



# **Statement of Accounts 2023-24**

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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 2024. 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 should have regard to whether the information is 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 2023-24 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 2023-24 on 15 February 2023 and originally planned to spend £678.195m, with funding coming in the form of Government non-ring-fenced grants of £248.094m, Council Tax of £387.011m, business rates collected locally of £19.383m and the use of Earmarked Reserves of £23.707m.

In 2023-24 the Council has spent £740.060m, against a final net budget of £718.378m. The increase in net budget is because of additional general grant income of £23m, of which £11.466m relates to Bus Services Improvement Plan Grant and £5.904m to Business Rates Relief Grant, and £3m more business rates income than expected, plus additional net transfers from Earmarked and General Reserves of £14m.

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The table below summarises the Council's revenue outturn for 2023-24, compared to controllable budget, highlighting the Cabinet Member Portfolio net overspend and the Corporate net underspend. This has resulted in an overall Council overspend of £21.682m for 2023-24. However, this was after substantial one-off support from the use of £37.108m of the Council's Earmarked reserves. The 2023-24 Budget approved by Council in February 2023 included the planned use of £23.707m from the Budget Management Earmarked Reserve for planned service pressures. An additional £13.401m of Earmarked Reserves has been drawn down from departmental reserves to support the Adult Care (£7.091m), Children's Services Safeguarding and Education (£1.544m), Corporate Services and Budget (£1.621m), Highways Assets and Transport (£2.407m) and Infrastructure and Environment (£0.738m) portfolio outturn positions.

The overspend in 2023-24 follows the outturn position for 2022-23, which resulted in the Council utilising £55m of its reserves in order to manage its budget to meet inflationary, demand and pay award cost pressures. The Council continues to face significant inflationary cost pressures across all services, combined with continued growth in demand for Adults Services, Children's Social Care and Education, and increasing reactive and planned maintenance requirements on the Highways Infrastructure. At the time of setting the budget in February 2023, substantial investment was made in all service areas to support anticipated inflationary and demand pressures. However, despite this investment, inflation has continued to result in cost pressures in excess of budget across all service areas. In addition, the Local Government pay award for 2023-24 was higher than estimated.

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	Final Net Budget £m	Actual £m	Outturn £m
<b>Controllable:</b>			
Adult Care	308.322	317.618	9.296
Children's Services and Safeguarding and Education	162.450	183.204	20.754
Clean Growth and Regeneration	1.984	1.797	(0.187)
Corporate Services and Budget	76.948	74.263	(2.685)
Health and Communities	12.576	10.883	(1.693)
Highways Assets and Transport	50.603	51.024	0.421
Infrastructure and Environment	48.994	48.644	(0.350)
Strategic Leadership, Culture, Tourism and Climate Change	11.069	10.501	(0.568)
<b>Portfolio Outturn</b>	<b>672.946</b>	<b>697.934</b>	<b>24.988</b>
Risk Management	6.084	0.000	(6.084)
Debt Charges	39.829	49.822	9.993
Interest and Dividends Receivable	(5.422)	(15.776)	(10.354)
Levies and Precepts	0.373	0.373	0.000
Corporate Adjustments	4.568	7.707	3.139
<b>Total Outturn Position</b>	<b>718.378</b>	<b>740.060</b>	<b>21.682</b>
<b>Transfers to / from reserves:</b>			
RCCO - Capital Funded from Revenue	0.000	0.000	0.000
Transfer to Earmarked Reserves	59.336	59.336	0.000
Transfer from Earmarked Reserves	(126.542)	(126.542)	0.000
Use of General Reserves	(5.789)	(5.789)	0.000
Contribution into General Reserve	34.937	13.255	(21.682)
	<b>680.320</b>	<b>680.320</b>	<b>0.000</b>
<b>Financed By:</b>			
Council Tax	(387.011)	(387.011)	0.000
Revenue Support Grant	(15.714)	(15.714)	0.000
Business Rates	(22.708)	(22.708)	0.000
Business Rates Top-up	(97.774)	(97.774)	0.000
Business Rates Relief Grant	(25.851)	(25.851)	0.000
New Homes Bonus	(1.106)	(1.106)	0.000
Other General Revenue Grants	(119.652)	(119.652)	0.000
PFI Grant	(10.504)	(10.504)	0.000
	<b>(680.320)</b>	<b>(680.320)</b>	<b>0.000</b>

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### 2023-24 Overspend Change from Q1 Forecast to Q4 Outturn

The 2023-24 forecast at Q1 (30 June 2023) was for an overspend of £46.376m, which if left unmitigated would have considerably depleted the Council's reserves. Whilst the outturn of £21.682m overspend is an improved position from earlier in the financial year, this level of overspend has still resulted in a significant additional use of reserves. During the year, the Council took a number of actions to mitigate the overspend. These included:

- Finding alternative in year savings proposals.
- Looking at high-cost placements to find more suitable and cost effective options.
- Stopping or delaying projects until the next financial year to reduce planned expenditure in year.
- Implementing a temporary recruitment pause to reduce in year expenditure.
- Limiting expenditure on agency staffing to cover essential roles only.
- Introducing expenditure controls across non staffing budgets.

The overspend has reduced considerably since the Q1 2023-24 forecast at 30 June 2023. The reasons for the improvement are summarised in the table below:

	£m	Budget Performance  Improvement  Deterioration
<b>Overspend forecast at Q1</b>	<b>46.376</b>	
Material reductions in expenditure	(14.291)	
Material increases in expenditure	29.665	
Additional Use of Reserves	(15.912)	
Additional Grant Income	(12.467)	
Additional unbudgeted income	(8.363)	
Other identified material changes	(3.231)	
Other unidentified changes	(0.095)	
<b>Outturn budget overspend</b>	<b>21.682</b>	

It is noteworthy that, of the £24.694m overall improvement from the Q1 forecast to actual Q4 2023-24 Outturn, certain areas of expenditure were less than forecast by £14.291m, whilst other areas of expenditure increased by £29.665m. The Council had planned reserve use of £23.707m in the 2023-24 approved budget and used an additional £15.912m of departmental reserves to support the departmental position than was additionally included in the forecast at Q1. The Council received an additional £20.830m of income.

The Council continues to work with partners, such as the Local Government Association and the Society of County Treasurers, to lobby Government for additional funding to support vital services and to highlight the continued financial pressures facing the Council. Cost pressures and demand for services are expected to remain high in 2024-25.

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Spending on schools is funded by the Dedicated Schools Grant (DSG). The Council received £391.677m in 2023-24. Note 36 sets out the DSG grant in more detail. The Council also has responsibility for Public Health funding. A total of £46.952m was received in 2023-24, in the form of ring-fenced grants from Government, comprising the main Public Health Grant of £45.232m and other grants of £1.720m, to pay for Public Health services. There was an overspend against the balance of the grants of £0.258m. 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.

Of the overall £21.682m overspend in 2023-24, the significant variances (summarised in the earlier table) are set out below.

### **Portfolio Expenditure**

#### Adult Care

The £9.296m overspend on the Adult Care portfolio relates mainly to Purchased Services costs (£17.9m overspend) and allocated savings targets which haven't been achieved in 2023-24. 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 short-term placements into residential homes whilst people await the availability of care at home. As a result, expenditure on independent sector placements has increased further in excess of budget. Pressures on residential care and reablement services budgets are being partially mitigated by underspends in other areas, including Direct Care (home care) staffing vacancies and reduced usage of Day Centres. The underspend on Direct Care is £6.1m. The outturn for this portfolio includes the draw-down of £7.091m of departmental Earmarked reserves.

#### Children's Services

The £20.754m overspend on the Children's Services and Safeguarding and Education portfolios is mainly due to continued high demand for placements for children who are in care or unable to remain at home (£17.335m overspend) and demand for safeguarding services (£1.269m overspend). There are also significant pressures on Education budgets relating to Home to School Transport (£2.490m overspend) and School and Learning Services (£3.036m overspend). One-off factors such as non-recurrent grant income and drawdowns from Earmarked reserves have been used to reduce the portfolio overspend.

Expenditure on placements for children in care or alternatives to care has continued to rise, primarily due to an increase in the cost of placements. Inflationary pressures have led to higher average costs, whilst a shortage of foster care places has exacerbated the position by requiring the need to make more higher cost placements with independent providers. The number of children requiring support has also grown and there are a greater number of children in arrangements which are alternatives to care, such as Special Guardianship Orders, many of which require long-term financial support. To demonstrate the financial pressures the service faced in 2023-24, the number of looked after children in care increased from 994 at 1 April 2023, to 1,056 at 31 March 2024. With the best interests of the child at the heart of decision-making, on-going work is being undertaken to maximise the capacity of places and care packages available. This choice should

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ensure children are given the most appropriate placement and mitigate some of the rising cost pressures.

Demand for Children's Social Care services are high, which has resulted in a £1.269m overspend primarily on support for children and families. A 32% increase in contacts to the service this year has led to a 4% increase in child protection plans, a 6% increase in children in care and a 2% increase in children in need. Overall, the service works with around 5,000 children. To respond to the high level of demand, an appropriate level of skilled workforce is required, which has necessitated the use of agency workers to cover vacancies and has contributed £0.580m to the overspend.

The SEND and Educational Psychology (EP) Services have seen an unprecedented rise in demand, resulting in significant increases in assessments and Education Health Care Plans (EHCPs), as shown below.

	Calendar Year*	Calendar Year*	Percentage Increase
<b>EHCPs</b>	<b>2022</b>	<b>2023</b>	<b>%</b>
Assessment Requests	1,528	2,034	33%
EHCPs	4,997	6,325	27%

\*In line with Special Educational Needs SEN2 return.

The rise in demand has resulted in an overspend for EP assessments and SEND officers to administer the statutory assessment process. The growth in EHCPs issued has also resulted in an increase in staffing for the Annual Review Teams. Schools and Learning budgets have overspent by £3.036m, which includes an overspend on SEND and EP Services of £2.428m and a £0.926m overspend on catering (after contribution to corporate overheads). This is offset by underspends on the Education Welfare Service (£0.229m), Development (£0.092m) and other school-related budget net underspends making up the balance. Transport demand is directly impacted by SEND and EP demand. As such the demand on SEND Home to School transport is high, resulting in an overspend of £1.828m.

The outturn for this portfolio includes the draw down £1.544m of departmental Earmarked reserves.

### Corporate Services and Budget

The £2.685m underspend on the Corporate Services and Budget portfolio is a net position, reflecting both under and overspends across different service areas. Underspensing areas included:

- Capitalisation of Azure Cloud costs as part of the SAP HANA project £1.6m, offset by £0.7m of unachieved efficiency savings originally anticipated from the introduction of the SAP HANA system.
- Additional £0.5m of controllable recharges achieved by Finance for additional work undertaken.
- Underspends on training budgets (£0.3m in Human Resources and £0.2m in Transformation and Strategy).

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- Underspends on salaries resulting from vacancies in multiple services areas, including Finance (£0.1m), Human Resources (£0.4m), Legal Services and Transformation and Strategy (over £1.2m).

These underspends were partially offset by an overspend of £1.3m on County Property due to a £2.1m deficit on the Building Maintenance Service, offset by an underspend of £0.6m on the repairs and maintenance budget. Overspends of £0.4m on the Asset Optimisation budget and £0.3m on the Industrial Development budget were offset by £0.9m of unspent service pressure funding. A separate analysis of the Property Budget has been conducted, which identified a structural imbalance in the costs of running property assets and the budgets allocated to Property as the Corporate Landlord. This imbalance will be addressed during 2024-25. A further analysis of the costs incurred by the Building Maintenance Service is ongoing, following the Council's decision restructure the service.

The forecast outturn for this portfolio includes the drawdown of £1.621m of departmental Earmarked reserves.

### Health and Communities

The underspend of £1.693m on this portfolio is a consequence of additional funding, from the Contain Outbreak Management Fund and Public Health ringfenced grant and recharges made to Household Support Fund, applied to the Prevention budget (£1.4m). Also, because of vacancies in the Trading Standards service (£0.2m) and not undertaking one-off Community Safety projects (£0.2m).

### Highways, Assets and Transport

The £0.421m overspend on the Highways Assets and Transport portfolio reflects a number of areas of pressure, including:

- The cost of agency staff covering key posts in the Network Planning team (£0.7m overspend).
- The cost of the Accelerated Capital Delivery Team (£0.6m overspend).
- Winter maintenance costs in excess of the allocated budget (£0.5m overspend after £0.3m from the Winter Maintenance Earmarked reserve has been utilised).
- Prior year savings targets not achievable (£2.8m overspend).

However, overspends in Highways services are partially offset by underspends in Public and Community Transport (£2.031m) due to the receipt of additional grant funding, Council Fleet Services (£0.6m) due to higher than budgeted income from the Police Contract and the Highways Administration/Hub (£0.4m) due to the recovery of aged debt previously provided to be written off.

The outturn for this portfolio includes the draw down £2.407m of departmental Earmarked reserves, including the Winter Maintenance reserve.

The overspends on the Adult Care, Children's Services and Safeguarding and Education and Highways Assets and Transport portfolios have been funded from the Council's General Reserve in 2023-24.

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### Corporate Expenditure

There was an underspend of £3.306m on corporate budgets in 2023-24, the corporate budgets being:

- Risk Management
- Debt Charges
- Interest and Dividend Income
- Levies and Precepts
- Corporate Adjustments

There was an underspend of £6.084m on the Risk Management budget. Budgets allocated to departments for the Local Government Pay award and other pay related pressures exceeded the budgeted contingency by £5.7m and budget allocated to Children's Services for inflation was £3.9m in excess of the budgeted contingency. This was offset by £1.5m of specific contingency and £3.6m of general contingency not allocated and £8.0m of additional non-ringfenced grant income received.

The Debt Charges budget was overspent by £9.993m in 2023-24, of which £6.0m related to interest payable on short-term loans and £3.8m to the Minimum Revenue Provision (MRP) for the repayment of debt principal as a result of additional borrowing.

Interest payable on short-term loans increased due to rising interest rates and the increased need to borrow to maintain working capital after the payment of the Derby and Derbyshire Waste Treatment Centre legal settlement in July 2023 (£2.3m of interest costs relating to the increased need to borrow because of the legal settlement). MRP increased as the Council's Capital Financing Requirement (CFR) has risen following the trend of switching capital financing from Revenue Contributions to borrowing in recent years as part of its risk management strategy.

There was a favourable variance of £10.354m on the Interest and Dividends budget. The Council utilised a range of investments to maximise its income on cash balances. As interest rates have risen, income from short-term lending increased, but this income was offset by an increase in the interest the Council paid to meet its temporary borrowing needs. The Council held £30.799m for and on behalf of the East Midlands Combined County Authority (EMCCA) at 31 March 2024; whilst the Council earned interest income on funds held for EMCCA in 2023-24, this interest income has been offset by interest which will be payable to EMCCA on release of these funds, recognised in the Debt Charges budget.

There was a forecast overspend of £3.139m on Corporate Adjustments in 2023-24. This was due to an expected credit loss in respect of interest receivable on a loan advanced to an organisation which is now in doubt due to economic conditions (£0.9m), reserve movements attributable to the ring-fenced Dedicated Schools Grant (£2.4m) which relate to interest paid on school balances (offset by additional interest income), amortisation of premiums and interest on restructured loans (£0.3m), less £0.5m in respect of interest receivable on schools' balances.

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### **Council Reserves and Commitments**

The Council's General Reserve was £40.182m at 31 March 2024. This is after the Council's 2023-24 overspend of £21.682m and is also after the agreed release of £31.803m from Earmarked Reserve balances to the General Reserve, which was reported to Cabinet on 1 February 2024. The budget report for 2024-25 approved by Council in February 2024 commented the general reserve balance cannot fall below £25m.

Portfolio ring-fenced commitments of £0.506m were proposed against this balance in the Council's Performance Monitoring and Revenue Outturn 2023-24 Report.

The balance on the General Reserve, before commitments, is 5.6% of the Council's Net Budget Requirement for 2024-25. The minimum level of General Reserve for an organisation the size of the Council is around 3% of a council's net spending. If there was a similar level of overspend in 2024-25 as in 2023-24, this would see the General Reserve fall below the minimum level.

In addition to the portfolio ring-fenced commitments, the Council's Performance Monitoring and Revenue Outturn 2023-24 Report proposed to approve contributions to Earmarked Reserves of £0.542m 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 £0.678m, from the Public Transport budget, was also proposed, to fund additional capacity within the SEND Passenger Transport service. These contributions were already allowed for in the reported outturn and reserves positions.

Considering the current challenges of the Council's overall financial position, it was not proposed to allocate portfolio underspends to departmental Earmarked reserves for 2023-24, beyond these ring-fenced commitments. Any decisions on the use of departmental Earmarked reserves containing underspends will continue to be subject to appropriate approvals by the relevant Cabinet Member in consultation with the Director of Finance.

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 next review of Earmarked reserve levels is scheduled to be reported in January/February 2025.

The Comprehensive Income and Expenditure Statement shows a deficit on provision of services of £74.359m. 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 eight schools converting to academies during the year, comprises £64.828m 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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For 2023-24, the Council was again awarded a Household Support Fund grant by the UK Government, to support local households facing financial hardship in relation to rising food, energy and essential living costs. The Council continued to take 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 2024, the Council and partners had successfully distributed £10.760m (2022-23: £10.808m) of Household Support Grant funding to households in need.

During 2023-24, £2.305m (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 £3.096m (2022-23: £3.722m) was distributed to pensioners and Adult Social Care clients in low income households, and District and Borough councils used £1.873m (2022-23: £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. £2.276m (2022-23: £2.137m) of the additional grant funding allowed the Council to respond to increased demand on the Derbyshire Discretionary Fund (DDF). The DDF made 25,146 (2022-23: 32,756) Emergency Cash Payment awards to residents, to help with food and heating during the year, and supported an additional 913 (2022-23: 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 continued to give a significant profile to the cost of living support available to residents, both locally and nationally, including promoting take up of free school meals, and in-house Welfare Rights Service support. In 2023-24, the take up of free school meals across the county increased to 77.1% (2022-23: 73.7%), beginning to reverse the decline that took place during the Covid-19 pandemic.

The Welfare Rights Service supported 25,383 residents with income maximisation advice during 2023-24 – leading to 9,496 benefit claims or appeals being made.

### **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 1,500 H4U guests have arrived in Derbyshire, with 307 of those arriving in 2023-24 – the highest guest population in the region and one of the highest, per head of population, in the UK. Under H4U, local authorities initially received 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. In the last twelve months, the Council has claimed £1.811m of core funding and £1.858m 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. In 2023-24, emergency payments of £0.061m have been made to guests to support them when they initially arrive and payments of £2.467m have been made to support hosts, which includes a payment uplift for all hosts, to £500 per month, and additional cost of living funding to support them with increased expenses over the winter months. This has supported hosts to maintain placements, and there has only been a reduction of fifteen hosts within the H4U scheme throughout the year. The ongoing priority of the scheme is to respond to the longer-term support needs of guests, for example, obtaining independent accommodation and employment.

### Capital Expenditure

In 2023-24 the Council's capital expenditure increased by £65.236m compared to the previous year. The Council had planned to spend £229.150m, as set out in the Council's Estimate of Capital Expenditure in the Council's Capital Strategy reported to full Council but actual expenditure was only £165.544m, albeit an increase on the previous year's spend.

The increase in planned expenditure compared to previous years was mainly due to spend on the Derby and Derbyshire Waste Treatment Centre, however there was still slippage on various schemes, along with some major projects completing in previous years and new projects still at the feasibility stage, which meant that actual expenditure was much less than expected.

	2022-23 £m	2023-24 £m
<b>Capital Expenditure</b>	<b>100.308</b>	<b>165.544</b>
<b>Funded by:</b>		
Grants and Contributions	54.273	71.665
Loans	44.414	91.286
Revenue Contributions	0.073	0.000
Capital Receipts	1.548	2.593
<b>Total</b>	<b>100.308</b>	<b>165.544</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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### Assets and Liabilities

The value of Property, Plant and Equipment Assets (PPE) has increased by £71.433m, partly due to the Council's Depreciated Replacement Cost (DRC) assets being rebased in 2023-24, 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 £199.050m and Cash and Cash Equivalents have increased by £8.430m from the previous year.

Current and Non-Current Debtors have increased by £35.205m.

Creditors and Current and Non-Current Provisions have increased by £22.348m.

Current and Non-Current Borrowing have decreased by £82.360m. The Council has not entered into any long-term debt since September 2010. The Council had one Lender Option Borrower Option (LOBO) loan, with a nominal value of £5.000m, remaining at the start of the year, but repaid it in October 2023.

