered for legal and financial implications.	Director of Legal & Democratic Services	March 2024	Ongoing
<b>Principle B</b>  <b>Ensuring openness and comprehensive stakeholder engagement</b>	Work is underway to review and further develop the Councils approach to resident voice. This includes plans to improve the Council's current approach and develop a new consultation, engagement and involvement strategy by March 2024.	The new strategy will follow review of existing mechanisms, identify gaps and outline proposals for the future.	Assistant Director of Strategy and Policy	March 2024	Ongoing

## ANNUAL GOVERNANCE STATEMENT

	Review of the Derbyshire Partnership Toolkit and development of systems and protocols to support and monitor partnership working. Improvement also required in how the organisation interacts and delivers services with partners. This includes risks of particular partnerships on the Council.	Redesign of the Partnership Protocol and Toolkit is now underway following an audit of Council partnership activity. The approach will commence with a review of existing partnerships which will provide the baseline for the wider redesign of tools and create a clearer picture of current arrangements, including a Statement of Business Ethics for communication to external suppliers and ethical values	Interim Director of Transformation and Strategy	TBC	Ongoing
	A new streamlined process for Officer decisions to be published through Mod.gov. requires further development.	Develop and implement process	Director of Legal & Democratic Services	By March 2024	Not yet commenced
	The calendar of dates for drafting reports, seeking advice and publication is not always followed and needs further promotion.	Ensure the calendar of dates is appropriately communicated across the organisation	Director of Legal & Democratic Services	Ongoing	Calendar of dates is already embedded in the CMT and CST DMT agenda. Further promotion is required.

## ANNUAL GOVERNANCE STATEMENT

	Improved engagement in the production and use of the Joint Strategic Needs Assessment.	The JSNA is subject to a transformation plan and a new Power BI version has been built. A temporary workaround is in place until issues with publishing Power BI can be resolved. A JSNA report is currently being shared across the system and work is ongoing to engage system partners	Director of Public Health	March 2024	Ongoing
<b>Principle C</b>  <b>Defining outcomes in terms of sustainable economic, social and environmental benefits</b>	Further officer training and support is required in relation to the use of detailed reporting templates to ensure all associated risks have been fully explored and reflected within decision making proposals. Introduction of the PMO will bring consistent business case management and monitoring of benefits realisation.	Deliver officer training and support to ensure appropriate detail is included in reports and decisions.	Director of Finance & ICT	October 2023	

## ANNUAL GOVERNANCE STATEMENT

<b>Principle D</b>  <b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	ICT strategies are under development including an up-to-date ICT Strategy and Digital Strategy.	ICT Strategy and Digital Strategy under development	Director of Finance & ICT	Autumn 2023	Strategies are currently being developed.
	Development of consistent and effective business cases.	Work underway as part of the establishment of the Council's new Programme and Project Management Office.	Interim Director of Transformation and Strategy	Autumn 2023	A suite of templates has been developed by the PMO and training for business partners will be scheduled to ensure a consistent approach across the organisation. A benefits realisation approach has also been developed and will support effective business case implementation.
	A Portfolio Management Implementation Programme is being developed alongside the establishment of a new Corporate Portfolio Management Office to ensure projects and programmes are coordinated, consistent and deliver improved outcomes and value for money.	Strategic planning, PMO establishment and business case refinement exercises.	Interim Director of Transformation and Strategy	Autumn 2023	Underway.

## ANNUAL GOVERNANCE STATEMENT

	The Council could develop a more proactive approach to the use of collective intelligence to guide decision making, rather than data.	This is expected to be achieved through the development of cloud, SAP S4/HANA, other software, roles and use of intelligence.	Director of Finance & ICT	Implementation now scheduled for early 2024.	Implementation underway.
	Improvements to be made to align budget and Council plan development.	Council plan and budget setting process are being aligned as part of budget 2024-25	Director of Finance & ICT	Winter 2023	Underway
	The Executive/Scrutiny Protocol has been agreed in principle but requires formal approval.	Protocol drafted, awaiting approval.	Director of Legal & Democratic Services	December 2023	Ongoing
	Improve the oversight of joint venture companies to ensure the risks to the Council are managed and the Council's interests are protected.	Complete a review of the Council's governance arrangements of Joint Ventures.	Director of Finance & ICT	December 2023	Commence summer 2023
<b>Principle E</b>  <b>Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>	Recruitment and retention issues remain prevalent across the organisation, with work progressing to outline options available to the organisation aligned to total reward.	Ongoing	Interim Director of Organisation Resilience, People and Communications	End of March 2024	Ongoing
	Work is required to fully embed the new PDR process and ensure all employees are provided with this opportunity.	Develop technological solution to support wider roll out of PDR process.	Interim Director of Organisation Resilience, People and Communications	Ongoing rollout	



## ANNUAL GOVERNANCE STATEMENT

	Development of a technological solution is needed to support the wider roll out of the PDR process across the Organisation.				
	The Core Induction and Leadership induction processes are currently under review with plans to refresh and reframe these to consider organisation, departmental and individual inductions.	Ongoing	Interim Director of Organisation Resilience, People and Communications	March 2024	Ongoing
	Whilst departmental people plans are in place aligned to the People Strategy, the organisation would benefit from a strategic workforce plan to support future talent provision and workforce changes.	Ongoing	Interim Director of Organisation Resilience, People and Communications	Planning commenced by end of March 2024	Ongoing
	Detailed officer guidance on executive decision making and non-executive decision making is in place and published on mod.gov, however it has not been widely promoted. Further work is required to ensure it is embedded.	Ensure the guidance is appropriately communicated across the organisation	Director of Legal & Democratic Services	December 2023	