The Council's pensions' position has changed from a total net pensions asset of £29.323m at 31 March 2023, to a total net pensions liability of £65.001m at 31 March 2024. At 31 March 2024, there was a total net Local Government Pension Scheme (LGPS) surplus reported by the Actuary of £282.049m (31 March 2023: £85.811m surplus). The increase in LGPS surplus at 31 March 2024 has arisen 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 and the return on LGPS scheme assets in 2023-24. However, Accounting Standards impose a limit on the maximum amount of surplus which can be recognised in the Balance Sheet, known as an asset ceiling restriction. The Actuary calculated an LGPS scheme asset ceiling restriction of £305.259m (31 March 2023: £12.432m restriction). After this adjustment, there is a total net pensions liability in the accounts, including Teachers Pensions, of £65.001m (31 March 2023: £29.323m total net pensions asset).

This asset ceiling restriction has contributed to an overall decrease in the Council's Unusable Reserves.

### Cashflow

The Council's cashflow in 2023-24 highlights a large increase in payments related to the provision of services, which is reflective of continued price and wage inflation experienced throughout the economy and high demand for Council services. The Council has continued to rely on utilising reserves to meet shortfalls in funding for operating costs, which is reflected in the trend for the Council to raise cash to maintain adequate working capital by redeeming investments. Shifts in the risk profile in the local authority lending market have reduced the availability of cash from this market, which is reflected in a trend for the Council to repay its short term borrowing from other local authorities.

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## NARRATIVE REPORT

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The cash outflow from Operating Activities increased by £33.147m in 2023-24. There were increases in Other Operating Payments (non-employee) of £85.985m and Payments to and on behalf of employees of £38.933m. These increases in net cash outflows were partly offset by an increase in cash inflows from Council Tax of £17.197m, Business Rates of £2.500m, and Revenue Grants and Other Income of £67.184m. Interest payments increased by £4.467m and Interest and Dividends Received increased by £7.793m in 2023-24.

A net cash outflow from Investing Activities of £4.804m in 2022-23 changed to a cash inflow of £156.483m in 2023-24; a movement of £161.287m. Purchases of investments reduced by £121.922m and investments redeemed increased by £59.324m in 2023-24. Capital Grants received increased by £37.612m and Proceeds from the Sale of Non-Current Assets increased by £2.951m. These increases in net cash inflows were partly offset by an increase in the Purchase of Non-Current Assets of £60.592m.

A net cash inflow from Financing Activities of £76.670m in 2022-23 changed to a cash outflow of £66.700m in 2023-24; a movement of £143.370m. Repayment of borrowing increased by £147.609m and inflows from new short-term loans reduced by £16.480m. These increases in net cash outflows were partly offset by an increase in net receipts on behalf of the Shadow Combined County Authority of £21.037m in 2023-24 (which became the new East Midlands County Combined Authority (EMCCA) in late February 2024).

### **Council Funding**

Core Spending Power measures the core revenue funding available for local authority services, including Council Tax and locally retained business rates.

For 2023-24 the Government 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. For 2024-25, the Government set out public spending allocations again for one year only, with an average increase of 7.5% in core spending power including £1.8bn of additional grants previously announced and £0.6bn of further additional grants announced in January 2024, mainly for social care.

There is a risk that the Government's investment in the Covid-19 pandemic and in increasing social care funding in recent years may result in further austerity measures in future years, during the period of the FYFP, when savings will be required to repay the debt incurred by Government. However, the FYFP assumes that there is no reduction in the Council's general grant funding other than that its allocation of additional 2024-25 Social Care Grant, announced on 24 January 2024, will not continue into 2025-26 and beyond and that its allocation of Services Grant ends in 2024-25.

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. For 2024-25, the Council increased Council Tax by 4.99% (an ASC Precept increase of 2.00% and a basic Council Tax increase of 2.99%), which is equal to the maximum 4.99% allowed without holding a referendum.

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## NARRATIVE REPORT

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The 2024-25 Council Tax increase of 4.99% is in recognition of Adult Social Care pressures and the substantial increase in general budget pressures the Council is experiencing. Increasing Council Tax by 4.99% will raise around an additional £19.502m in Council Tax income in 2024-25 and future years to support the Council's vital services. A 2% Council Tax increase is forecast in the Council's in each subsequent year from 2025-26 to 2028-29. 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, were 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 initial 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 underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Usable reserves and working capital are the underlying resources available for investment. The Council's recent strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. The Council therefore has an increasing CFR due to the capital programme but minimal investments. The Council will require additional borrowing of up to £318m by March 2027 according to its CFR forecasts at February 2024.

CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. The Council expects to comply with this recommendation for the three years 2024-25 to 2026-27.

Short-term interest rates are currently high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Council should be able to reduce net borrowing costs (despite foregone investment income) and to reduce overall treasury risk. The benefits of internal and short-term borrowing are monitored regularly against the potential for incurring additional costs, by deferring borrowing into future years. The Council's Treasury Management advisors assist the Council with this 'cost of carry' and breakeven analysis and its output may determine whether the Council borrows additional sums at long-term fixed rates in either 2024-25 or 2025-26.

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## NARRATIVE REPORT

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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 2024-25 or 2025-26, 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 £14.102m, to £385.854m.

The General Reserve balance has increased by £7.467m from 31 March 2023, to £40.182m at 31 March 2024. The adequacy of the Council's General Reserve balance is considered earlier in the Narrative Report.

During 2023-24, the Earmarked Reserves balance has decreased by £67.205m, to £205.168m at 31 March 2024. 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 £41.346m, to £123.757m at 31 March 2024. This reserve holds the grants and contributions received towards capital projects, but which have yet to be applied to meet capital expenditure. The majority of the increase in the Unapplied Capital Grants Reserve in 2023-24 is due to grants being received but not yet allocated to projects, for example contributions from developers, Special Educational Needs and Disabilities (SEND) grants and grants for the Local Electric Vehicle Infrastructure and Bus Service Improvement Plan (BSIP).

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## NARRATIVE REPORT

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The Capital Receipts Reserve has increased by £4.291m, to £16.747m at 31 March 2024. This is money set aside to meet capital expenditure and has been used mainly to fund Markham Vale, the Chesterfield Staveley Regeneration Route and the Ashbourne Airfield Link Road. The reserve has increased in 2023-24, primarily due to sales of assets surplus to the Council's requirements, as the Council is reviewing its approach to property and asset management, by way of rationalisation and modern ways of working. This is providing the potential to increase capital receipts by selling properties, including some Homes for Older People (HOPS), depots, and various pieces of land, to assist with the future funding of the Capital Programme.

After adjusting for non-cash items, the Council's General and Earmarked Reserves remain above the minimum levels for an organisation the size of the Council. 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 2024.

### **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 2023-24 is £58.285m and for Teachers Pensions is £1.993m. The actual contributions made for the year were £65.782m and £4.244m respectively, resulting in a net adjustment to the revenue position of £9.748m. In addition, there were actuarial gains on both schemes, amounting to £201.173m and £0.014m respectively. Overall, this would have resulted in an improvement of £210.935m in the Council's Balance Sheet position, from a total net pensions asset of £29.323m at 31 March 2023, to a total net pensions asset of £240.258m at 31 March 2024. However, Accounting Standards impose a limit on the maximum amount of surplus which can be recognised in the Balance Sheet, known as an asset ceiling restriction. The limit depends on factors unique to each employer and the Actuary has reflected this by carrying out additional calculations. The Actuary calculated an LGPS scheme asset ceiling restriction of £305.259m (31 March 2023: £12.432m restriction). After this adjustment, there is a total net pensions liability in the accounts, including Teachers Pensions, of £65.001m.

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 2023-24.

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## NARRATIVE REPORT

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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 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 further disclosure or adjustment of the statements. Events After the Balance Sheet Date relating to the Derby and Derbyshire Waste Treatment Centre (DDWTC) are disclosed in Note 2 to the accounts.

### **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 2023-24, 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.

### **East Midlands County Combined Authority (EMCCA)**

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.

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The East Midlands Devolution Deal, which covers Derbyshire, Nottinghamshire, Derby and Nottingham, was signed in August 2022. The new East Midlands County Combined Authority (EMCCA) became a legal entity in late February 2024 and held its inaugural meeting in March 2024. The Council is one of the constituent councils which form part of EMCCA. Elections took place on 2 May 2024 and an East Midlands Mayor was elected. Devolution will result in the East Midlands receiving £1.14 billion more funding over 30 years, to invest in the region.

During 2023-24, the Council continued to act as the Accountable Body for both the remaining capital programme and revenue capacity funding. During the financial year 2023-24, EMCCA received £32.972m in grant income and spent £7.030m in expenditure. 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.

### **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 were 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 was allocated to the remaining project, following a successful grant bid approved by the Investment Board. During 2023-24, a further £0.700m (2022-23: £3.428m) was allocated from the Low Carbon Growth Fund, which was created from the remaining balance of the Growing Places Fund.

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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 into EMCCA. Once this process is completed, with all assets and liabilities transferred to EMCCA, the company that is the D2N2 LEP will liquidate, and the Council will no longer be required to be its accountable body.

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.

### **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 2023-24, income of £0.065m was receivable from VDL (2022-23: £0.073m), of which £0.005m was outstanding at 31 March 2024 (31 March 2023: £0.017m). During 2023-24, CDL income receivable was £0.027m (2022-23: £0.052m), of which £0.003m was outstanding at 31 March 2024 (31 March 2023: £0.013m). During 2023-24, expenditure of £11.609m was payable to VDL and Vertas (Derbyshire) Traded Limited, its wholly owned subsidiary (2022-23: £10.491m), of which no amount was outstanding at 31 March 2024 (31 March 2023: £0.002m). During 2023-24, expenditure of £6.024m was payable to CDL and Concertus Derbyshire Traded Limited, its wholly owned subsidiary (2022-23: £5.568m), of which £0.035m was outstanding at 31 March 2024 (31 March 2023: £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 2023-24 (2022-23: £nil).

### **Strategy and Resource Allocation**

The Council Plan 2023-24 set out the direction of the Council and the outcomes that the Council is seeking to achieve.

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# NARRATIVE REPORT

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## 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.

## Performance Overview

The Council Plan 2023-24 identified 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.

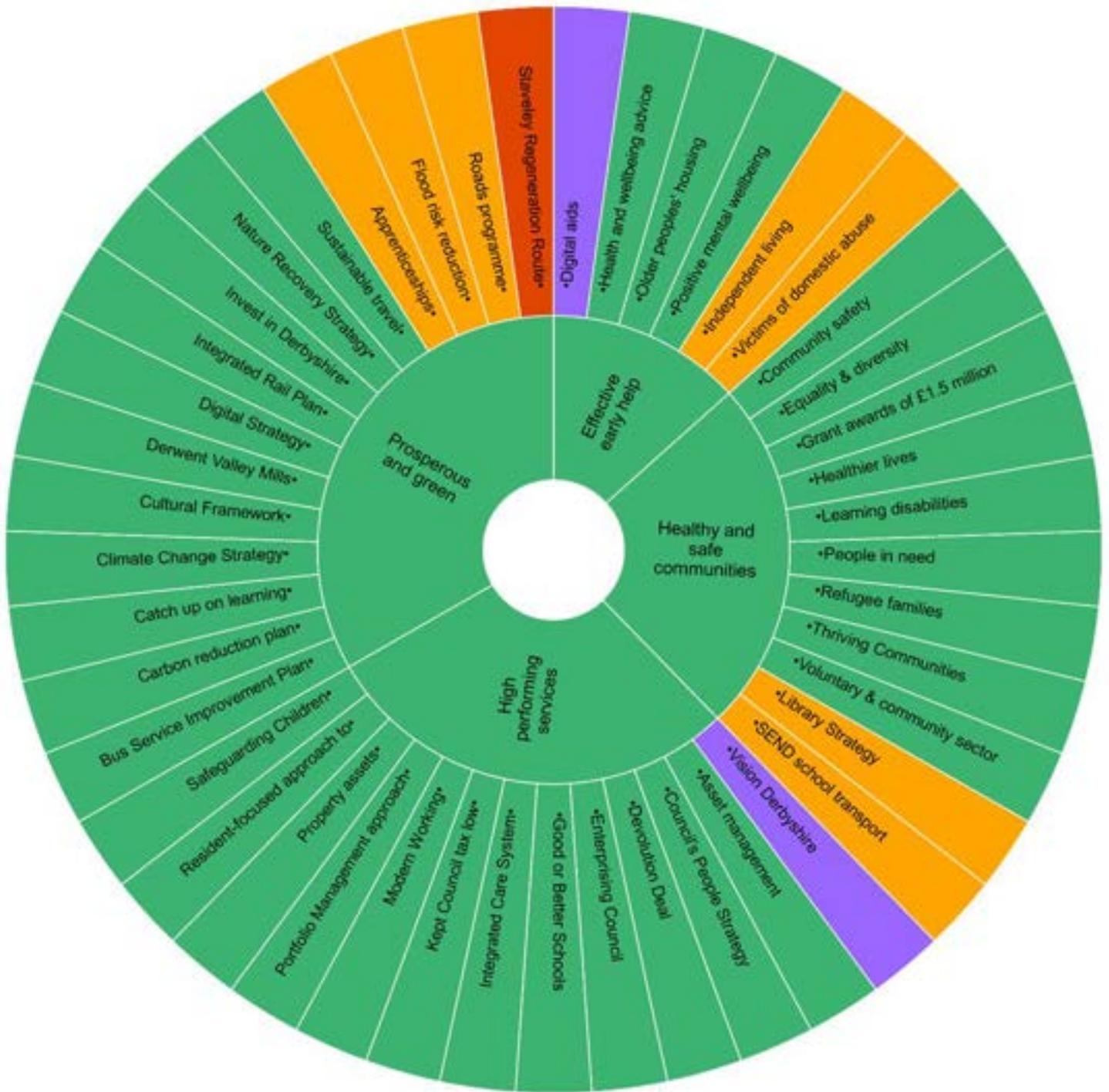
For each priority, "deliverables" were identified, setting out what the Council aimed to achieve over the year, supported by key measures, which enabled the Council to monitor the progress made.

To ensure effective monitoring, and to facilitate appropriate actions, performance was reported in context, with accompanying financial information, on a quarterly basis. The reports were 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

A graphical representation of the Council's performance for 2023-24 against its priorities (inner wheel) and deliverables (outer wheel) is below. The colours in each segment show the progress the Council has made during 2023-24. All of the priorities show overall good performance. However, there were some specific deliverables where progress or outcomes were not as expected. At the year end, there were seven assessed as "Requiring Review" and just one as "Requiring Action". Each of these deliverables were flagged in the report with details of the issues and the actions to be taken.

# 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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# NARRATIVE REPORT

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## Review of Performance

The Council successfully delivered a wide range of services throughout the year, with the following being a selection of key achievements during 2023-24:

- 25,146 Emergency Cash Payment awards made from the Council's Derbyshire Discretionary Fund.
- The Council's Welfare Rights Service supported 25,383 people in maximising their benefits.
- Over 10,000 individuals have completed the Council's Health and Wellbeing MOT.
- East Midlands Combined County Authority is now formally established.
- Vision Derbyshire has been successfully developed to create the Strategic Leadership Board.
- 5% of available Council employee hours were lost to sickness, below the target set at 5.1% and an improvement from the 2022-23 figure of 5.5%.
- £6.3 million was raised during the year from Council property sales, against a target of £4m. In addition to the revenue generated, this also brings long term savings in running costs and any outstanding maintenance for the buildings sold.
- Faster rate of improvement than seen nationally for both the Council's primary and secondary pupils attending good or better schools.
- New Portfolio Management approach implemented at the Council and improved the self-assessment of the maturity of project management within the Council.
- Supported 1,084 people with access to Assistive Technology, against a target of 600.
- Mental health training sessions attended by over 290 organisations with over 1,000 attendees.
- Health and Wellbeing Team supported 264 clients with advice and coaching to help prevent, reduce or delay the need for adult social care services.
- Good progress towards net zero target of 2032, or sooner, with latest confirmed figures showing a 71% reduction in Council emissions since 2009-10.
- Percentage of pupils reaching the required standard in phonics shows an improvement in national ranking and a narrowing of the gap between disadvantaged and non-disadvantaged pupils.
- Proportion of pupils achieving a standard pass at GCSE (grades 4-9) significantly better than national figures.
- Percentage of 16 to 17 year olds in education, employment or training remains higher than national figures and the average across East Midlands.
- Good progress towards the Local Nature Reserve Strategy (LNRS) for Derbyshire.

There are some areas where progress has not been as expected but appropriate actions to address these have been identified:

- A refresh of the Council's Library Strategy, which is focused on achieving required budget savings whilst helping protect the sustainability of all existing libraries, is being developed.
- Home to School transport remains a complex area but the Council has made progress in 2023-24. The next twelve months incorporate a range of workstreams, with a focus

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## NARRATIVE REPORT

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on brokerage, compliance and contract management, while identifying innovative approaches to support better transport for vulnerable learners.

- Whilst not meeting the stretch target for 2023-24, the Council continues to work effectively to ensure people with a learning disability and/or who are autistic are able to move into available, appropriate accommodation.
- Following an inspection of Derbyshire Police and resultant changes to risk assessment, more cases are rated as being high risk, putting increased pressure on the Council's Independent Domestic Advisor service. However, additional capacity has been provided into the commissioned service which supports high risk victims.
- The lack of available home care continues to impact on the Council's Adult Social Care offer for older people. However, a re-designed Short Term Service (reablement) has been introduced and a new homecare framework has resulted in an increased number of providers delivering support to people at home, which will enable improved flow through the Short Term Service.
- A series of adverse and unpredictable weather conditions have been experienced this year and this has impacted on the Council's ability to repair road defects within target time frames, as the demand for repair far outweighs the resources available. However, a Priority Pothole Response has been initiated to focus activity. Work has been reprogrammed to keep the Council on track to complete the delivery of the three year Highways Capital Programme.
- The impacts of Storm Babet and other adverse weather episodes have also had a continued impact on the Council's ability to reduce the level of flood risk. However, work has been initiated to deliver the pre-install surveys required to support 450 applications received for the Property Flood Resilience Grant.
- Progress on the Chesterfield to Staveley Regeneration Route is paused pending approval by Government of the business case.
- The Council's support for businesses has been lower than expected because of the influence of various external factors such as economic climate, business lifecycle and other economic factors, all of which are outside of the direct control of the Council.

### Outlook and Risks

#### Funding

In a sixth continuous single-year settlement the Local Government Finance Settlement for 2024-25 set out allocations for one year only at a local authority level. 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 formally updated during the annual budget setting process for 2024-25, earlier in 2024. A number of risks regarding the assumptions made in developing the FYFP were highlighted in the Revenue Budget Report, these being:

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- **Achievement of Savings** – there is a reliance on the achievement of a programme of budget savings. If the planned savings are not delivered alternative savings will need to be delivered.
- **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. 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. Management of Demand for services will be required in order to protect the financial standing of the Council.
- **Pay** – the FYFP for 2024-25 assumes a £1,925 flat increase in 2024-25, fixed at 3.85% for Grades 14 to 16 and fixed at 3.5% for Grade 17 and above. This is equal to an average 6.3% increase on the Council’s pay budget overall. The increase in 2025-26 in the last formally approved FYFP is assumed to be 5% and from 2026-27 onwards increases 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 has requested that Government gives support to local authorities to address the serious issue of substantial and increasing pay award pressures. The Council has no choice but to fund nationally agreed pay awards. It was estimated in that FYFP that the pay award will cost the Council £17m in 2024-25. This is a significant cost and the Council will have little choice other than to introduce savings measures which will impact on service delivery to pay for the pay award.
- **Economic Climate** – annual UK headline CPI inflation reduced during 2023. From its very high 2023 peak of 10.4% in February 2023, CPI inflation either stayed the same or decreased each month through to November 2023, the latest month for which data was available at budget setting, by which time it had fallen to 3.9%. However, inflation remains relatively high and means there is the potential for reductions in the Council’s income for discretionary services.
- **Spending Reviews** – The Local Government Finance Settlement provides allocations for one year. The Settlement failed to announce a multi-year settlement, constricting the flexibility of local authorities to balance budgets across the medium term. The local government sector has implored Government for a multi-year settlement. 2024-25 was the sixth continuous single-year settlement at local authority funding levels. 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 Covid-19 pandemic and in increasing social care funding in recent years may result in further austerity measures in future years, during the period of the FYFP, when savings will be required to repay the debt incurred by Government. However, the last formally approved FYFP assumes that there is no reduction in the Council’s general grant funding other than that its allocation of additional 2024-25 Social Care Grant, announced on 24 January 2024, will not continue into 2025-26 and beyond and that its allocation of Services Grant ends in 2024-25.

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- **Fair Funding and Business Rates Reviews** – the reviews have been delayed for a number of years and the planned implementation was again postponed. A transparent, fair funding system is required, which reflects need and ability to fund services locally. The Council has requested that Government urgently reviews the local government funding system. This is to ensure that the system reflects the needs of local councils. This includes the significant cost pressures relating to social care which are due to increased demand and increases in cost. The funding system should also reflect the increase in cost across the sector that are a result of inflation and nationally agreed pay awards. The review of the funding system is also needed to ensure that historic resource equalisation flaws in the current funding methodology are addressed. The FYFP is predicated on the basis that mainstream funding continues as it is now.
- **Public Health Grant** – the Council’s allocation for 2024-25 was published alongside the Final Settlement. 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.
- **Devolution and the East Midlands Mayoral Combined County 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 and is referred to earlier in this Narrative Report.

### Expenditure

Target ongoing savings by the end of 2028-29 are estimated to be £66.612m. Significant budget preparation work took place in 2023 and again in 2024. The Council has reviewed all of its savings initiatives and has developed a programme of savings proposals to address the estimated funding gap over the medium term. This has helped in identifying substantial additional savings proposals. In headline terms the Council has now identified measures which should help achieve the budget gap over the period of the last formally approved FYFP.

This is an improved relative position than was reported in the Revenue Budget Report 2023-24, when measures had been identified to meet 81% of the budget gap. This improved position has resulted from an increase in identified annual budget savings across the period of that FYFP and from planned service pressure mitigations. However, to maintain the financial standing of the Council it is vital that these savings proposals, if approved, are delivered. If the savings proposals are not approved and delivered, alternative savings will be required in 2024-25 and future years.

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## NARRATIVE REPORT

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There is also uncertainty around the variables used as part of the budget-setting process for 2024-25. Planning has been based on what is known at this time. Without a multi-year Settlement the medium to longer-term outlook remains unclear. All local authorities in the UK are faced with another period of substantial uncertainty. The Government's Local Government Department Expenditure Limit (DEL) is unprotected. The Autumn Statement signaled that the DEL for unprotected budgets in the next Spending Review period is expected to fall by between 2.3% and 4.1% in real terms, which suggests real-terms reductions in funding from 2025-26. Without knowing what the individual funding allocations are likely to be beyond 2024-25, there is uncertainty as to what this means for the need for further austerity measures from 2025-26. In developing the FYFP and estimating the funding gap and required savings, the Council has assumed that there is no significant change to its Government funding from 2025-26 across the period of the Five Year Financial Plan. Further measures will be necessary if the Government implements austerity measures over the period of the FYFP.

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. The Council cannot afford to be in this position and compensating savings will be required to be found if the proposed savings are not delivered.

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

Over the course of the FYFP, where Departmental ongoing savings required to meet the budget gap are subsequently determined to be unachievable, or are determined to be unachievable up to the full extent of the departmental allocation each year, mitigations and alternative savings delivery must be brought forward by that Department in that same year, to ensure that each Department fulfills its commitment and obligation to deliver savings to the targeted values and profile.

The 2023-24 Council overspend was after substantial one-off support from the use of around £37m of the Council's Earmarked Reserves and the 2023-24 overspend of £22m was another call on the General Reserve. The overspend in 2023-24 follows the outturn position for 2022-23, which resulted in the Council utilising £55m of its reserves in order to manage its budget to meet inflationary, demand and pay award cost pressures. The 2024-25 budget includes the planned use of just under £11m of reserves. These figures mean that over the three-year period from 2022 to 2025, the Council will have utilised around £125m of reserves to support the revenue budget.

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## NARRATIVE REPORT

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Whilst the Council maintains an adequate level of General Reserve, further in-year budget overspends and failure to achieve the level of budget savings required in order to balance the budget would see the balance of the General Reserve substantially depleted and lead to issues around financial sustainability that would require urgent, radical savings rather than the planned process that minimises the impacts of reductions as far as possible. The level of the General Reserve is forecast to be around £25m over the period of the FYFP.

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 2023, there were 1,070 children in the care of the Council, a 37% increase on the number five 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 61% over the last five 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.

### **Schools and Learning**

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

The Council has a net cumulative deficit on the DSG of £16.945m at 31 March 2024. The DSG income and expenditure does not form part of the Council's general fund revenue budget, but any surplus or deficit on the DSG funding held by the Council forms part of the Council's reserves. Whilst previously any deficit on these balances was funded by the Council, temporary regulations introduced in 2020 require that these balances are held separately. These regulations expire in 2026, at which point any deficit on the DSG balances will need to be funded by the Council.

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## NARRATIVE REPORT

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The main pressures for the Council, as with most local authorities, continues to be in respect of High Needs Block budgets. The December 2023 DSG announcement provides for an increase in High Needs funding of £5.186m (4.7%), however it is likely that further demand and inflation pressures will still result in spend exceeding income in 2024-25. The funding announcement also included a significant increase in the Early Years Block budgets of £22.283m (49%). These budgets primarily relate to funding for Early Years and Childcare providers and the increase reflects the Government's expansion of free childcare to include over twos (April 2024) and over nine months (September 2024).

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 60% in the last four years and these budgets continue to be under pressure.

### **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 up to £4m in relation to older people demography, with a further £2m for working age adults including children transitioning to adulthood. These additional costs of up to £6m each year are predicted to continue for at least the next five years.

During the last few years, the National Living Wage has increased annually by between 2% and 10%. For 2023-24, the increase will be 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 £20-£25m each year over the medium term.

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, with the risk of associated long term cost implications for the likely significant number of individuals who are not able to regain their independence and return home.

### **Waste Disposal**

The volume of waste managed by the Council has a significant financial implication. This is monitored throughout the year to inform future year volumes. Waste Landfill tax, landfill site gate fees and contractual payments for the operation of Household Waste Recycling Sites and Waste Transfer Stations are subject to price rises in line with 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.

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## NARRATIVE REPORT

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The Council and Derby City Council remain engaged in a project to develop the Derby and Derbyshire Waste Treatment Centre (DDWTC) in Sinfin, Derby, to deal with waste that residents in Derby and Derbyshire do not recycle. The facility, which was due to open in 2017, was built on the councils' behalf by Resource Recovery Solutions (Derbyshire) Ltd (RRS), which was a partnership between national construction firm Interserve and waste management company Renewi plc. The contract with RRS was terminated on 2 August 2019, following the issuing of a legal notice by the banks funding the project. Alternative contractual arrangements for the management and disposal of the County's waste were put in place following termination.

Following termination, the councils commissioned a significant amount of work under a Continuity Services Contract (CSC), to assess the condition of the DDWTC through detailed and comprehensive condition surveys and documentation gap analyses. These condition surveys helped the councils to understand the facility, what the potential rectification works may be, and their potential cost. In October 2021, the information available from the surveys was used as part of a formal Option Appraisal process, which identified two viable options for further evaluation. The councils continued to preserve the DDWTC, to prevent deterioration of the facility pending completion of a Full Business Case (FBC) and subsequent decisions regarding its future use.

The FBC was completed in January 2023, and demonstrated a clear strategic, economic and financial advantage to undertaking works to rectify defects in the facility and bring into use. This recommendation was approved by both councils on 2 February 2023. Following approval of the FBC, work commenced in preparation for the procurement of a suitably experienced contractor(s) for the rectification and operation of the DDWTC. During 2023-24 this work has continued, including the completion of a rigorous market testing exercise and the development of procurement documentation. Preservation of the facility has been maintained throughout and is ongoing at the time of writing.

Agreement on the terms of a new Inter Authority Agreement have been reached in full, which means both organisations can move forward in partnership with the confidence and certainty required to successfully complete the project. Both councils remain committed to the original decision, made in February 2023, to progress option one: fix and operate the existing plant with positive engagement from the waste industry which confirmed there was capability, capacity and appetite in the market to deliver the project. The councils will now move forward with the procurement exercise to rectify defects at the facility and bring it into use.

### **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.

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## **NARRATIVE REPORT**

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This Strategy establishes the Council's target to be an organisation that has net zero carbon emissions by 2032, or sooner. To date, a 71% reduction in Council emissions has been achieved since the 2009-10 baseline year. The Strategy also identifies the Council's enabler and facilitator role in ensuring the county is net zero by 2050 through collaboration across Derbyshire's public, private, and community sectors.

The pressures detailed above are in common with other local authorities. During 2024-25 and beyond it is vital that the Council manages its service and financial pressures to maintain the organisation's financial standing.

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 2024 and of its income and expenditure for the year then ended.

Mark Kenyon BA(Hons) FCPFA  
Director of Finance (Section 151 Officer)  
28 February 2025

The Statement of Accounts were approved by the Audit Committee on 28 February 2025.

Councillor Gary Musson  
Chair of the Audit Committee

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note	2022-23			2023-24		
		Gross Exp £m	Gross Inc £m	Net Exp £m	Gross Exp £m	Gross Inc £m	Net Exp £m
Adult Care		493.448	(153.976)	339.472	546.899	(193.382)	353.517
Children's Services and Safeguarding and Education		746.695	(491.514)	255.181	766.607	(511.429)	255.178
Clean Growth and Regeneration		4.523	(3.429)	1.094	3.877	(2.258)	1.619
Corporate Services and Budget		48.925	(24.966)	23.959	59.182	(26.308)	32.874
Health and Communities		77.278	(58.357)	18.921	73.504	(62.589)	10.915
Highways Assets and Transport		74.305	(17.434)	56.871	90.645	(16.399)	74.246
Infrastructure and Environment		79.709	(7.950)	71.759	65.091	(9.638)	55.453
Strategic Leadership, Culture, Tourism and Climate Change		14.913	(0.826)	14.087	12.270	(1.134)	11.136
<b>Net Cost of Services</b>		<b>1,539.796</b>	<b>(758.452)</b>	<b>781.344</b>	<b>1,618.075</b>	<b>(823.137)</b>	<b>794.938</b>
Other Operating Expenditure	5			52.622			64.488
Financing and Investment Income and Expenditure	6			47.406			9.259
Taxation and Non- Specific Grants	7			(717.160)			(794.326)
<b>Deficit on Provision of Services</b>				<b>164.212</b>			<b>74.359</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

<b>Items that will not be Reclassified to Deficit on Provision of Services</b>			
Gain on Revaluation of Non-Current Assets	12	(273.118)	(123.678)
Loss on Revaluation of Non-Current Assets	12	52.288	75.089
Remeasurement of Net Pension Liability/ (Asset)	46	(926.950)	104.072
<b>Other Comprehensive Expenditure/ (Income)</b>		<b>(1,147.780)</b>	<b>55.483</b>
<b>Total Comprehensive Expenditure/ (Income)</b>		<b>(983.568)</b>	<b>129.842</b>

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

## BALANCE SHEET

31 Mar 2023			31 Mar 2024
£m			£m
1,884.324	Property Plant & Equipment	12	1,955.757
60.011	Heritage Assets	13	38.126
0.400	Intangible Assets	16	0.190
84.668	Non-Current Investments	19	75.109
73.379	Non-Current Net Pension Asset	25	0.000
0.437	Non-Current Debtors	18	1.332
<b>2,103.219</b>	<b>Total Non-Current Assets</b>		<b>2,070.514</b>
239.328	Current Investments	19	49.837
2.540	Assets Held for Sale	17	7.165
1.549	Inventories	20	2.158
95.866	Current Debtors	21	130.176
69.889	Cash and Cash Equivalents	22	78.319
<b>409.172</b>	<b>Total Current Assets</b>		<b>267.655</b>
(233.874)	Current Loans and Borrowing	19	(147.827)
(169.713)	Current Creditors	23	(195.143)
(6.079)	Current Provisions	24	(1.686)
<b>(409.666)</b>	<b>Total Current Liabilities</b>		<b>(344.656)</b>
(232.597)	Non-Current Borrowing	19	(236.284)
(7.378)	Non-Current Provisions	24	(8.689)
(44.056)	Non-Current Net Pension Liability	25	(65.001)
(49.998)	Other Non-Current Liabilities	25	(44.689)
<b>(334.029)</b>	<b>Total Non-Current Liabilities</b>		<b>(354.663)</b>
<b>1,768.696</b>	<b>NET ASSETS</b>		<b>1,638.850</b>
399.956	Usable Reserves	11	385.854
1,368.740	Unusable Reserves	28	1,252.996
<b>1,768.696</b>	<b>TOTAL RESERVES</b>		<b>1,638.850</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 2024.

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

28 February 2025

## CASH FLOW STATEMENT

2022-23 £m			2023-24 £m
<b>(164.214)</b>	<b>Net Surplus or (Deficit) on the Provision of Services</b>		<b>(74.359)</b>
125.836	Adjustments for non cash movements	41	22.524
(9.829)	Adjustments for investing activities	41	(29.518)
	Net cashflow from:		
<b>(48.207)</b>	<b>Operating Activities</b>	<b>40</b>	<b>(81.353)</b>
(4.804)	Investing Activities	38	156.483
76.670	Financing Activities	39	(66.700)
<b>23.659</b>	<b>Movement in Cash &amp; Cash Equivalents</b>		<b>8.430</b>
46.230	Cash & Cash Equivalents at the start of the year	22	69.889
<b>69.889</b>	<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>22</b>	<b>78.319</b>

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

## MOVEMENT IN RESERVES STATEMENT

	Note	General Reserve £m	Earmarked Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m	TOTAL USABLE RESERVES £m	Unusable Reserves £m	Total Council Reserves £m
<b>2023-24</b>								
<b>Balance at 31 March 2023</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>Movement in reserves during 2023-24</b>								
Total Comprehensive Income and Expenditure	CIES	74.359	0.000	0.000	0.000	74.359	55.483	129.842
Adjustments between accounting basis and funding basis under regulations	11	(14.623)	0.000	(41.346)	(4.291)	(60.260)	60.260	0.000
Net Transfer to Reserves		(67.204)	67.204	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2023-24		(7.468)	67.204	(41.346)	(4.291)	14.099	115.743	129.842
<b>Balance at 31 March 2024 carried forward</b>		<b>(40.184)</b>	<b>(205.167)</b>	<b>(123.757)</b>	<b>(16.747)</b>	<b>(385.851)</b>	<b>(1,252.997)</b>	<b>(1,638.847)</b>
<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>

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 2023-24 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)**

The Council and Derby City Council remain engaged in a project to develop the Derby and Derbyshire Waste Treatment Centre (DDWTC) in Sinfin, Derby, to deal with waste that residents in Derby and Derbyshire do not recycle. The facility, which was due to open in 2017, was built on the councils' behalf by Resource Recovery Solutions (Derbyshire) Ltd (RRS), which was a partnership between national construction firm Interserve and waste management company Renewi plc. The contract with RRS was terminated on 2 August 2019, following the issuing of a legal notice by the banks funding the project. Alternative contractual arrangements for the management and disposal of the County's waste were put in place following termination.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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Following termination, the councils commissioned a significant amount of work under a Continuity Services Contract (CSC), to assess the condition of the DDWTC through detailed and comprehensive condition surveys and documentation gap analyses. These condition surveys helped the councils to understand the facility, what the potential rectification works may be, and their potential cost. In October 2021, the information available from the surveys was used as part of a formal Option Appraisal process, which identified two viable options for further evaluation. The councils continued to preserve the DDWTC, to prevent deterioration of the facility pending completion of a Full Business Case (FBC) and subsequent decisions regarding its future use.

The FBC was completed in January 2023, and demonstrated a clear strategic, economic and financial advantage to undertaking works to rectify defects in the facility and bring into use. This recommendation was approved by both councils on 2 February 2023. Following approval of the FBC, work commenced in preparation for the procurement of a suitably experienced contractor(s) for the rectification and operation of the DDWTC. During 2023-24 this work has continued, including the completion of a rigorous market testing exercise and the development of procurement documentation. Preservation of the facility has been maintained throughout and is ongoing at the time of writing.

The Council has considered the accounting treatment for the DDWTC and it has been determined that it will continue to be recognised on the balance sheet at 31 March 2024 as an Asset under Construction in Property Plant and Equipment (Note 12) due to the asset not yet having been brought into service. The Council has incurred capital expenditure of £4.458m during 2023-24 (£6.573m during 2022-23) securing, managing and preserving the site.

The Inter Authority Agreement 2 between the Council and Derby City Council, relating to the Service Agreement for the Provision of Waste Management Services, stipulated that the councils shall agree the terms on which the County shall be permitted to continue to deliver residual waste to the DDWTC at Sinfin. The agreement provided that in the event the parties failed to reach such agreement and/or the Council was prevented from continuing to use the facility, Derby City Council would reimburse the Council for its share of any investment in the facility. In January 2024, following a failure to agree such terms, the Council raised an invoice to Derby City Council for £93.940m plus VAT, for repayment of its investment in the DDWTC.

Following the issuance of the invoice, the councils entered into dialogue to seek resolution. Notwithstanding the Council's invoice to Derby City Council, rectification and operation of the facility remained the Council's preferred option. Considering this and given the value of the invoice relative to the resources available to Derby City Council, it was considered more likely than not that a non-financial settlement would be reached to enable the rectification project to progress and the invoice to be cancelled. Efforts to pursue such an outcome through dialogue, including application of the contractual dispute resolution procedure and ultimately facilitated mediation, were ongoing from February 2024 through August 2024. The probability of settlement of the invoice is not assessed as meeting the criteria required by IFRS 15 and therefore the income and corresponding debtor (excluding VAT) have not been recognised in the Council's financial statements at 31 March 2024.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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On 21 August 2024, the invoice was cancelled. Following a period of constructive dialogue, the councils successfully addressed the key issues that led to the dispute. Agreement on the terms of a new Inter Authority Agreement have been reached in full, which means both organisations can move forward in partnership with the confidence and certainty required to successfully complete the project. Both councils remain committed to the original decision, made in February 2023, to progress option one: fix and operate the existing plant with positive engagement from the waste industry which confirmed there was capability, capacity and appetite in the market to deliver the project. The councils will now move forward with the procurement exercise to rectify defects at the facility and bring it into use.

Cancellation of the invoice following the year end has no impact on the net financial performance or position reported in the Council's primary financial statements for the year ended 31 March 2024. In the Balance Sheet it would reduce Current Debtors by £18.788m (VAT in Note 21) but this would be offset by an increase in Cash and Cash Equivalents (Note 22) of £18.788m (VAT paid to HMRC).

At the previous balance sheet date of 31 March 2023, the Council and Derby City Council 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 commenced at 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 was therefore 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. The payment made to RRS's administrators in 2023-24 was in full and final settlement of the matter and therefore there is no contingent liability in relation to the EFV for the financial year 2023-24.

### **School Non-Current Assets**

The Council has applied judgement regarding the extent of control exercised over the following schools, run under various arrangements, to determine whether associated non-current assets are included on the Council's Balance Sheet.

Where non-current school assets are either interpreted as controlled directly by the Council (Community Schools) or indirectly, via the school's governing body (Foundation Schools), then these assets are included on the Council's Balance Sheet. However, non-current school assets in respect of Voluntary Aided and Voluntary Controlled schools are only included on the Council's Balance Sheet where the Council owns or retains substantive rights over the assets and the future economic benefits/service potential of school assets flows to the Council.

### **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:

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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- IFRS 16 Leases issued in January 2016.

The CIPFA/LASAAC Board confirmed in a statement that mandatory implementation of IFRS 16 Leases will go ahead as planned, and the standard will be implemented in the Code for 2024-25.

IFRS 16 was issued by the International Accounting Standards Board (IASB) in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the Balance Sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as 'pay as you go' arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset in what is known as a Right-of-Use Asset, with a corresponding Lease Liability, on the Balance Sheet, at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2025 are exempt from the new arrangements.

One of the areas of focus for local authorities is the adaptation for the definition of a lease. For the UK public sector this includes leases with nil consideration or peppercorn rents, which will widen the definition of a lease.

IFRS 16 will be applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that Right-of-Use Assets and lease liabilities will be calculated as if IFRS 16 has always applied but that this will be recognised in 2024-25 and not by adjusting prior year figures. However, some practical expedients are expected to be applied as required or permitted by the Code:

- Lease Liabilities will be measured at the present value of the remaining lease payments at 1 April 2024 discounted by the Council's incremental borrowing rate.
- With the exception of leases with peppercorn or nominal payments (i.e. substantially below market lease payments), or where payments are nil, decisions about whether contracts are or contain a lease made before 1 April 2024 will not be revisited.