## ANNUAL GOVERNANCE STATEMENT

	Member training and development programmes require improvement. A recent self-assessment exercise highlighted areas of weakness in relation to training, support and engagement.	Review of Member Development Working Group	Interim Director of Organisation Resilience, People and Communications	March 2024	
	The Scheme of delegation in the Constitution requires review.	The wider review of the officer scheme of delegation is a larger project.	Director of Legal & Democratic Services	March 2024	Ongoing
<b>Principle F</b>  <b>Managing risks and performance through robust internal control and strong public financial management</b>	Cyber security threats will require ongoing monitoring and development of appropriate responses. The need for a Cyber Security working group requires review in light of the ICT Strategy, currently under development.	Cyber Security Group established.  Monitoring and active response to threats.	Director of Finance & ICT	Ongoing	The council are currently developing a new ICT Strategy which will incorporate a refresh of the cybersecurity strategy which will underpin how the council prepares and deals with cybersecurity threats.
	The APEX performance system is currently being further developed to include integration of risk. This will support the use of the system to its full capacity.	Significant work over the last twelve months to integrate performance and financial reporting through APEX. These actions have been completed.  Further integration of risk is now underway.	Interim Director of Transformation and Strategy	September 2023	Integration of risk continues to be developed within Apex. Reporting on Risk using the new system is planned to start in quarter 2 of 2023-24.

## ANNUAL GOVERNANCE STATEMENT

	A new project management approach is under development, once embedded it will strengthen management of change and associated risks.	Project management approach under development.	Interim Director of Transformation and Strategy	Autumn 2024	Ongoing.
	A Data Management Strategy has not yet been introduced.	Data management working group established and will work to producing strategy	Director of Finance & ICT	TBC	Underway
	The follow-up report to the Corporate Peer Review recommended "Reviewing the financial plan to recognise the new financial environment as the Council emerges from the pandemic".	The financial plan will be reviewed as part of budget setting 2024-25.	Director of Finance & ICT	Winter 2023	Ongoing
	Develop the process for lessons learnt from internal incidents and external Public Interest Reports	Create "library" of known incidents and share recommended best practice	Director of Finance & ICT	Underway	A Governance Group workshop has been arranged for May 2023 which will focus on PIRs. Subsequently a report will be taken to CMT highlighting current Governance arrangements across the Council.

## ANNUAL GOVERNANCE STATEMENT

	Further embedding of Risk Management Strategy required, alongside further embedding and increased understanding of risk management at an operational level. Frequency and quality of review of departmental risk registers has been highlighted as an area requiring improvement. Mitigation actions are not currently allocated to specific managers and do not have defined timescales for action.	Risk Management Policy and Strategy to be updated during 2023-24. A self-assessment using the CIPFA/ALARM risk maturity framework resulted in performance aims for achievement by December 2024.	Director of Finance & ICT	December 2024	Ongoing
	Development of a robust post implementation review process for major projects. CMT approved the approach to review existing change projects and programmes and embed robust project management across the Council.	Work underway as part of the establishment of the Council's new Programme and Project Management Office	Interim Director of Transformation and Strategy	Ongoing	The new Project and Programme management approach rolled out during 2022. Business Change Business Partners providing support to Directorates and project and programme managers.
	Departmental financial assurance packs to be submitted in accordance with agreed timescales.	Packs to be reviewed and completed by services	Director of Finance & ICT	September 2023	Underway

## ANNUAL GOVERNANCE STATEMENT

	Improve how the organisation develops and delivers budget savings proposals and efficiencies	Review process and implement revised arrangements to improve decision making.	Director of Finance & ICT	Improvements to be made as part of budget development 2024-25	Underway
	Improve financial reporting, linking to service activity and performance	Improve financial processes and link to PMO	Director of Finance & ICT	December 2023	Commence summer 2023
<b>Principle G</b> <b>Implementing good practices in transparency, reporting and audit to deliver effective accountability</b>	Continue to improve robust systems for property valuations building on the enhancements completed during recent years.	Regular liaison with Finance and audit colleagues, early agreement of revaluation schedules on an annual basis. Clear timetable for delivery of valuations.	Director of Corporate Property	Ongoing – annual process	There continue to be ongoing issues with obtaining property valuations for the Statement of Accounts. Work needs to continue to improve in this area.
	An action plan is being developed to support and develop the Audit Committee's effectiveness.	Action plan to be devised and delivered throughout 2023/24	Director of Finance & ICT	End of 2023-24	Ongoing
	Embed the process to produce the AGS in a timely manner.	Revised timetable, including progress reviews has recently been approved by the Governance Group.	Director of Finance & ICT	Completion of 2023-24 AGS by June 2024.	Ongoing
	Strengthen the understanding of the legal basis for treating reports as exempt or confidential and introduce processes to ensure as much information is provided openly and transparently.	Appropriate action to be agreed with Head of Democratic and Registration Services.	Director of Legal & Democratic Services	TBC	

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## ANNUAL GOVERNANCE STATEMENT

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	Understanding and compliance with terms and conditions associated with grant funding, failure to adhere may result in the partial or full recovery of funding.	Work ongoing to improve central grants register and associated procedures. Awareness of grant funding requirements to be promoted.	Director of Finance & ICT	TBC	Ongoing
	Continue to action the recommendations of LGA Corporate Peer Review follow-up;	Key actions identified to support recommendations were included in the refresh of the Council Plan	Interim Director of Transformation and Strategy	Ongoing	An update on progress has been prepared and will be reported to Cabinet in July 2023 as part of the annual review progress.