The incremental borrowing rate will be determined with reference to the Public Works Loan Board annuity rate of interest, prevailing at the commencement date, and for a period consistent with the unexpired term of the lease, adjusted for the type of underlying asset and whether it is a commercial or non-commercial lessor.

Recognition of Right-of-Use Assets on 1 April 2024 at fair value may result in a gain or loss on transition when compared to the lease liability. This gain or loss will be recognised as an adjustment to unusable reserves.

Where the Council retains the use of an asset after the contractual period (i.e. is holding over), it is considered that the lease is no longer enforceable; therefore Right-of-Use Assets and Lease Liabilities will not be recognised in these instances.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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The Council estimates that the transition to IFRS 16 will result in the following additions to the Council's Balance Sheet:

- £74.141m - Property Plant & Equipment (Land and Buildings - Right-of-Use Assets).
- £7.953m - Other Non-Current Liabilities (Lease Liabilities).
- £0.829m - Current Creditors (Lease Liabilities).
- £65.389m - Unusable Reserves (Gain on Transition).

The newly recognised Lease Liabilities of £8.782m compares to operating lease commitments of £11.761m at 31 March 2024 disclosed in the notes to the 2023-24 financial statements. When discounted to their present value of £8.162m, using an average incremental borrowing rate of 6% at 1 April 2024, there is a difference of £0.620m. This difference is not material and is explained by the fact that it has not previously been the Council's policy to update the reported minimum lease payments for rents contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

IFRS 16 will also apply to the measurement of the Council's lease liability for Private Finance Initiative (PFI) and similar contracts. The impact of this change is being assessed and accounting entries required on transition and going forward will be determined and reflected in the Council's accounts from 2024-25 onwards.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
  - specify that an entity's right to defer settlement must exist at the end of the reporting period;
  - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
  - clarify how lending conditions affect classification; and
  - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants.

The Council has concluded that, although these amendments will provide clarification or lead to improved reporting, they will not have a significant impact on the Council's accounts in the year in which they are adopted.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
  - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and
  - targeted disclosure requirements for affected entities.

These amendments are only applicable to local authorities with group accounts and, therefore, they will not impact on the Council's accounts in the year in which they are adopted.

- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
  - assess how supplier finance arrangements affect an entity's liabilities and cash flows; and
  - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

The Council has concluded that this amendment has a limited application and will not impact on the Council's accounts in the year in which it is adopted.

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

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

The gross book value of Property, Plant and Equipment assets, excluding infrastructure assets, at 31 March 2024 is £1,581.814m (2023, £1,534.850m), 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.

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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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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 2023-24 would equate to a valuation decrease of £12.930m, of which £0.379m would be expensed through the surplus/deficit on the provision of services, whilst a 1% increase would equate to a rise in valuations of £12.930m to the revaluation reserve.

The Council has continued to review its 20% rolling programme asset base at 31 March 2024, instead of 1 April 2023, 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 2024. 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 Gross Pension Liability at 31 March 2024 is £2,402.630m (2023, £2,406.523m), 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 £43.687m (2% increase in liability).
- A one year increase in Fund Member life expectancy will increase the pension liability by £96.105m (4% increase in liability).
- A 0.1% increase in the assumed level of salary increases will increase the pension liability by £2.109m (0% (rounded) increase in liability).
- A 0.1% increase in the assumed level of pension increases will increase the pension liability by £42.369m (2% increase in liability).

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

The Council's Financial Instruments are disclosed in Note 19. The fair value of the Council's other long-term loans (former Lender Option Borrower Option (LOBO) loans) of £9.703m (£10.000m nominal) at 31 March 2024 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 2024 is a reduction of £21.429m in the net financial liability.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 5. OTHER OPERATING EXPENDITURE

2022-23 £m		2023-24 £m
(0.875)	Trading Operations	(0.715)
0.363	Levies and Precepts	0.373
53.131	Loss on Disposal of Non-Current Assets	64.828
0.003	Other Income and Expenditure	0.002
<b>52.622</b>		<b>64.488</b>

The surplus for the year from commercial trading operations was achieved with a gross expenditure of £1.061m (2022-23: £0.958m) offset against income of £1.776m (2022-23: £1.833m).

Loss on disposal of non-current assets has increased in 2023-24, the main reason for this being an increase in the asset value of schools that converted to academies during the year.

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

### 6. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2022-23 £m		2023-24 £m
18.868	Interest Payable	26.178
(4.290)	Interest Receivable	(11.712)
(3.386)	Dividends Receivable	(4.064)
7.588	Financial Asset Fair Value Losses/(Gains)	(0.489)
5.877	Financial Asset Impairment Losses/(Gains)	0.805
0.000	Brokerage Fees	0.160
22.749	Net Pension Costs	(1.619)
<b>47.406</b>		<b>9.259</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

Brokerage fees before 2023-24 were categorised as professional fees within supplies and services (Note 9). In 2022-23, brokerage fees were £0.144m.

Interest payable has been itemised in the table below.

<b>2022-23</b> <b>£m</b>		<b>2023-24</b> <b>£m</b>
13.323	Interest Payable on Capital Borrowing	13.176
2.755	Interest Payable on PFI	2.520
0.488	Interest Payable on Finance Leases	0.453
2.302	Interest Payable on Other Items	10.029
<b>18.868</b>		<b>26.178</b>

Interest receivable has been itemised in the table below.

<b>2022-23</b> <b>£m</b>		<b>2023-24</b> <b>£m</b>
(4.244)	Interest Receivable on Investments	(11.525)
(0.004)	Interest Receivable on Transferred Debt	(0.004)
(0.023)	Interest Receivable on Finance Leases	(0.074)
(0.017)	Interest Receivable on Cash & Bank Balances	(0.102)
(0.002)	Interest Receivable on Other Items	(0.007)
<b>(4.290)</b>		<b>(11.712)</b>

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

<b>2022-23</b> <b>£m</b>		<b>2023-24</b> <b>£m</b>
(368.567)	Council Tax	(387.349)
(14.249)	Revenue Support Grant	(15.714)
(21.654)	Business Rates	(23.365)
(94.892)	Business Rates Top-up	(97.774)
(18.797)	Business Rates Relief Grant	(25.851)
(10.504)	Private Finance Initiative Grant	(10.504)
(1.868)	New Homes Bonus	(1.106)
(108.626)	Other General Revenue Grants	(119.652)
(78.003)	Capital Grants	(113.011)
<b>(717.160)</b>		<b>(794.326)</b>

### 8. EXPENDITURE AND FUNDING ANALYSIS

## NOTES TO THE CORE FINANCIAL STATEMENTS

2022-23				2023-24		
Expenditure/ (Income) chargeable to General Reserve Balance £m	Adjustments between funding and Accounting Basis £m	Net Expenditure in the CIES £m		Expenditure/ (Income) chargeable to General Reserve Balance £m	Adjustments between funding and Accounting Basis £m	Net Expenditure in the CIES £m
313.916	(25.556)	339.472	Adult Care	341.542	(11.975)	353.517
185.108	(70.073)	255.181	Children's Services and Safeguarding and Education	231.830	(23.348)	255.178
0.474	(0.620)	1.094	Clean Growth and Regeneration	1.432	(0.187)	1.619
3.199	(20.760)	23.959	Corporate Services and Budget	29.487	(3.387)	32.874
15.103	(3.818)	18.921	Health and Communities	11.369	0.454	10.915
33.653	(23.218)	56.871	Highways Assets and Transport	56.788	(17.458)	74.246
68.141	(3.618)	71.759	Infrastructure and Environment	54.866	(0.587)	55.453
10.523	(3.564)	14.087	Strategic Leadership, Culture, Tourism and Climate Change	10.127	(1.009)	11.136
<b>630.117</b>	<b>(151.227)</b>	<b>781.344</b>	<b>Net Cost of Services</b>	<b>737.441</b>	<b>(57.497)</b>	<b>794.938</b>
(0.509)	(53.131)	52.622	Other operating expenditure	(0.339)	(64.827)	64.488
46.154	(1.252)	47.406	Financing and investment income and expenditure	14.848	5.589	9.259
(647.973)	69.187	(717.160)	Taxation and non-specific grant income and expenditure	(759.416)	34.910	(794.326)
<b>27.789</b>	<b>(136.423)</b>	<b>164.212</b>	<b>Deficit/(Surplus) on Provision of Services</b>	<b>(7.466)</b>	<b>(81.825)</b>	<b>74.359</b>
<b>60.505</b>			<b>Opening General Reserve Balance at 1 April</b>	<b>32.716</b>		
(27.789)			Add/(less) Surplus/(Deficit) on General Reserve	7.466		
<b>32.716</b>			<b>Closing General Reserve Balance at 31 March</b>	<b>40.182</b>		

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Note to the Expenditure and Funding Analysis

2022-23					2023-24			
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
(6.625)	(18.931)	0.000	(25.556)	Adult Care	(14.113)	2.138	0.000	(11.975)
(26.843)	(43.230)	0.000	(70.073)	Children's Services and Safeguarding and Education	(29.445)	6.097	0.000	(23.348)
(0.367)	(0.253)	0.000	(0.620)	Clean Growth and Regeneration	(0.218)	0.031	0.000	(0.187)
(8.313)	(12.447)	0.000	(20.760)	Corporate Services and Budget	(4.982)	1.595	0.000	(3.387)
(0.082)	(3.736)	0.000	(3.818)	Health and Communities	(0.003)	0.457	0.000	0.454
(18.303)	(4.915)	0.000	(23.218)	Highways Assets and Transport	(18.066)	0.608	0.000	(17.458)
(2.650)	(0.968)	0.000	(3.618)	Infrastructure and Environment	(0.696)	0.109	0.000	(0.587)
(1.334)	(2.230)	0.000	(3.564)	Strategic Leadership, Culture, Tourism and Climate Change	(1.321)	0.312	0.000	(1.009)
<b>(64.517)</b>	<b>(86.710)</b>	<b>0.000</b>	<b>(151.227)</b>	<b>Net Cost of Services</b>	<b>(68.844)</b>	<b>11.347</b>	<b>0.000</b>	<b>(57.497)</b>
(53.131)	0.000	0.000	(53.131)	Other Operating Expenditure	(64.827)	0.000	0.000	(64.827)
6.474	0.000	(7.726)	(1.252)	Financing and investment income and expenditure	4.820	0.000	0.769	5.589
78.003	0.000	(8.816)	69.187	Taxation and non-specific grant income and expenditure	113.011	0.000	(78.101)	34.910
<b>(33.171)</b>	<b>(86.710)</b>	<b>(16.542)</b>	<b>(136.423)</b>	<b>Deficit/(Surplus) on Provision of Services</b>	<b>(15.840)</b>	<b>11.347</b>	<b>(77.332)</b>	<b>(81.825)</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

	2022-23 £m	2023-24 £m
<b>Expenditure</b>		
Employee expenses	649.518	591.295
Premises	42.289	44.561
Transport	35.798	39.049
Supplies and services	732.635	855.665
Capital depreciation, amortisation, impairment	79.559	87.507
Interest payments, brokerage fees, loan modification, financial asset impairment and fair value changes	55.082	25.036
Precepts and levies	0.363	0.373
Trading operations	(0.875)	(0.715)
Loss on disposal of assets	53.131	64.828
<b>Total Expenditure</b>	<b>1,647.500</b>	<b>1,707.599</b>
<b>Income</b>		
Fees, charges and other service income	(218.651)	(254.811)
Interest and investment income	(7.676)	(15.776)
Income from Council Tax, business rates	(485.113)	(508.488)
Business rates relief grant	(18.797)	(25.851)
Government grants and contributions	(753.051)	(828.314)
<b>Total Income</b>	<b>(1,483.288)</b>	<b>(1,633.240)</b>
<b>Deficit on the Provision of Services</b>	<b>(164.212)</b>	<b>(74.359)</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 9,751 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 (2022-23: £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 2023-24 the Council received dividends of £0.500m from Scape Group Limited (2022-23: £0.350m).

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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 one director 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 2023-24, income of £0.065m was receivable from VDL (2022-23: £0.073m), of which £0.005m was outstanding at 31 March 2024 (31 March 2023: £0.017m). During 2023-24, CDL income receivable was £0.027m (2022-23: £0.052m), of which £0.003m was outstanding at 31 March 2024 (31 March 2023: £0.013m). During 2023-24, expenditure of £11.609m was payable to VDL and Vertas (Derbyshire) Traded Limited, its wholly owned subsidiary (2022-23: £10.491m), of which no amount was outstanding at 31 March 2024 (31 March 2023: £0.002m). During 2023-24, expenditure of £6.024m was payable to CDL and Concertus Derbyshire Traded Limited, its wholly owned subsidiary (2022-23: £5.568m), of which £0.035m was outstanding at 31 March 2024 (31 March 2023: £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 2023-24 (2022-23: £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 (2022-23: £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 £0.087m (2022-23: £0.081m). There were no expenditure transactions during the year (2022-23: £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. There were no income transactions with this organisation in the year (2022-23: £0.002m) and expenditure transactions totalled £0.007m (2022-23: £0.033m).

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. The Council received payments of £0.005m from the company in respect of its shareholding and stake in a subordinated loan from the Council to the company during 2023-24 (2022-23: £nil).

**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 2023-24, income transactions excluding grants totalled £19.152m (2022-23: £16.099m), of these, £18.749m were with academy schools (2022-23: £15.853m). During 2023-24, expenditure transactions totalled £253.369m (2022-23: £212.953m) and included the following significant transactions:

Inland Revenue	£108.186m (2022-23: £108.347m)
Debt Management Office	£35.000m (2022-23: £nil)
Teachers' Pensions	£42.346m (2022-23: £42.754m)
Public Works Loan Board	£17.276m (2022-23: £18.823m)

**Other Local Authorities** – typical transactions include, but are not restricted to, investments, borrowing, repayment of transferred debt, re-imburement of joint project costs and supplies of goods and services. During 2023-24, income transactions totalled £53.462m (2022-23: £35.593m) and included significant transactions with Derby City Council totalling £38.588m (2022-23: £22.120m). During 2023-24, expenditure transactions totalled £45.635m, excluding short term lending and repayment of borrowing with other local authorities (2022-23: £42.681m).

**Health Bodies** – typical transactions include, but are not restricted to, re-imburement of joint project costs and supplies of goods and services. During 2023-24, income transactions with health bodies in the year totalled £89.967m (2022-23: £80.408m) and included significant transactions with NHS Derby and Derbyshire ICB of £88.201m (2022-23: £78.111m). Expenditure transactions totalled £40.882m (2022-23: £37.275m) and included transactions with Derbyshire Community Health Services NHS Foundation Trust of £22.060m (2022-23: £22.112m).

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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 2023-24 is shown in Note 30. During 2023-24, income transactions in which Members and/or Senior Officers had an interest totalled £91.773m (2022-23: £81.860m), of which £88.201m is in respect of NHS Derby and Derbyshire ICB (2022-23: £78.111m), which has the Council’s Director of Public Health on its Governing Body as a local authority representative. During 2023-24, works and services to the value of £28.261m (2022-23: £23.633m), of which £11.609m is in respect of VDL and Vertas (Derbyshire) Traded Limited (2022-23: £10.491m) and £6.024m is in respect of CDL and Concertus Derbyshire Traded Limited (2022-23: £5.568m), were commissioned from companies in which Members and/or Senior Officers had an interest on behalf of the Council. There was £0.035m outstanding at 31 March 2024 (31 March 2023: £nil). Contracts were entered into in full compliance with the Council’s Standing Orders.

From May 2021 a Member was elected and served as Derbyshire’s Police and Crime Commissioner, until May 2024. A Member was elected and served as Derbyshire’s Deputy Police and Crime Commissioner from April 2023. During 2023-24, twelve Members (2022-23: 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 2022-23 and 2023-24, 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 2023-24, two Members served as the Council’s representative to Belper Leisure Centre Limited (2022-23: two Members), 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 2023-24 are charges from the Council of £3.360m (2022-23: £3.071m), 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 2024 the Fund owed the Council £3.555m (31 March 2023: £2.110m).

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. 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 Pensions and Investments Committee.

The Fund had £1.315m invested in share capital and £0.685m in a loan to LGPSC at 31 March 2024 (31 March 2023: £1.315m and £0.685m, respectively) and was owed interest of £0.065m on the loan to LGPSC on the same date (2022-23: £0.047m).

The Fund incurred costs of £0.200m associated with LGPSC Investment Management and Monitoring Costs in respect of an Active Global Sustainable Equity Broad Strategy sub-fund, an Active Global Sustainable Equity Targeted Strategy sub-fund, 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 2023-24 (2022-23: £0.164m), of which £0.036m was payable to LGPSC at 31 March 2024 (31 March 2023: £0.041m). The charge excludes fees paid to the underlying investment managers of £1.903m in 2023-24 (2022-23: £1.265m), with the increase between 2022-23 and 2023-24 reflecting an increase in the level of investment assets managed through LGPSC products.

The Fund incurred £1.211m in respect of Governance, Operator Running and Product Development costs in connection with LGPSC in 2023-24 (2022-23: £1.065m), of which £0.329m was payable to LGPSC at 31 March 2024 (31 March 2023: £0.332m).

The Fund incurred Partner Fund Support Office costs of £0.029m in 2023-24 (2022-23: nil). These costs were incurred by West Midlands Pension Fund (one of the LGPS pension funds comprising the LGPSC Pool) and were recharged to the Fund, of which £0.018m was payable to West Midlands Pension Fund at 31 March 2024 (31 March 2023: nil).

LGPSC leased office space from the Council. The lease commenced on 14 June 2018 and was for a duration of five years, with a break clause at 30 June 2021. In 2023-24, LGPSC notified the Council that it was not renewing the lease on expiry in June 2023. The rental income received by the Council from LGPSC in 2023-24 amounted to £0.003m (2022-23: £0.015m). There was no amount due at 31 March 2024 (31 March 2023: £0.015m).

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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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 asset at 31 March 2024 (calculated annually at the year-end) amounted to £0.047m (31 March 2023: pension liability £0.665m). Derbyshire Pension Fund's share of this LGPSC IAS19 pension asset at 31 March 2024 was £0.006m (31 March 2023: pension liability £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 2023-24, the Council received £0.115m from the D2N2 LEP, which was all non-grant income (2022-23: total of £0.107m, all of which was non-grant income). At 31 March 2024, no amounts were outstanding (31 March 2023: £0.107m). During 2023-24, the Council did not commission any Works and Services from the D2N2 LEP (2022-23: nil) and contributions of £0.021m were made (2022-23: £0.050m). No amounts were outstanding at 31 March 2024 (31 March 2023: £0.050m).

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 of this funding to the LEP. No amount was outstanding at 31 March 2024 (31 March 2023: £0.253m).

**East Midlands County Combined Authority (EMCCA)** – During 2023-24, the Council acted as the Accountable Body for the EMCCA. During 2023-24, £0.028m of grant income was receivable (2022-23: nil) from the EMCCA, which was all outstanding at 31 March 2024 (31 March 2023: £nil).

### 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 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>
<b>Comprehensive Income &amp; Expenditure</b>		74.359	0.000	0.000	0.000	55.483	129.842
<b>Adjustments between accounting basis and funding basis</b>							
Depreciation of Non-Current Assets	12 16	(48.571)	0.000	0.000	0.000	48.571	0.000
Revaluation Losses and Impairment of Non-Current Assets	12	(20.273)	0.000	0.000	0.000	20.273	0.000
Application of Capital Grants credited to the CIES	37	113.011	0.000	(113.011)	0.000	0.000	0.000
Disposal of Non-Current Assets	12	(64.828)	0.000	0.000	(6.854)	71.682	0.000
Revenue Expenditure Funded from Capital Under Statute		(18.663)	0.000	0.000	0.000	18.663	0.000
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1.600	0.000	0.000	0.000	(1.600)	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		0.996	0.000	0.000	0.000	(0.996)	0.000

## NOTES TO THE CORE FINANCIAL STATEMENTS

Reversal of items relating to retirement benefits debited or credited to the CIES	46	(60.278)	0.000	0.000	0.000	60.278	0.000
Statutory provision for the financing of capital investment		23.475	0.000	0.000	0.000	(23.475)	0.000
Principal repayments of transferred debt		0.008	0.000	0.000	0.000	(0.008)	0.000
Capital expenditure charged in the year to the General Reserve		0.000	0.000	0.000	0.000	0.000	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	19	0.489	0.000	0.000	0.000	(0.489)	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		0.280	0.000	0.000	0.000	(0.280)	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	70.026	0.000	0.000	0.000	(70.026)	0.000
Deferred Capital Receipts becoming usable		0.000	0.000	0.000	(0.029)	0.029	0.000
Dedicated Schools Grant (DSG) deficit movement	36	(11.895)	0.000	0.000	0.000	11.895	0.000
Financing of capital expenditure	15	0.000	0.000	71.665	2.592	(74.257)	0.000
<b>Adjustments between accounting basis and funding basis</b>		<b>(14.623)</b>	<b>0.000</b>	<b>(41.346)</b>	<b>(4.291)</b>	<b>60.260</b>	<b>0.000</b>
<b>Reserves movements</b>							
Transfer to Earmarked Reserves	27	59.336	(59.336)	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	27	(126.540)	126.540	0.000	0.000	0.000	0.000
<b>Total movements</b>		<b>(81.827)</b>	<b>67.204</b>	<b>(41.346)</b>	<b>(4.291)</b>	<b>60.260</b>	<b>0.000</b>
<b>BALANCE AT 31 MARCH 2024</b>		<b>(40.182)</b>	<b>(205.167)</b>	<b>(123.757)</b>	<b>(16.747)</b>	<b>(1,252.994)</b>	<b>(1,638.847)</b>

## 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>		<b>164.214</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(1,147.780)</b>	<b>(983.566)</b>
<b>Adjustments between accounting basis and funding basis</b>							
Depreciation of Non-Current Assets	12 16	(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		(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>		(125.461)	0.000	(23.729)	(2.741)	<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

### 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 2023</b>		<b>1,391.846</b>	<b>64.883</b>		<b>4.658</b>	<b>23.014</b>	<b>50.449</b>	
Additions		23.892	3.679	37.534	0.442	0.000	80.983	146.530
Disposals		(68.385)	(4.299)	0.000	(0.089)	(1.355)	0.000	(74.128)
Disposals derecognition		(1.673)	0.000	0.000	(0.067)	0.000	0.000	(1.740)
Revaluation Gains to RR*	CIES	86.149	0.000	0.000	0.017	3.291	0.000	89.457
Revaluation Losses to RR	CIES	(40.281)	0.000	0.000	0.000	(11.519)	0.000	(51.800)
Revaluation Losses to CIES		(17.186)	0.000	0.000	0.000	(3.078)	0.000	(20.264)
Transfers within PPE		(5.485)	0.070	1.050	(0.091)	14.771	(10.315)	0.000
Transfers from Heritage		4.631	0.000	0.000	0.000	0.000	0.000	4.631
Transfers to Held for Sale		(6.984)	0.000	0.000	(0.020)	(0.134)	0.000	(7.138)
<b>At 31 March 2024</b>		<b>1,366.524</b>	<b>64.333</b>		<b>4.850</b>	<b>24.990</b>	<b>121.117</b>	
<b>DEPRECIATION</b>								
<b>At 1 April 2023</b>		<b>(5.869)</b>	<b>(52.650)</b>		<b>(0.045)</b>	<b>(1.714)</b>	<b>0.000</b>	
Charge for year		(28.785)	(3.533)	(16.032)	(0.004)	(0.007)	0.000	(48.361)
Revaluations to RR	CIES	27.957	0.000	0.000	0.000	0.594	0.000	28.551
Impairment to CIES		(0.009)	0.000	0.000	0.000	0.000	0.000	(0.009)
Disposals		1.153	4.295	0.000	0.000	0.143	0.000	5.591
Disposals derecognition		0.112	0.000	0.000	0.000	0.000	0.000	0.112
Transfers within PPE		0.592	0.000	0.000	0.000	(0.592)	0.000	0.000
Transfers from Heritage		0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transfers to Held for Sale		0.001	0.000	0.000	0.000	0.000	0.000	0.001
<b>At 31 March 2024</b>		<b>(4.848)</b>	<b>(51.888)</b>		<b>(0.049)</b>	<b>(1.576)</b>	<b>0.000</b>	
<b>OPENING 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>CLOSING VALUE</b>		<b>1,361.676</b>	<b>12.445</b>	<b>432.304</b>	<b>4.801</b>	<b>23.414</b>	<b>121.117</b>	<b>1,955.757</b>
<b>NATURE OF ASSET HOLDING</b>								
Purchased / Built		1,323.502	12.445	432.304	4.801	23.414	121.117	1,917.583
Finance Lease		7.009	0.000	0.000	0.000	0.000	0.000	7.009
Donated		5.820	0.000	0.000	0.000	0.000	0.000	5.820
Private Finance Initiative		25.345	0.000	0.000	0.000	0.000	0.000	25.345
		<b>1,361.676</b>	<b>12.445</b>	<b>432.304</b>	<b>4.801</b>	<b>23.414</b>	<b>121.117</b>	<b>1,955.757</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	0.040	20.509	20.549
<b>Buildings</b>	0.000	0.000	2.865	2.865
	<b>0.000</b>	<b>0.040</b>	<b>23.374</b>	<b>23.414</b>

The 2022-23 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 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>		1,226.676	12.837	380.795	6.075	16.117	54.288	1,696.788
<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

## 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 2022-23 position was:

	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>

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 2024 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 2024 is £643.504m (31 March 2023: £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 2024	1,243.377	0.000	0.000	0.000	23.414	0.000	1,266.791
At 31 March 2023	51.052	0.000	0.000	0.000	0.000	0.000	51.052
At 31 March 2022	32.201	0.000	0.000	0.000	0.000	0.000	32.201
At 31 March 2021	21.079	0.000	0.000	0.000	0.000	0.000	21.079
At 31 March 2020	11.594	0.000	0.000	0.000	0.000	0.000	11.594
	<b>1,359.303</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>23.414</b>	<b>0.000</b>	<b>1,382.717</b>
<b>HISTORIC COST</b>	<b>2.373</b>	<b>12.445</b>	<b>432.304</b>	<b>4.801</b>	<b>0.000</b>	<b>121.117</b>	<b>573.040</b>
<b>CLOSING VALUE</b>							
At 31 March 2024	<b>1,361.676</b>	<b>12.445</b>	<b>432.304</b>	<b>4.801</b>	<b>23.414</b>	<b>121.117</b>	<b>1,955.757</b>

At 31 March 2024, the Council had Capital Commitments of £10.882m.

## 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 2023</b>	<b>50.539</b>	<b>0.033</b>	<b>5.000</b>	<b>4.439</b>	<b>60.011</b>
Additions	0.376	0.000	0.000	0.000	0.376
Disposals	0.000	0.000	0.000	0.000	0.000
Impairment Losses/(Reversals) through I&E	0.000	0.000	0.000	0.000	0.000
Revaluation Gains to Revaluation Reserve	5.671	0.000	0.000	0.000	5.671
Revaluation Losses to Revaluation Reserve	(23.289)	0.000	0.000	0.000	(23.289)
Transfers to/(from) Heritage Assets	(4.631)	0.000	0.000	0.000	(4.631)
Derecognition	(0.012)	0.000	0.000	0.000	(0.012)
<b>At 31 March 2024</b>	<b>28.654</b>	<b>0.033</b>	<b>5.000</b>	<b>4.439</b>	<b>38.126</b>
<b>DEPRECIATION</b>					
<b>At 1 April 2023</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	0.000
Disposals	0.000	0.000	0.000	0.000	0.000
<b>At 31 March 2024</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
OPENING VALUE	50.539	0.033	5.000	4.439	60.011
<b>CLOSING VALUE</b>	<b>28.654</b>	<b>0.033</b>	<b>5.000</b>	<b>4.439</b>	<b>38.126</b>
<b>NATURE OF CLOSING VALUE</b>					
Cost	0.000	0.000	0.000	0.000	0.000
Valuation	28.654	0.033	5.000	4.439	38.126
	<b>28.654</b>	<b>0.033</b>	<b>5.000</b>	<b>4.439</b>	<b>38.126</b>
<b>NATURE OF ASSET HOLDING</b>					
Purchased / Built	28.364	0.033	5.000	3.773	37.170
Donated	0.290	0.000	0.000	0.666	0.956
	<b>28.654</b>	<b>0.033</b>	<b>5.000</b>	<b>4.439</b>	<b>38.126</b>

The Council's Heritage Assets are categorised as follows:

**Monuments, Statues and Historic Buildings** – the Council owns various historic buildings. The most significant is Elvaston Castle, which is held at a valuation of £35.989m at 31 March 2024 (31 March 2023: £48.414m). Of this valuation at 31 March 2024, £26.347m is categorised within Heritage Assets and £9.642m is categorised within Property Plant and Equipment, as it relates to operational buildings. The castle was previously valued on an insurance valuation basis but in the latest revaluation it has been valued on a Depreciated Replacement Cost (DRC) basis as this has been deemed to be more accurate. The castle 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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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

**Archives and Local Studies Collection** – this collection is proportioned approximately 80% archives and 20% local studies. A large photographic collection is held at the 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 Buxton Museum has core collections covering Peak District archaeology, geology, art and local history. The museum has structural issues which have led to options being considered to temporarily re-home collections in the interim period. A decision has been made to sell the building. The collections include a recreated study of the work of archaeologist Sir William Boyd Dawkins, together with a fine art collection of mostly 19th and 20th century works in watercolours, oils and prints, including works by Brangwyn, Chagall, Chahine and their contemporaries. Also held at the museum is a mineral collection including Blue John, local specimens and cave deposits. 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 2022-23 position was:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	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>

#### 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
- 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2022-23 £m		2023-24 £m
85.265	Capital Additions	146.881
15.043	Revenue Expenditure Funded from Capital Under Statute	18.663
<b>100.308</b>	<b>Capital Expenditure</b>	<b>165.544</b>
44.414	Loans	91.286
0.073	Revenue Contributions	0.000
1.548	Capital Receipts	2.593
54.273	Grants and Contributions	71.665
<b>100.308</b>	<b>Capital Financing</b>	<b>165.544</b>

2022-23 £m		2023-24 £m
<b>571.297</b>	<b>Opening Capital Financing Requirement (CFR)</b>	<b>594.275</b>
	<b>Capital Investment</b>	
85.265	Property, Plant and Equipment	146.881
15.043	Revenue Expenditure Funded from Capital under Statute	18.663
	<b>Sources of Finance</b>	
(1.548)	Capital Receipts	(2.593)
(54.273)	Government Grants and other Contributions	(71.665)
(0.073)	Direct Revenue Contributions	0.000
(21.436)	Statutory Minimum Revenue Provision	(23.474)
<b>594.275</b>	<b>Closing Capital Financing Requirement (CFR)</b>	<b>662.087</b>
<b>22.978</b>	<b>Movement in Year</b>	<b>67.812</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:

	2022-23 £m	2023-24 £m
<b>COST OR VALUATION</b>		
At 1st April	8.947	8.947
At 31st March	8.947	8.947
<b>DEPRECIATION</b>		
At 1st April	(8.233)	(8.547)
Charge for year	(0.314)	(0.210)
At 31st March	(8.547)	(8.757)
OPENING VALUE	0.714	0.400
<b>CLOSING VALUE</b>	<b>0.400</b>	<b>0.190</b>

### 17. ASSETS HELD FOR SALE

2022-23			2023-24	
Carrying Value	Revaluation Reserve		Carrying Value	Revaluation Reserve
£m	£m		£m	£m
2.396	1.434	At 1 April	2.539	1.973
0.000	0.000	Sales	(2.511)	(1.874)
0.143	0.539	Transfers	7.137	6.154
<b>2.539</b>	<b>1.973</b>	At 31 March	<b>7.165</b>	<b>6.253</b>

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

### 18. NON-CURRENT DEBTORS

31 Mar 2023 £m		Note	31 Mar 2024 £m
0.034	Non-Current Transferred Debt	19	0.032
0.403	Other Non-Current Debtors	19	1.300
<b>0.437</b>	<b>Total Non-Current Debtors</b>		<b>1.332</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 2023 £m	31 Mar 2024 £m	31 Mar 2023 £m	31 Mar 2024 £m
Current Investments	239.328	49.837	239.328	49.837
Cash and Cash Equivalents	69.889	78.319	69.889	78.319
Trade Debtors	25.417	42.806	25.417	42.806
<b>Current Financial Assets</b>	<b>334.634</b>	<b>170.962</b>	<b>334.634</b>	<b>170.962</b>

### Non-Current Financial Assets

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2023 £m	31 Mar 2024 £m	31 Mar 2023 £m	31 Mar 2024 £m
Pooled Investment Funds		1	63.968	64.458	63.968	64.458
Loan to Buxton Crescent Ltd		3	10.251	10.251	13.053	13.996
Loan to Chesterfield FC Community		3	0.449	0.400	0.500	0.446
Other Non-Current Investments		2	10.000	0.000	9.665	0.000
<b>Non-Current Investments</b>			<b>84.668</b>	<b>75.109</b>	<b>87.186</b>	<b>78.900</b>
Non-Current Transferred Debt	18	2	0.034	0.032	0.034	0.032
Other Non-Current Debtors	18	*	0.402	1.300	0.402	1.300
<b>Non-Current Financial Assets</b>			<b>85.104</b>	<b>76.441</b>	<b>87.622</b>	<b>80.232</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 2023 £m	31 Mar 2024 £m	31 Mar 2023 £m	31 Mar 2024 £m
Amortised Costs	355.770	182.945	358.288	186.736
Fair Value through Profit or Loss	63.968	64.458	63.968	64.458
<b>Total Financial Assets</b>	<b>419.738</b>	<b>247.403</b>	<b>422.256</b>	<b>251.194</b>

At 31 March 2024 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 2024 of £21.773m (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 2024. 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 2023 £m	31 Mar 2024 £m	31 Mar 2023 £m	31 Mar 2024 £m
Aegon - Diversified Income Fund	8.856	9.335	8.856	9.335
CCLA - LA Property Fund	22.657	21.773	22.657	21.773
CCLA - Better World Cautious Fund*	4.674	4.904	4.674	4.904
M&G - Optimal Income Fund	4.436	4.673	4.436	4.673
M&G - Global Dividend Fund	6.414	6.842	6.414	6.842
Ninety One Diversified Income Fund	8.825	8.783	8.825	8.783
Schroder - Income Maximiser Fund	8.106	8.148	8.106	8.148
<b>Total</b>	<b>63.968</b>	<b>64.458</b>	<b>63.968</b>	<b>64.458</b>

\* Previously CCLA Diversified Income Fund

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 2024.

### 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

	2022-23 £m	2023-24 £m
None	0.000	0.000
<b>From Investments Derecognised</b>	<b>0.000</b>	<b>0.000</b>
Aegon - Diversified Income Fund	0.516	0.624
CCLA - LA Property Fund	0.982	1.128
CCLA - Better World Cautious Fund*	0.141	0.164
M&G - Global Dividend Fund	0.272	0.223
M&G - Optimal Income Fund	0.142	0.239
Ninety One Diversified Income Fund	0.373	0.409
Schroder - Income Maximiser Fund	0.610	0.574
Scape Group Limited shares	0.350	0.500
Vertas (Derbyshire) Limited shares	0.000	0.203
<b>From Investments Held at Year End</b>	<b>3.386</b>	<b>4.064</b>
<b>Total Dividends Received</b>	<b>3.386</b>	<b>4.064</b>

\* Previously CCLA Diversified Income Fund

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 2023 £m	31 Mar 2024 £m	31 Mar 2023 £m	31 Mar 2024 £m
Transferred Debt	(0.008)	(0.008)	(0.008)	(0.008)
Public Works Loan Board	(6.401)	(2.745)	(6.401)	(2.745)
Temporary Loans	(224.500)	(138.500)	(224.500)	(138.500)
Accrued Interest	(2.965)	(6.574)	(2.965)	(6.574)
<b>Current Loans and Borrowing</b>	<b>(233.874)</b>	<b>(147.827)</b>	<b>(233.874)</b>	<b>(147.827)</b>
Trade Creditors	(102.873)	(146.981)	(102.873)	(146.981)
PFI liability	(4.623)	(4.872)	(6.777)	(6.795)
Finance lease liability	(0.423)	(0.377)	(0.423)	(0.377)
<b>Current Financial Liabilities</b>	<b>(341.793)</b>	<b>(300.057)</b>	<b>(343.947)</b>	<b>(301.980)</b>

### Non-Current Financial Liabilities

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2023 £m	31 Mar 2024 £m	31 Mar 2023 £m	31 Mar 2024 £m
Transferred Debt		2	(0.134)	(0.125)	(0.134)	(0.125)
Public Works Loan Board		2	(216.931)	(215.639)	(229.596)	(229.808)
Other Long Term Loans		2	(15.532)	(20.520)	(14.957)	(9.703)
<b>Non-Current Borrowing</b>			<b>(232.597)</b>	<b>(236.284)</b>	<b>(244.687)</b>	<b>(239.636)</b>
PFI liability	25	3	(46.576)	(41.704)	(43.668)	(39.882)
Finance lease liability	25	*	(3.422)	(2.985)	(3.422)	(2.985)
<b>Non-Current Financial Liabilities</b>			<b>(282.595)</b>	<b>(280.973)</b>	<b>(291.777)</b>	<b>(282.503)</b>

\* Fair value disclosure not required

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Financial Liabilities by Measurement Classification

	Carrying Value		Fair Value	
	31 Mar 2023 £m	31 Mar 2024 £m	31 Mar 2023 £m	31 Mar 2024 £m
Amortised Costs	(624.388)	(581.189)	(635.724)	(584.642)
Fair Value through Profit or Loss	0.000	0.000	0.000	0.000
<b>Total Financial Liabilities</b>	<b>(624.388)</b>	<b>(581.189)</b>	<b>(635.724)</b>	<b>(584.642)</b>

The Council has 46 loans with the Public Works Loan Board (PWLB) at 31 March 2024. The start date of the earliest of these PWLB loans was May 1998, with a maturity date of 7 May 2024 (a period of 26 years). The most recent start date was November 2007, for a period of 30 years. During the year, one loan with the PWLB was repaid. The average loan rate across the loans is 4.37%. The average discount rate is 4.93%.

At 31 March 2024 the Council held two other long-term loans, in respect of which Barclays waived their LOBO options in June 2016:

- £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 2024 is £5.323m (31 March 2023: £5.330m) and the fair value is £5.024m (31 March 2023: £4.971m), using a discount rate of 5.034% (31 March 2023: 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 2024 is £5.196m (31 March 2023: £5.202m) and the fair value is £4.679m (31 March 2023: £4.630m), using a discount rate of 5.033% (31 March 2023: 5.096%).

The Council's £5.000m Dexia LOBO loan, which commenced in August 2004, for 35 years, at a fixed rate of 4.5%, was repaid in October 2023. In August 2023, the Council received notification from Dexia that they were to exercise their option under the LOBO to increase the prevailing interest rate from 4.50% to 5.15%, with effect from October 2024. This notice gave the Council the option to either accept the increase or to repay the loan at its nominal value. The Council decided to take the repayment option.

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 13 finance leases is 12.21%. 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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Income/(Expense)	
	2022-23 £m	2023-24 £m
Interest Income	4.290	11.712
Interest Expense	(18.868)	(26.178)
<b>Net Interest Income/(Expense)</b>	<b>(14.578)</b>	<b>(14.466)</b>

### 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	
	2022-23 £m	2023-24 £m
Amortised Costs	(5.877)	(0.805)
Fair Value through Profit or Loss	(7.588)	0.489
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>(13.465)</b>	<b>(0.316)</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.

Gains 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 gains 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 was extended for a further two years to 2024-25.

There were no gains or losses from financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) in 2023-24 (2022-23: nil).

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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Other than the write-off of irrecoverable trade debt, no gains or losses arose on derecognition from Financial Assets measured at amortised cost in 2023-24 and 2022-23.

There have been no gains or losses recognised in the CIES in relation to the carrying value of the Council's financial liabilities in 2023-24 (2022-23: nil).

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)	
	2022-23	2023-24
	£m	£m
Fees From Instruments not at FVPL	(0.144)	(0.161)
Fees From Investing Activities on Behalf of Other Parties	0.032	0.033
<b>Net Fee Income/(Expense)</b>	<b>(0.112)</b>	<b>(0.128)</b>

The Council incurred £0.161m 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. £0.033m 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 2024, using the following methods and assumptions:

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

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2024, 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 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

	2022-23			2023-24		
	Highways	Other	Total	Highways	Other	Total
	£m	£m	£m	£m	£m	£m
<b>1 April</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>
Purchase of new stock	1.060	1.922	2.982	1.027	2.964	3.991
Stock issued	(1.035)	(1.841)	(2.876)	(0.946)	(2.429)	(3.375)
Stock written off	0.000	(0.015)	(0.015)	0.000	(0.007)	(0.007)
<b>31 March</b>	<b>0.334</b>	<b>1.215</b>	<b>1.549</b>	<b>0.416</b>	<b>1.742</b>	<b>2.158</b>

### 21. CURRENT DEBTORS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

31 Mar 2023 £m		31 Mar 2024 £m
15.544	From Other Local Authorities	37.568
3.587	From NHS Bodies	3.180
16.570	From Government Departments	20.076
2.110	From Derbyshire Pension Fund	3.568
55.930	From Other Sundry Debtors	62.764
<b>93.741</b>	<b>Amounts Owed to the Council</b>	<b>127.156</b>
0.012	To Other Local Authorities	0.342
0.000	To NHS Bodies	0.212
0.531	To Government Departments	0.022
7.522	To Other Sundry Debtors	7.222
<b>8.065</b>	<b>Expenditure Paid in Advance by the Council</b>	<b>7.798</b>
<b>101.806</b>	<b>Total Current Debtors</b>	<b>134.954</b>
(5.940)	Less Allowance for Expected Credit Losses	(4.778)
<b>95.866</b>	<b>Carrying Value of Current Debtors</b>	<b>130.176</b>

### 22. CASH AND CASH EQUIVALENTS

31 Mar 2023 £m		31 Mar 2024 £m
31.586	County Fund Bank Account Balance	43.300
<b>31.586</b>	<b>Cash Book for County Fund Account</b>	<b>43.300</b>
0.321	Schools Cash Income Account Balance	0.243
<b>0.321</b>	<b>Cash Book for Schools Cash Account</b>	<b>0.243</b>
<b>31.907</b>	<b>Total Cash Book Balance</b>	<b>43.543</b>
2.444	Amounts held by Bank Account Schools	2.664
0.472	Amounts held in Petty Cash Accounts	0.452
0.422	Amounts held in Imprest Bank Accounts	0.350
(0.004)	Amounts held in Other Bank Accounts	0.002
<b>35.241</b>	<b>Total Cash Balance</b>	<b>47.011</b>
1.058	Bank Instant-Access Deposit Accounts	1.099
0.000	Money Market Funds	30.224
33.620	Short-Term Deposits	0.000
(0.030)	Cash Investment Loss Allowance	(0.015)
<b>69.889</b>	<b>Total Cash and Cash Equivalents</b>	<b>78.319</b>

### 23. CREDITORS

The creditor balance can be analysed into the following categories:

## NOTES TO THE CORE FINANCIAL STATEMENTS

31 Mar 2023 £m		31 Mar 2024 £m
(9.843)	To Other Local Authorities	(39.695)
(2.495)	To NHS Bodies	(4.768)
(14.585)	To Government Departments	(14.966)
(110.466)	To Other Sundry Creditors	(120.134)
<b>(137.389)</b>	<b>Amounts Owed by the Council</b>	<b>(179.563)</b>
(0.731)	From Other Local Authorities	(0.361)
(9.461)	From NHS Bodies	(0.335)
(15.701)	From Government Departments	(8.033)
(6.431)	From Other Sundry Creditors	(6.851)
<b>(32.324)</b>	<b>Income Received in Advance by the Council</b>	<b>(15.580)</b>
<b>(169.713)</b>	<b>Carrying Value of Creditors</b>	<b>(195.143)</b>

### 24. PROVISIONS

#### Total Provisions

	Insurance Fund	Exit Packages	Other	Total
	£m	£m	£m	£m
1 April 2022	8.362	2.243	3.902	14.507
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>1 April 2023</b>	<b>7.378</b>	<b>2.294</b>	<b>3.785</b>	<b>13.457</b>
New Provisions	2.926	1.035	0.772	4.733
Utilisation of Provision	(1.615)	(2.415)	(3.774)	(7.804)
Reversal of Provision	0.000	0.000	(0.011)	(0.011)
<b>31 March 2024</b>	<b>8.689</b>	<b>0.914</b>	<b>0.772</b>	<b>10.375</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	2.294	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>
Current Provisions	0.000	0.914	0.772	1.686
Non-Current Provisions	8.689	0.000	0.000	8.689
<b>31 March 2024</b>	<b>8.689</b>	<b>0.914</b>	<b>0.772</b>	<b>10.375</b>

### Provision for Exit Packages

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

Cash outflows are expected to be £0.964m in 2024-25. There are expected to be no cash outflows in 2025-26 and 2026-27.

### 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 £21.850m (31 March 2023: £23.420m). The provision of £8.689m (31 March 2023: £7.378m) represents obligations as at 31 March as a result of past claims. The reserve balance of £13.161m (31 March 2023: £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 2024 the other provisions balance of £0.772m (31 March 2023: £3.785m) is comprised of £0.670m 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 £0.102m 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 2024.

## 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 2023 £m		31 Mar 2024 £m
73.379	Net Pension Asset/(Liability) - LGPS	(23.210)
(44.056)	Net Pension (Liability) - Teachers	(41.791)
<b>29.323</b>	<b>Total Net Pension Asset/(Liability)</b>	<b>(65.001)</b>

#### Other Non-Current Liabilities

31 Mar 2023 £m		31 Mar 2024 £m
(10.199)	PFI Phase 1	(8.455)
(15.387)	PFI Phase 2	(13.822)
(20.990)	PFI - BSF	(19.427)
(2.660)	Finance Lease - Joint Service Centre	(2.561)
(0.762)	Finance Lease - Other Leases	(0.424)
<b>(49.998)</b>		<b>(44.689)</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 2022 £m	Transfers		31 Mar 2023 £m	Transfers		31 Mar 2024 £m
		In £m	Out £m		In £m	Out £m	
<b>Adult Care</b>							
Older People's Housing Strategy	(16.103)	0.000	3.337	(12.766)	(0.001)	10.513	(2.254)
Prior Year Underspends	(0.807)	(2.669)	0.000	(3.476)	(0.507)	3.983	0.000
Other reserves	(0.019)	(0.009)	0.000	(0.028)	0.000	0.000	(0.028)
<b>Sub Total</b>	<b>(16.929)</b>	<b>(2.678)</b>	<b>3.337</b>	<b>(16.270)</b>	<b>(0.508)</b>	<b>14.496</b>	<b>(2.282)</b>
<b>Clean Growth and Regeneration</b>							
Regeneration Kick-Start							
Feasibility Fund	(1.362)	(4.000)	2.827	(2.535)	(0.500)	1.916	(1.119)
Skills Training	(0.099)	(0.776)	0.020	(0.855)	0.000	0.248	(0.607)
Markham Environment Centre	(0.114)	0.000	0.000	(0.114)	0.000	0.114	0.000
Other reserves	(0.309)	0.000	0.000	(0.309)	0.000	0.309	0.000
<b>Sub Total</b>	<b>(1.884)</b>	<b>(4.776)</b>	<b>2.847</b>	<b>(3.813)</b>	<b>(0.500)</b>	<b>2.587</b>	<b>(1.726)</b>
<b>Corporate Services and Budget</b>							
Revenue Contributions to Capital	(50.834)	(22.598)	13.649	(59.783)	(11.861)	8.350	(63.294)
Loan Modification Gains	(24.230)	0.000	1.116	(23.114)	0.000	1.204	(21.910)
Insurance and Risk Management	(16.037)	(0.506)	0.500	(16.043)	(0.012)	2.894	(13.161)
Budget Management	(15.634)	(27.398)	30.748	(12.284)	(16.056)	23.707	(4.633)
Cyber Security	0.000	(4.000)	0.000	(4.000)	0.000	0.000	(4.000)
Property Insurance Maintenance Pool	(2.755)	(1.898)	1.593	(3.060)	(1.711)	1.473	(3.298)
Investment Losses Contingency	(2.500)	0.000	0.000	(2.500)	0.000	0.000	(2.500)
PFI Reserves	(1.622)	(0.599)	0.157	(2.064)	(0.738)	0.662	(2.140)
Planned Building Maintenance	(5.622)	(0.245)	2.603	(3.264)	(0.004)	1.620	(1.648)
Demolition of Buildings	(0.337)	(1.141)	0.385	(1.093)	(0.550)	0.678	(0.965)
Computer Purchasing	(3.270)	(0.025)	0.848	(2.447)	(0.704)	2.257	(0.894)
Exchequer Traded Services Risks	(1.069)	(0.040)	0.050	(1.059)	(0.220)	0.387	(0.892)
Feasibility Assessment	0.000	(2.510)	1.095	(1.415)	(0.590)	1.284	(0.721)
Prior Year Underspends	(2.562)	(1.319)	0.871	(3.010)	(0.579)	3.325	(0.264)
Business Development and Economic Recovery Fund	(11.062)	0.000	4.277	(6.785)	0.000	6.785	0.000
Business Rates Risks	0.000	(8.406)	1.838	(6.568)	0.000	6.568	0.000
Covid Emergency and SFC							
Losses Grants	(15.370)	0.000	8.963	(6.407)	(0.015)	6.422	0.000
Inflation Risks	0.000	(10.000)	8.773	(1.227)	0.000	1.227	0.000
Business Rates Pool	(8.394)	0.000	7.394	(1.000)	0.000	1.000	0.000
Post-Covid Funding Risks	(14.000)	0.000	14.000	0.000	0.000	0.000	0.000
Other reserves	(4.390)	(0.906)	1.934	(3.362)	(2.099)	2.437	(3.024)
<b>Sub Total</b>	<b>(179.688)</b>	<b>(81.591)</b>	<b>100.794</b>	<b>(160.485)</b>	<b>(35.139)</b>	<b>72.280</b>	<b>(123.344)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	1 Apr	Transfers		31 Mar	Transfers		31 Mar
	2022	In	Out	2023	In	Out	2024
	£m	£m	£m	£m	£m	£m	£m
<b>Childrens Services and Safeguarding and Education</b>							
Schools Balances	(38.344)	(3.042)	8.087	(33.299)	(5.797)	8.000	(31.096)
Education Levelling Up	0.000	(1.000)	0.103	(0.897)	0.000	0.263	(0.634)
Tackling Troubled Families	(4.066)	(2.238)	1.289	(5.015)	(2.627)	7.227	(0.415)
Early Years Grant	0.000	0.000	0.000	0.000	(0.324)	0.000	(0.324)
Primary Teacher Pooled Premiums	(0.267)	(0.316)	0.267	(0.316)	(0.324)	0.327	(0.313)
Virtual School Grants	0.000	0.000	0.000	0.000	(0.219)	0.000	(0.219)
Prior Year Underspends	(0.166)	(0.957)	0.000	(1.123)	(0.025)	1.148	0.000
Dedicated Schools Grant (DSG)	0.000	(1.177)	0.902	(0.275)	(0.485)	0.760	0.000
Other reserves	(1.311)	(0.471)	0.719	(1.063)	(0.075)	1.063	(0.075)
<b>Sub Total</b>	<b>(44.154)</b>	<b>(9.201)</b>	<b>11.367</b>	<b>(41.988)</b>	<b>(9.876)</b>	<b>18.788</b>	<b>(33.076)</b>
<b>Highways Assets and Transport</b>							
Bus Services Improvement Plan Grant	0.000	(6.357)	0.000	(6.357)	(6.258)	0.000	(12.615)
Prior Year Underspends	(10.328)	(0.905)	7.174	(4.059)	(0.482)	3.411	(1.130)
Derby and Derbyshire Road Safety Partnership Reserve	(0.533)	(0.102)	0.024	(0.611)	(0.212)	0.024	(0.799)
Highway Development Control Interface	(1.500)	0.000	0.000	(1.500)	0.000	1.500	0.000
Winter Maintenance	(1.235)	0.000	0.955	(0.280)	0.000	0.280	0.000
Commuted Highways Maintenance	(1.710)	(0.222)	1.932	0.000	0.000	0.000	0.000
Other reserves	(1.370)	(0.909)	0.451	(1.828)	(0.829)	1.708	(0.949)
<b>Sub Total</b>	<b>(16.676)</b>	<b>(8.495)</b>	<b>10.536</b>	<b>(14.635)</b>	<b>(7.781)</b>	<b>6.923</b>	<b>(15.493)</b>
<b>Health and Communities</b>							
Homes for Ukraine Grant	0.000	(10.415)	0.000	(10.415)	(1.312)	1.119	(10.608)
Public Health Grant	(8.092)	0.000	0.341	(7.751)	0.000	0.258	(7.493)
Domestic Abuse Contract Support Grant Funding Prospectus	(1.104)	(0.792)	0.520	(1.376)	0.000	0.018	(1.358)
Community Safety	(0.043)	(1.218)	0.000	(1.261)	0.000	1.261	0.000
Covid Test and Trace Grant	(3.225)	0.000	3.225	0.000	0.000	0.000	0.000
Covid Practical Support Funding	(1.314)	0.000	1.314	0.000	0.000	0.000	0.000
Other reserves	(0.743)	(0.068)	0.061	(0.750)	(1.126)	0.464	(1.412)
<b>Sub total</b>	<b>(14.521)</b>	<b>(14.143)</b>	<b>6.102</b>	<b>(22.562)</b>	<b>(2.438)</b>	<b>3.962</b>	<b>(21.038)</b>
<b>Infrastructure and Environment</b>							
Digital Growth	(2.340)	(0.372)	0.272	(2.440)	(1.770)	1.508	(2.702)
Waste Recycling Initiatives	(0.698)	0.000	0.125	(0.573)	0.000	0.005	(0.568)
Elvaston Maintenance	(0.271)	(0.029)	0.000	(0.300)	(0.047)	0.143	(0.204)
Ash Dieback Action Plan	0.000	(0.090)	0.001	(0.089)	(0.104)	0.000	(0.193)
Other reserves	(0.359)	(0.160)	0.141	(0.378)	(0.023)	0.148	(0.253)
<b>Sub Total</b>	<b>(3.668)</b>	<b>(0.651)</b>	<b>0.539</b>	<b>(3.780)</b>	<b>(1.944)</b>	<b>1.804</b>	<b>(3.920)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	1 Apr	Transfers		31 Mar	Transfers		31 Mar
	2022	In	Out	2023	In	Out	2024
	£m	£m	£m	£m	£m	£m	£m
<b>Strategic Leadership, Culture, Tourism and Climate Change</b>							
Climate Change	0.000	(4.171)	0.000	(4.171)	0.000	2.937	(1.234)
Green Entrepreneurs	(1.904)	0.000	0.242	(1.662)	0.000	0.900	(0.762)
Cultural Recovery Fund	0.000	0.000	0.000	0.000	(1.000)	0.500	(0.500)
Library Restructure	(0.429)	0.000	0.000	(0.429)	0.000	0.160	(0.269)
Community Managed Libraries	(0.742)	(0.110)	0.111	(0.741)	0.000	0.500	(0.241)
County Records	(0.287)	0.000	0.003	(0.284)	0.000	0.045	(0.239)
Vision Derbyshire Economic Development Pilot	(0.887)	0.000	0.376	(0.511)	0.000	0.303	(0.208)
Derwent Valley Mills World Heritage Site	(0.227)	(0.017)	0.000	(0.244)	(0.011)	0.062	(0.193)
Community Managed Libraries	0.000	(0.483)	0.312	(0.171)	0.000	0.000	(0.171)
Policy and Research	(0.660)	0.000	0.329	(0.331)	0.000	0.196	(0.135)
Other reserves	(0.679)	(0.011)	0.394	(0.296)	(0.140)	0.099	(0.337)
<b>Sub Total</b>	<b>(5.815)</b>	<b>(4.792)</b>	<b>1.767</b>	<b>(8.840)</b>	<b>(1.151)</b>	<b>5.702</b>	<b>(4.289)</b>
<b>Overall Totals</b>	<b>(283.335)</b>	<b>(126.327)</b>	<b>137.289</b>	<b>(272.373)</b>	<b>(59.337)</b>	<b>126.542</b>	<b>(205.168)</b>

Some prior year Earmarked Reserves balances have been recategorised to align with the portfolio which has contributed most to the balance at 31 March 2024.

The Council's detailed Reserves Policy for 2024 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 2023		31 Mar 2024
£m		£m
958.319	Revaluation Reserve	941.996
402.506	Capital Adjustment Account	405.024
(4.700)	Financial Instruments Adjustment Account	(4.421)
(6.032)	Pooled Investments Adjustment Account	(5.542)
0.790	Deferred Capital Receipts Reserve	1.706
29.323	Pensions Reserve	(65.001)
2.069	Collection Fund Adjustment Account	3.066
(5.050)	DSG Adjustment Account	(16.945)
(8.485)	Accumulated Absences Account	(6.887)
<b>1,368.740</b>	<b>Balance at 31 March</b>	<b>1,252.996</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The movements in unusable reserves in 2023-24 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 2023</b>		(0.790)	(958.319)	(402.507)	6.031	4.701	8.488	(2.068)	5.050	(29.323)	(1,368.737)
<b>Comprehensive Income &amp; Expenditure</b>		0.000	(48.589)	0.000	0.000	0.000	0.000	0.000	0.000	104.072	55.483
<b>Adjustments between accounting basis and funding basis</b>											
Depreciation of Non-Current Assets	12 16	0.000	17.417	31.154	0.000	0.000	0.000	0.000	0.000	0.000	48.571
Revaluation Losses and Impairment of Non-Current Assets	12	0.000	0.000	20.273	0.000	0.000	0.000	0.000	0.000	0.000	20.273
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	(0.945)	47.495	25.132	0.000	0.000	0.000	0.000	0.000	0.000	71.682
Revenue Expenditure Funded from Capital Under Statute		0.000	0.000	18.663	0.000	0.000	0.000	0.000	0.000	0.000	18.663
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	(1.600)	0.000	0.000	0.000	(1.600)
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	(0.996)	0.000	0.000	(0.996)

## 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	60.278	60.278
Statutory provision for the financing of capital investment		0.000	0.000	(23.475)	0.000	0.000	0.000	0.000	0.000	0.000	(23.475)
Principal repayments of transferred debt		0.000	0.000	(0.008)	0.000	0.000	0.000	0.000	0.000	0.000	(0.008)
Capital expenditure charged in the year to the General Reserve		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	19	0.000	0.000	0.000	(0.489)	0.000	0.000	0.000	0.000	0.000	(0.489)
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		0.000	0.000	0.000	0.000	(0.280)	0.000	0.000	0.000	0.000	(0.280)
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	(70.026)	(70.026)
Deferred Capital Receipts becoming usable		0.029	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.029
Dedicated Schools Grant (DSG) deficit movement	36	0.000	0.000	0.000	0.000	0.000	0.000	0.000	11.895	0.000	11.895
Financing of capital expenditure	15	0.000	0.000	(74.257)	0.000	0.000	0.000	0.000	0.000	0.000	(74.257)
<b>Adjustments between accounting basis and funding basis</b>		<b>(0.916)</b>	<b>64.912</b>	<b>(2.518)</b>	<b>(0.489)</b>	<b>(0.280)</b>	<b>(1.600)</b>	<b>(0.996)</b>	<b>11.895</b>	<b>(9.748)</b>	<b>60.260</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>(0.916)</b>	<b>64.912</b>	<b>(2.518)</b>	<b>(0.489)</b>	<b>(0.280)</b>	<b>(1.600)</b>	<b>(0.996)</b>	<b>11.895</b>	<b>(9.748)</b>	<b>60.260</b>
<b>BALANCE AT 31 MARCH 2024</b>		<b>(1.706)</b>	<b>(941.996)</b>	<b>(405.025)</b>	<b>5.542</b>	<b>4.421</b>	<b>6.888</b>	<b>(3.064)</b>	<b>16.945</b>	<b>65.001</b>	<b>(1,252.994)</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 Adjustments between accounting basis and funding basis</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>
Depreciation of Non-Current Assets	12 16	0.000	14.408	29.494	0.000	0.000	0.000	0.000	0.000	0.000	43.902
Revaluation Losses and 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		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

### 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	Revaluation Reserve £m
<b>31 March 2024</b>		
Property, Plant and Equipment	12	902.226
Heritage Assets	13	33.517
Assets Held for Sale	17	6.253
		<b>941.996</b>
<b>31 March 2023</b>		
Property, Plant and Equipment	12	900.575
Heritage Assets	13	55.770
Assets Held for Sale	17	1.973
		<b>958.318</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 2024 shows a 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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 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

<b>Revised 2022-23</b>		<b>2023-24</b>
<b>£m</b>		<b>£m</b>
0.149	External Audit Fees	0.324
0.005	Other Fees Payable to the External Auditor	0.008
<b>0.154</b>		<b>0.332</b>

The 2022-23 External Audit Fee has been revised to reflect the scale fee including final 2022-23 fee variations. Additional fee variations for 2021-22 have been removed.

The 2023-24 External Audit Fee is the scale fee. This is subject to fee variations which are determined at a later date.

### 30. MEMBERS' ALLOWANCES

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

<b>2022-23</b>		<b>2023-24</b>
<b>£m</b>		<b>£m</b>
1.170	Allowances	1.334
0.016	Expenses	0.019
<b>1.186</b>		<b>1.353</b>

Members' allowances payments for 2023-24 includes £0.056m 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 2022-23 year-end, in April 2023. This amount was accrued at 31 March 2023.

### 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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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- 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 2022-23 and 2023-24 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, returned to their substantive post on 2 April 2023, was re-appointed on 17 June 2023 and was appointed to the role of Executive Director of Adult Social Care and Health on 26 July 2023.
- <sup>3</sup>The Interim Executive Director of Adult Social Care and Health was appointed on 3 April 2023 and left the Council on 16 June 2023.
- <sup>4</sup>The Managing Director is Emma Alexander.
- <sup>5</sup>The Director of Finance & ICT became the Interim Executive Director of Corporate Services & Transformation (Section 151 Officer) on 10 January 2022, returned to their substantive post on 4 July 2022, and left the Council on 2 January 2023.
- <sup>6</sup>The current Director of Finance & ICT was appointed on 3 April 2023.
- <sup>7</sup>The Interim Director of Finance & ICT was appointed on 3 January 2023 and returned to their substantive post on 2 April 2023.
- <sup>8</sup>The Executive Director of Corporate Services & Transformation was appointed on 4 July 2022.
- <sup>9</sup>The Director of Public Health left the Council on 31 August 2022.
- <sup>10</sup>The new Director of Public Health commenced this employment on 1 September 2022.

## NOTES TO THE CORE FINANCIAL STATEMENTS

2022-23 Restated					2023-24			
Salary	Employer's Pension Contributions	Compensation for Loss of Employment	Total Remuneration 2022-23		Salary	Employer's Pension Contributions	Compensation for Loss of Employment	Total Remuneration 2023-24
£	£	£	£		£	£	£	£
112,671	17,464	0	<b>130,136</b>	Executive Director of Adult Social Care and Health <sup>1</sup>	0	0	0	<b>0</b>
5,368	832	0	<b>6,200</b>	Interim Executive Director of Adult Social Care and Health <sup>2</sup>	13,953	2,902	0	<b>16,855</b>
0	0	0	<b>0</b>	Interim Executive Director of Adult Social Care and Health <sup>3</sup>	35,150	0	0	<b>35,150</b>
0	0	0	<b>0</b>	Executive Director of Adult Social Care and Health <sup>2</sup>	83,977	17,467	0	<b>101,444</b>
131,491	20,381	0	<b>151,873</b>	Executive Director of Children's Services	138,198	28,745	0	<b>166,943</b>
166,908	25,871	0	<b>192,779</b>	Managing Director <sup>4</sup>	177,872	36,997	0	<b>214,869</b>
133,525	20,696	0	<b>154,221</b>	Executive Director of Place	138,198	28,745	0	<b>166,943</b>
52,400	8,122		<b>60,523</b>	Director of Finance and ICT <sup>5</sup>	0	0	0	<b>0</b>
0	0	0	<b>0</b>	Director of Finance and ICT <sup>6</sup>	108,168	22,499	0	<b>130,667</b>
23,287	3,609	0	<b>26,896</b>	Interim Director of Finance and ICT <sup>7</sup>	549	114	0	<b>663</b>
99,067	15,355	0	<b>114,422</b>	Executive Director of Corporate Services & Transformation <sup>8</sup>	138,198	28,745	0	<b>166,943</b>
31,235	4,841	0	<b>36,076</b>	Interim Executive Director of Corporate Services & Transformation (Section 151 Officer) <sup>5</sup>	0	0	0	<b>0</b>
42,987	9,371	0	<b>52,358</b>	Director of Public Health <sup>9</sup>	0	0	0	<b>0</b>
55,833	12,171	0	<b>68,004</b>	Director of Public Health <sup>10</sup>	100,479	20,779	0	<b>121,258</b>
98,803	15,314	0	<b>114,118</b>	Director of Legal and Democratic Services	104,689	21,775	0	<b>126,464</b>

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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

2022-23 Restated					2023-24			
No of Employees					No of Employees			
School Staff	Senior Officers	Other	Total	Remuneration Between:	School Staff	Senior Officers	Other	Total
139	0	112	251	£50,000 and £54,999	173	0	225	398
106	0	76	182	£55,000 and £59,999	106	0	103	209
86	0	83	169	£60,000 and £64,999	78	0	51	129
64	0	17	81	£65,000 and £69,999	60	0	55	115
41	0	11	52	£70,000 and £74,999	58	0	25	83
12	1	3	16	£75,000 and £79,999	32	0	4	36
7	1	3	11	£80,000 and £84,999	11	1	0	12
2	0	1	3	£85,000 and £89,999	6	0	4	10
1	1	3	5	£90,000 and £94,999	5	0	1	6
3	2	3	8	£95,000 and £99,999	0	0	3	3
1	1	0	2	£100,000 and £104,999	1	2	4	7
1	0	1	2	£105,000 and £109,999	0	1	2	3
1	1	0	2	£110,000 and £114,999	0	0	0	0
0	0	1	1	£115,000 and £119,999	2	0	0	2
1	0	0	1	£120,000 and £124,999	0	0	1	1
0	0	1	1	£125,000 and £129,999	0	0	0	0
0	2	0	2	£130,000 and £134,999	1	0	0	1
0	0	0	0	£135,000 and £139,999	0	3	0	3
0	1	0	1	£165,000 and £169,999	0	0	0	0
0	0	0	0	£175,000 and £179,999	0	1	0	1
<b>465</b>	<b>10</b>	<b>315</b>	<b>790</b>		<b>533</b>	<b>8</b>	<b>478</b>	<b>1,019</b>

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.

The 2022-23 amounts in the above Officer Remuneration tables have been restated so that they include the value of Shared Cost Additional Voluntary Contributions which had been omitted in error.

### 32. TERMINATION BENEFITS

The Council has terminated the contracts of a number of employees in 2023-24, incurring liabilities of £2.558m (2022-23: £1.411m, updated from the disclosure in the 2022-23 accounts of £1.255m for additional pension strain payments of £0.156m, subsequently paid in 2023-24). 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	
	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24
	actual	actual	actual	actual	actual	actual	actual	actual
							£m	£m
£0-£20k	50	40	29	47	79	87	0.427	0.673
£20k-£40k	9	8	4	9	13	17	0.351	0.492
£40k-£60k	4	6	4	5	8	11	0.422	0.565
£60k-£80k	3	4	0	2	3	6	0.211	0.422
£80k - £100k	0	3	0	0	0	3	0.000	0.288
£100k-£150k	0	1	0	0	0	1	0.000	0.118
	<b>66</b>	<b>62</b>	<b>37</b>	<b>63</b>	<b>103</b>	<b>125</b>	<b>1.411</b>	<b>2.558</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 £125.751m (2022-23, £119.702m). Derbyshire County Council's contribution towards the pool is £50.793m, which represents 40.39% of the total contributions (2022-23, £48.912m, 40.86%).

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.

2022-23	Pool Share		2023-24	Pool Share
£m	%	Income	£m	%
48.912	40.86	Derbyshire County Council	50.793	40.39
70.239	58.68	NHS Derby and Derbyshire ICB	74.958	59.61
0.551	0.46	NHS Tameside and Glossop CCG	-	-
<b>119.702</b>	<b>100.00</b>		<b>125.751</b>	<b>100.00</b>

2022-23		2023-24
£m	Expenditure	£m
28.259	ICB schemes for community health services	29.502
7.898	Disabled Facilities Grant	8.587
6.712	Equipment	7.448
10.419	Reablement	28.871
0.393	Joint working	3.834
0.456	Administration	0.179
2.435	Care Bill	2.573
2.332	Carers	2.464
1.133	Mental health	1.197
21.063	Support for people to remain out of hospital	0.353
35.733	Improved Better Care Fund	35.733
3.023	Local Authority Discharge Grant	5.010
<b>119.856</b>	<b>Total Expenditure</b>	<b>125.751</b>
<b>(0.154)</b>	<b>Net position for Pool</b>	<b>0.000</b>

### Children with Complex Needs pooled budget arrangement

The Children with Complex Needs pooled budget arrangement is jointly operated with 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 2023 £m		31 Mar 2024 £m
	<b>Funding provided to the pooled budget:</b>	
(4.788)	Derbyshire County Council	(6.276)
(2.353)	NHS Derby and Derbyshire ICB	(3.091)
	<b>Expenditure met by the pooled budget:</b>	
7.141	Derbyshire County Council	9.367
0.000	NHS Derby and Derbyshire ICB	0.000
<b>0.000</b>	<b>Net Position of the Pool (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 held, at 31 March 2024, include £4.618m held for residents in the Council's residential care homes (31 March 2023: £4.684m) and £30.799m on behalf of the East Midlands County Combined Authority (EMCCA) (31 March 2023: £3.801m). These Trust Funds and Other Funds are not part of the Council's Accounts.

2022-23				2023-24		
Trust Funds £m	Other Funds £m	Total £m		Trust Funds £m	Other Funds £m	Total £m
0.215	5.990	6.205	Opening Balance	0.217	8.485	8.702
0.012	13.166	13.178	Add Income	0.112	37.468	37.580
(0.010)	(10.671)	(10.681)	Less Expenditure	(0.009)	(10.536)	(10.545)
<b>0.217</b>	<b>8.485</b>	<b>8.702</b>	<b>Closing Balance</b>	<b>0.320</b>	<b>35.417</b>	<b>35.737</b>
			<b>The funds are represented by:</b>			
0.023	0.000	0.023	Investments	0.023	0.000	0.023
0.193	8.485	8.678	Cash & temporary loans	0.297	35.417	35.714
<b>0.217</b>	<b>8.485</b>	<b>8.702</b>	<b>Total Assets</b>	<b>0.320</b>	<b>35.417</b>	<b>35.737</b>
9	14	23	No of Funds (actual not £m)	10	8	18

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 2024 the total value of the remaining funds to be transferred was £0.068m (31 March 2023: £0.071m).

## 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	
	2022-23 £m	2023-24 £m
<b>Type of Goods/Service</b>		
<b>Adult Care</b>		
Residential Care Homes	30.480	37.983
Nursing Homes	11.055	12.065
Co-funding Charge	8.628	10.593
Shared Lives	0.580	0.589
Direct Care Trading	0.243	0.289
Other	0.178	0.148
<b>Sub Total</b>	<b>51.164</b>	<b>61.667</b>
<b>Childrens Services and Safeguarding and Education</b>		
Catering	10.355	12.478
School Food and Meals	4.752	4.933
Extended School Services	1.874	2.312
Sport/Outdoor Education	1.650	1.503
Adult Community Education	0.207	0.237
Other	2.714	3.034
<b>Sub Total</b>	<b>21.552</b>	<b>24.497</b>
<b>Corporate Services and Budget</b>		
PFI Services to Academies	5.916	7.164
Pension Fund Administration	3.013	3.299
Registrar Services	1.968	1.867
Legal Services	0.600	0.605
Property Repairs, Maintenance, Cleaning and Facilities Management	1.094	0.471
Human Resource Services	0.444	0.464
Recruitment and Payroll Services	0.438	0.417
Financial Management	0.432	0.387
Other	0.797	0.574
<b>Sub Total</b>	<b>14.702</b>	<b>15.248</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Income	
	2022-23 £m	2023-24 £m
<b>Type of Goods/Service</b>		
<b>Clean Growth and Regeneration</b>		
Facilities Charge	0.200	0.207
Other	0.147	0.189
<b>Sub Total</b>	<b>0.347</b>	<b>0.396</b>
<b>Health and Communities</b>		
Other	0.097	0.096
<b>Sub Total</b>	<b>0.097</b>	<b>0.096</b>
<b>Highways and Transport</b>		
Vehicle Maintenance	1.836	2.337
Pay and Display Parking	1.115	1.027
New Roads and Street Works Act Fees	0.958	1.001
Licence Fees (e.g. skip/scaffold permits)	0.729	0.666
Cross Boundary Bus Services	0.769	0.233
Developer Income	0.184	0.222
Bus Passes and Tickets	0.235	0.049
Other	0.626	0.314
<b>Sub Total</b>	<b>6.452</b>	<b>5.849</b>
<b>Infrastructure and Environment</b>		
Commercial Waste Disposal	2.069	2.342
Inspection Fees (S38/S278 Highways Act)	1.877	1.826
Countryside Shop Merchandise	0.948	1.022
Land Searches	0.245	0.323
Other	0.166	0.147
<b>Sub Total</b>	<b>5.305</b>	<b>5.660</b>
<b>Strategic Leadership, Culture, Tourism and Climate Change</b>		
Other	0.197	0.142
<b>Sub Total</b>	<b>0.197</b>	<b>0.142</b>
<b>Overall Total</b>	<b>99.816</b>	<b>113.555</b>

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

31 Mar 2023 £m		31 Mar 2024 £m
5.902	Receivables	15.580
0.480	Contract Assets	0.488
(1.306)	Contract Liabilities	(0.703)
<b>5.076</b>	<b>Total Included in Net Assets</b>	<b>15.365</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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:

2022-23			2023-24	
Contract Assets £m	Contract Liabilities £m		Contract Assets £m	Contract Liabilities £m
0.000	(1.306)	Cash received before obligations fulfilled	0.000	(0.703)
0.000	1.624	Obligations relating to contract liabilities at the start of the year fulfilled	0.000	1.306
0.480	0.000	Obligations fulfilled before payment is due	0.488	0.000
(0.647)	0.000	Transfers from Contract Assets to Receivables as payment became due	(0.480)	0.000
<b>(0.167)</b>	<b>0.318</b>	<b>Movement in Contract Assets and Liabilities</b>	<b>0.008</b>	<b>0.603</b>
0.647	(1.624)	Contract Assets and Liabilities at the start of the year	0.480	(1.306)
<b>0.480</b>	<b>(1.306)</b>	<b>Contract Assets and Liabilities at the end of the year</b>	<b>0.488</b>	<b>(0.703)</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 2024.

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.

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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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
- Pay and Display Parking
- Countryside Shop Merchandise

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 a reduction to the 2023-24 grant receipts for Early Years provision which is due to be received in 2024-25, following final calculation of the amount due from the Department for Education.

Actual central expenditure includes commitments that remain unspent as at the end of the financial year. These commitments have been transferred to an earmarked reserve and form part of the DSG balance. Details of the deployment of the DSG receivable for 2023-24 are as follows:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2023-24		
	Central Expenditure £m	Individual Schools Budget £m	Total £m
Final DSG for 2023-24 before Academy and High Needs Recoupment			717.226
Academy and High Needs Recoupment for 2023-24			(325.247)
<b>Total DSG after Academy and High Needs Recoupment for 2023-24</b>			<b>391.979</b>
Plus: Brought Forward from 2022-23			0.275
<b>Agreed initial budgeted distribution in 2023-24</b>	<b>101.584</b>	<b>290.671</b>	<b>392.255</b>
In-year adjustments	0.000	(0.302)	(0.302)
<b>Final budgeted distribution for 2023-24</b>	<b>101.584</b>	<b>290.369</b>	<b>391.953</b>
Less: Actual Central Expenditure	(114.463)		(114.463)
Less: Actual ISB Deployed to Schools		(289.385)	(289.385)
<b>In-year Carry Forward to 2024-25</b>	<b>(12.879)</b>	<b>0.984</b>	<b>(11.895)</b>
DSG Unusable Reserve at 1 April 2023			(5.050)
Addition to DSG Unusable Reserve at 31 March 2024			(11.895)
<b>Total DSG Unusable Reserve at 31 March 2024*</b>			<b>(16.945)</b>
<b>Net DSG Position at 31 March 2024</b>			<b>(16.945)</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 2024 is held within a statutorily ring-fenced unusable reserve – the DSG Adjustment Account. For further details refer to Note 28.

DSG grant income of £391.677m in Note 37 below is the sum of the £391.979m 'Total DSG after Academy and High Needs Recoupment for 2023-24 less the £0.302m 'In-year adjustments' in the table above.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2022-23		
	Central Expenditure £m	Individual Schools Budget £m	Total £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.

2022-23 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

### 37. GRANT INCOME

Revenue Grants		Income	
		2022-23	2023-24
		£m	£m
Dedicated Schools Grant (DSG)	ESFA	385.686	391.677
Public Health Grant	DHSC	43.803	45.232
Pupil Premium Grant	ESFA	20.458	20.159
Household Support Fund	DWP	10.808	10.808
Market Sustainability & Improvement Fund	DLUHC	2.448	8.494
Workforce Recruitment & Retention	DHSC	0.000	5.516
Supplemental Substance Misuse Treatment and Recovery Grant	OHID	0.803	1.576
Disabled Facilities Grant	DLUHC	7.898	8.587
School Supplementary Grant	ESFA	7.347	2.314
Public Health Contain Outbreak Management Fund	DHSC	6.495	6.938
EFA Post 16	ESFA	5.383	4.217
Universal Free School Meals for Infant Pupils	ESFA	5.128	5.291
DACES AEB	ESFA	4.643	4.797
PE and Sport Premium Grant	ESFA	4.444	4.360
Asylum Seeker Grant	HO	3.524	5.969
Recovery Premium	DfE	3.045	2.306
Discharge Grant	DLUHC	3.023	5.010
Holiday activities and food programme Grant	DfE	2.828	2.780
Supporting Families	DLUHC	2.238	2.627
School-led tutoring Grant	DfE	1.763	0.000
LA Maintained Schools Additional Grant	ESFA	0.000	8.336
Community Renewal Fund	DLUHC	1.525	0.000
Music Education Hub	Arts Council	1.420	1.554
Covid 19 Bus Recovery Grant	DfT	1.235	1.548
Homes for Ukraine Education and Childcare	ESFA	1.080	0.000
Homes for Ukraine -Thank You Payment Grant	DLUHC	1.374	1.707
Multiply	ESFA	1.063	1.373
Teachers Pay Grant	ESFA	0.000	2.995
Other Grants	Various	10.338	12.156
<b>Total Departmental Income</b>		<b>539.800</b>	<b>568.327</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Revenue Grants		Income	
		2022-23	2023-24
		£m	£m
Adult Social Care Grant	DLUHC	37.627	61.318
Improved Better Care Fund	DLUHC	35.732	35.732
Business Rates Relief Grant	DLUHC	18.797	25.851
Revenue Support Grant	DLUHC	14.249	15.714
Homes for Ukraine -Tariff	DLUHC	13.477	1.214
Private Finance Initiative	ESFA	10.504	10.504
Service Grant	DLUHC	7.781	4.565
Bus Service Improvement Plan	DfT	6.500	11.466
Independent Living Fund	DLUHC	2.534	0.000
New Homes Bonus	DLUHC	1.868	1.106
Other Grants	Various	4.976	5.356
<b>Total Corporate Income</b>		<b>154.045</b>	<b>172.826</b>
<b>Total Grants</b>		<b>693.845</b>	<b>741.153</b>

\* Other Departmental Revenue Grants in 2023-24 include the following amounts which are required to be separately disclosed under specific grant conditions in the respective grant agreements:

- £0.891m Youth Justice Grant from the Youth Justice Board, to fund activities which improve the outcomes of children in the youth justice system (2022-23: £0.844m).
- £0.133m Commissioner's Community Safety Grant, to assist in the funding of the work of the Derbyshire Youth Offending Service (2022-23: £0.133m).
- £0.239m Turnaround Grant from the Ministry of Justice for a Turnaround Programme, which is a voluntary youth early intervention programme (2022-23: £0.078m).

Capital Grants		Income	
		2022-23	2023-24
		£m	£m
Pothole Action Fund	DfT	15.108	10.171
Highways Maintenance Incentive Fund	DfT	10.533	13.166
Additional Highways Maintenance	DfT	0.000	3.014
School Condition Allowance	EFA	10.306	9.445
Special Provision Capital Fund	DfE	10.180	13.243
Devolved Formula Capital	DfE	5.226	1.313
Bus Service Improvement Plan	DfT	4.452	14.499
Integrated Transport	DfT	3.672	3.672
Active Travel	ATE	3.005	0.337
Local Electric Vehicle Infrastructure Grant	DfT	0.000	6.444
Basic Need	EFA	0.000	16.756
Levelling Up Fund- South Derbyshire Growth Zone	DLUHC	0.000	3.794
Highways Capital Maintenance	DfT	2.633	0.000
Public Sector Decarbonisation Grant**	BEIS	(0.108)	0.000
Getting Building Fund*	DLUHC	(0.253)	0.000
Other Capital Grants	Various	13.249	17.157
		<b>78.003</b>	<b>113.011</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

\* 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 of this funding to the LEP.

\*\* There was no underspent Public Sector Decarbonisation Grant in respect of projects not completed by 31 March 2024 (2022-23: £0.108m not completed by 31 March 2023, repayable to the Department for Business, Energy and Industrial Strategy (BEIS)).

### 38. CASH FLOW – INVESTING ACTIVITIES

2022-23 £m		2023-24 £m
(100.035)	Purchase of Non-Current Assets	(160.626)
(526.641)	Purchase of New Investments	(404.649)
4.276	Proceeds from Sale of Non-Current Assets	7.227
72.956	Capital Grants Received	110.568
544.639	Investments Redeemed	603.963
<b>(4.804)</b>		<b>156.483</b>

### 39. CASH FLOW – FINANCING ACTIVITIES

2022-23 £m		2023-24 £m
(153.826)	Repay Amounts Borrowed	(301.435)
(4.786)	Principal Repayment on PFI and Leases	(5.104)
230.500	New Short Term Loans	214.020
4.782	Net (Payments)/Income on behalf of Shadow Combined County Authority	25.819
<b>76.670</b>		<b>(66.700)</b>

### 40. CASH FLOW – OPERATING ACTIVITIES

2022-23 £m		2023-24 £m
(563.792)	Payments to and on behalf of employees	(602.725)
(821.312)	Other Operating Payments	(907.296)
369.811	Council Tax	387.009
16.884	Business Rates	19.384
14.249	Revenue Support Grant	15.714
650.879	Other Revenue Grants	687.200
294.993	Other Income	325.856
<b>(38.287)</b>	<b>Operating Costs of Providing Services</b>	<b>(74.858)</b>
(13.236)	External Interest Paid	(17.974)
(3.243)	Interest on PFI and Finance Leases	(2.973)
3.194	Interest Received	10.409
3.365	Dividends Received	4.043
<b>(48.207)</b>		<b>(81.353)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2022-23 £m		2023-24 £m
<b>(164.214)</b>	<b>Surplus/(Deficit) on the Provision of Services</b>	<b>(74.359)</b>
	<b>Non Cash Transactions:</b>	
43.902	Depreciation	48.571
20.614	Impairment	20.273
85.744	Movement in Pension Liability	(9.748)
(2.145)	Adjustment for Collection Fund	(0.996)
7.588	Investments Fair Value Movements	(0.489)
(12.963)	Movement in Revenue Debtors	(59.191)
5.419	Movement in Loss Allowances	(0.247)
(21.181)	Movement in Revenue Creditors	28.042
(0.091)	Movement in Inventories	(0.609)
(1.051)	Movement in Provisions	(3.082)
<b>125.836</b>	<b>Total Non Cash Transactions</b>	<b>22.524</b>
	<b>Items Classified Elsewhere</b>	
53.131	Net charge for Disposal of Non-Current Assets	64.830
15.043	Revenue Expenditure Funded from Capital Under Statute	18.663
(78.003)	Capital Grants	(113.011)
<b>(48.207)</b>		<b>(81.353)</b>

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

	31 Mar 2023 £m	Cash Flows £m	Non-Cash Changes £m	31 Mar 2024 £m
Current Borrowing	233.874	(88.803)	2.756	147.827
Non Current Borrowing	232.597	1.391	2.296	236.284
PFI and Finance Lease Liabilities	49.998	(5.104)	(0.205)	44.689
	<b>516.469</b>	<b>(92.516)</b>	<b>4.847</b>	<b>428.800</b>

Non-cash changes to the Council's liabilities include an increase of £2.757m 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 £5.053m was accrued in the year which increased the carrying value of liabilities. The remaining non-cash transactions represent a reduction in carrying value of £0.206m because of a movement between these liabilities and short-term creditors and debtors.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	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>

### 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:

2022-23 £m				2023-24 £m		
Interest	Liability	MLP		Interest	Liability	MLP
0.457	0.423	0.880	Within 1 year	0.417	0.377	0.794
1.526	1.079	2.605	1 to 5 years	1.413	0.914	2.327
2.093	2.343	4.436	More than 5 years	1.338	2.071	3.409
<b>3.619</b>	<b>3.422</b>	<b>7.041</b>	<b>Total Non-Current</b>	<b>2.751</b>	<b>2.985</b>	<b>5.736</b>
<b>4.076</b>	<b>3.845</b>	<b>7.921</b>		<b>3.168</b>	<b>3.362</b>	<b>6.530</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 (2022-23: nil).

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

2022-23 £m		2023-24 £m
PPE		PPE
0.836	Within 1 year	1.254
2.790	1 to 5 years	3.954
3.832	More than 5 years	6.552
<b>7.458</b>		<b>11.760</b>

There was no significant sub-letting of properties in 2023-24 (2022-23: no significant sub-letting).

### FINANCE LEASES – COUNCIL AS LESSOR

The Council has seven 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 Gardens', Shipley Country Park to a private individual on a 999-year lease, which commenced in 2022 for a one-off payment of £0.344m.
- Land at The Dales, Askew Grove, Repton to Trent and Dove Housing on a 999-year lease, which commenced in 2023 for a one-off payment of £0.675m.
- Land at High Street, Clay Cross to Robinson & Day Properties Limited on a 999-year lease, which commenced in 2023 for a one-off payment of £0.010m
- Land at Cross London Street, Chesterfield to private individuals on a 999-year lease, which commenced in 2023 for a one-off payment of £0.045m.

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.
- Units 1 & 2 Stonebroom Industrial Estate, Alfreton to MNS Mouldings Limited on a 15-year lease, which commenced in 2023 for £0.060m each year.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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:

2022-23 £m					2023-24 £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
0.043	0.000	0.043	0.031	Within 1 year	0.103	0.000	0.103	0.072
0.172	0.000	0.172	0.115	1 to 5 years	0.412	0.062	0.474	0.272
0.925	0.207	1.132	0.787	More than 5 years	1.422	0.736	2.158	1.060
<b>1.140</b>	<b>0.207</b>	<b>1.347</b>	<b>0.933</b>		<b>1.937</b>	<b>0.798</b>	<b>2.735</b>	<b>1.404</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:

2022-23 £m				2023-24 £m		
Vehicles	Land & Building	Total		Vehicles	Land & Building	Total
0.000	1.181	1.181	Within 1 year	0.000	1.468	1.468
0.000	3.754	3.754	1 to 5 years	0.000	4.583	4.583
0.000	4.767	4.767	More than 5 years	0.000	5.227	5.227
<b>0.000</b>	<b>9.702</b>	<b>9.702</b>		<b>0.000</b>	<b>11.278</b>	<b>11.278</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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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### 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:

- 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

	2022-23			2023-24		
	Ph 1	Ph 2	BSF	Ph 1	Ph 2	BSF
	£m	£m	£m	£m	£m	£m
<b>Unitary Charge Paid</b>						
Delivery of services	2.687	3.104	4.318	3.349	3.539	4.388
Interest Payment	0.929	1.164	0.662	0.823	1.076	0.621
Reduction to Liability	1.525	1.383	1.480	1.631	1.471	1.521
<b>Unitary Charge Paid</b>	<b>5.141</b>	<b>5.651</b>	<b>6.460</b>	<b>5.803</b>	<b>6.086</b>	<b>6.530</b>
<b>Loan Liability B Fwd</b>	(13.355)	(18.242)	(23.988)	(11.830)	(16.859)	(22.508)
Reduction to Liability	1.525	1.383	1.480	1.631	1.471	1.521
<b>Loan Liability C Fwd</b>	<b>(11.830)</b>	<b>(16.859)</b>	<b>(22.508)</b>	<b>(10.199)</b>	<b>(15.388)</b>	<b>(20.987)</b>
Liability in Creditors	(1.631)	(1.471)	(1.521)	(1.744)	(1.565)	(1.562)
Non Current Liabilities	(10.199)	(15.387)	(20.988)	(8.455)	(13.823)	(19.425)
<b>Loan Liability C Fwd</b>	<b>(11.830)</b>	<b>(16.859)</b>	<b>(22.508)</b>	<b>(10.199)</b>	<b>(15.388)</b>	<b>(20.987)</b>

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

	2022-23			2023-24		
	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	0.823	1.076	0.621	0.709	0.982	0.579
Repayment of liability	1.631	1.471	1.521	1.744	1.565	1.562
<b>Two to five years:</b>						
Service charge	9.747	8.930	13.266	9.747	8.930	13.266
Interest element	2.075	3.303	2.054	1.537	2.863	1.874
Repayment of liability	7.740	6.888	6.513	8.279	7.328	6.693
<b>Six to ten years:</b>						
Service charge	2.635	8.665	16.583	0.198	6.433	16.583
Interest element	0.172	1.352	1.503	0.001	0.810	1.249
Repayment of liability	2.459	8.500	9.205	0.176	6.495	9.460
<b>Eleven to fifteen years:</b>						
Service charge	0.000	0.000	8.591	0.000	0.000	5.274
Interest element	0.000	0.000	0.255	0.000	0.000	0.110
Repayment of liability	0.000	0.000	5.269	0.000	0.000	3.272

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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 2023-24 the Council paid £42.350m to Teachers' Pensions (2022-23: £42.779m) in respect of teachers' retirement benefits. During 2023-24 the Employer's Contribution rate for the Teachers' Pension Scheme was 23.68% (2022-23: 23.68%). For 2024-25 the Employer's Contribution rate for the Teachers' Pension Scheme will increase to 28.68%.

It is expected that the Council will pay £49m to the Teachers' Pensions Scheme in the year to 31 March 2025, of which employer contributions are estimated to be around £37m.

### **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 2023-24 the Council paid £0.644m to the NHS Pension Scheme (2022-23: £0.559m) in respect of the retirement benefits of these Council employees. The Employer's Contribution rate during 2023-24 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 (2022-23: 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	
		2022-23 £m	2023-24 £m	2022-23 £m	2023-24 £m
Current service cost		131.285	63.886	0.000	0.000
Net interest cost	6	21.382	(3.612)	1.367	1.993
Past service costs & curtailments		0.649	1.341	0.000	0.000
Settlements		(4.335)	(3.330)	0.000	0.000
<b>Benefits charged to the CIES</b>		<b>148.981</b>	<b>58.285</b>	<b>1.367</b>	<b>1.993</b>
Remeasurement (gain)/loss		(921.038)	104.086	(5.912)	(0.014)
<b>Total (Gain)/Loss</b>		<b>(772.057)</b>	<b>162.371</b>	<b>(4.545)</b>	<b>1.979</b>
<b>Movements in Reserves Statement:</b>					
Reversal of charges made	28	(148.981)	(58.285)	(1.367)	(1.993)
Contributions - unfunded benefits	28	2.235	2.302	0.000	0.000
Employer's contributions payable	28	58.317	63.480	4.052	4.244

### 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	
	2022-23 £m	2023-24 £m	2022-23 £m	2023-24 £m
<b>Opening balance at 1 April</b>	<b>3,320.908</b>	<b>2,394.091</b>	<b>52.653</b>	<b>44.056</b>
Current service cost	131.285	63.886	0.000	0.000
Interest cost	90.382	112.942	1.367	1.993
Contributions by participants	17.488	18.153	0.000	0.000
Remeasurement (gains)/losses*	(1,076.012)	(76.316)	(5.912)	(0.014)
Benefits paid	(80.320)	(98.869)	0.000	0.000
Unfunded benefits paid	(2.235)	(2.302)	(4.052)	(4.244)
Effect of settlements	(8.054)	(10.296)	0.000	0.000
Past service costs	0.649	1.341	0.000	0.000
<b>Closing balance at 31 March</b>	<b>2,394.091</b>	<b>2,402.630</b>	<b>44.056</b>	<b>41.791</b>

\*2022-23 LGPS Remeasurement gains in the table above have been adjusted to remove the 31 March 2023 LGPS asset ceiling restriction of £12.432m (2022-23 LGPS Remeasurement gains were previously £1,063.580m). This asset ceiling restriction has instead been applied to the total net LGPS surplus position at that date and is reflected in the table showing the present value of asset and liabilities, the overall (surplus)/deficit in the scheme and the asset ceiling restriction, further below. The overall 31 March 2023 total pension net asset of £29.323m is unchanged.

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	
	2022-23 £m	2023-24 £m
<b>Opening balance at 1 April</b>	<b>(2,561.678)</b>	<b>(2,479.902)</b>
Interest income	(69.000)	(117.144)
Other remeasurement loss/(gain)	142.542	(111.835)
Employer contributions	(58.317)	(63.480)
Contributions by participants	(17.488)	(18.153)
Benefits paid	80.320	98.869
Effect of settlements	3.719	6.966
<b>Closing balance at 31 March</b>	<b>(2,479.902)</b>	<b>(2,684.679)</b>

### Scheme History

Prior to 2022-23, net pension liabilities have had a substantial impact on the net worth of the Council as recorded in the Balance Sheet, shown in the table below. These net liabilities are an estimate of the ultimate cost to the Council of the post-employment (retirement) plan benefits that employees have earned, having allowed for the value of scheme assets. 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 2024, there was a total net Local Government Pension Scheme (LGPS) surplus reported by the Actuary of £282.049m (31 March 2023: £85.811m surplus). The increase in LGPS surplus at 31 March 2024 has arisen 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 2023 and the return on LGPS scheme assets in 2023-24.

Accounting Standard IAS19 imposes a limit on the net surplus which can be recognised in the Balance Sheet, known as an asset ceiling restriction. The limit depends on factors unique to each employer and the Actuary has reflected this by carrying out additional calculations.

The Actuary calculated an LGPS scheme asset ceiling restriction of £305.259m (31 March 2023: £12.432m restriction), as shown in the table below. After this adjustment, the LGPS net liability in the accounts is £23.210m (31 March 2023: £73.379m LGPS net asset) and there is a total net pensions liability, including Teachers Pensions, of £65.001m (31 March 2023: £29.323m total net pensions asset).

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Present value of liabilities:		Present value of assets:	(Surplus)/deficit in the Scheme:		Asset ceiling restriction:	Liability/(asset):
	LGPS £m	Discretionary Benefits £m	LGPS £m	LGPS £m	Discretionary Benefits £m	LGPS £m	Total £m
<b>2019-20</b>	2,600.059	55.041	(1,998.118)	601.941	55.041	0.000	<b>656.982</b>
<b>2020-21</b>	3,360.078	57.592	(2,393.147)	966.931	57.592	0.000	<b>1,024.523</b>
<b>2021-22</b>	3,320.908	52.653	(2,561.678)	759.230	52.653	0.000	<b>811.883</b>
<b>2022-23*</b>	2,394.091	44.056	(2,479.902)	(85.811)	44.056	12.432	<b>(29.323)</b>
<b>2023-24</b>	2,402.630	41.791	(2,684.679)	(282.049)	41.791	305.259	<b>65.001</b>

\*2022-23 LGPS Present value of liabilities in the table above has been adjusted to remove the 31 March 2023 LGPS asset ceiling restriction of £12.432m (2022-23 LGPS Present value of liabilities was previously £2,406.523m). This asset ceiling restriction has instead been applied to the total net LGPS surplus position at that date and is reflected in a separate column in the table above. The overall 31 March 2023 total pension net asset of £29.323m is unchanged.

	Reconciliation of Asset Ceiling: LGPS	
	2022-23 £m	2023-24 £m
<b>Opening impact at 1 April</b>	<b>0.000</b>	<b>12.432</b>
Interest on asset ceiling	0.000	0.590
Actuarial losses/(gains)	12.432	292.237
<b>Closing balance at 31 March</b>	<b>12.432</b>	<b>305.259</b>

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2025 is £62.102m.

### 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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2022-23	2023-24
<b>Mortality Assumptions:</b>		
Longevity at 65 (current pensioners):		
-Men	21.0	20.8
-Women	24.0	23.8
Longevity at 65 (future pensioners):		
-Men	21.8	21.6
-Women	25.5	25.3
<b>Inflation Rates:</b>		
Increase in salaries (LGPS only)	3.95%	3.75%
Increase in pensions (CPI)	2.95%	2.75%
Discounting scheme liabilities	4.75%	4.85%

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 2024:

	<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	43.687
1 year increase in Member life expectancy	4	96.105
0.1% increase in salary increase rate	0	2.109
0.1% increase in pension increase rate (CPI)	2	42.369

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

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 2024 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.

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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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.

The return on the Fund in market value terms for the period to 31 March 2024 is based on actual Fund returns as provided by the Administering Authority. The actual total return for the period from 1 April 2023 to 31 March 2024 is a gain of 9.3% (2022-23: 2.9% actual loss).

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

	<b>2022-23</b>	<b>2023-24</b>
	%	%
Equity investments	61.7	60.9
Debt instruments:		
Government bonds	8.1	8.9
Other bonds	14.5	14.5
Property	7.9	6.9
Cash and cash equivalents	2.9	3.8
Other assets	4.9	5.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### History of Experience Gains and Losses

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	LGPS		Teachers
	Actuarial gain / (loss) on assets over total assets	Actuarial (gain) / loss on liabilities over total liabilities	Actuarial (gain) / loss on liabilities over total liabilities
<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%)
<b>2023-24</b>	4.17%	(3.72%)	(0.03%)

### Forecast for next year

At 31 March 2024 for 2024-25:

	Local Government Pension Scheme		Teachers Pensions	
	£m	£m	£m	£m
Projected service cost				
Estimated pay:	295.768		0.000	
Service cost (% of pay)	19.3%		n/a	
Implied service cost next year:		55.185		0.000
Net interest (income)/cost		(13.861)		1.879
Administration expenses		1.775		0.000
<b>Total pension cost recognised</b>		<b>43.099</b>		<b>1.879</b>
Projected employer contributions				
Normal contributions	(62.102)		(4.528)	
<b>Total employer contributions next year</b>		<b>(62.102)</b>		<b>(4.528)</b>
Current (surplus)/deficit		(282.049)		41.791
<b>Projected (surplus)/deficit next year</b>		<b>(301.052)</b>		<b>39.142</b>

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>

### 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 2024-25 which is available on the Council's Derbyshire Democracy website under the Council meeting on 14 February 2024: [Capital Programme Approvals, Treasury Management and Capital Strategies for 2024-25](#)

#### 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 £207.070m (31 March 2023: £396.790m), all of which is deposited in the UK, except for £34.537m (31 March 2023: £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 2024 that this was likely to crystallise (31 March 2023: no evidence).

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 £142.856m (31 March 2023: £31.793m). These financial assets include trade debtors (£47.065m, 31 March 2023: £30.865m), transferred debt (£0.032m, 31 March 2023: £0.034m), contract assets (£0.488m, 31 March 2023: £0.480m) and lease receivables (£1.331m, 31 March 2023: £0.415m). The Council recognised an allowance for credit losses which reduced the carrying amount of these financial assets by £4.778m (31 March 2023: £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	0.000	78.319	0.000	0.000	0.000	78.319
Investments	0.000	49.829	0.000	0.000	75.117	0.000	124.946
Trade Debtors and Transferred Debt	0.000	0.000	0.000	0.000	0.000	44.138	44.138
<b>Total Net Carrying Amount</b>	<b>0.000</b>	<b>49.829</b>	<b>78.319</b>	<b>0.000</b>	<b>75.117</b>	<b>44.138</b>	<b>247.403</b>

At 31 March 2023 the position was:

## 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
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>

	AAA or equivalent £m	AA or equivalent £m	A or equivalent £m	Rated Not Strong £m	Not Rated £m	Trade Debtors and Transferred Debt £m	Total £m
<b>Loss Allowance is measured at 12-month expected credit losses because:</b>							
There has been no significant increase in credit risk since initial recognition	0.000	0.000	78.334	0.000	0.000	0.000	78.334
<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	0.454	0.000	0.454
Financial assets have become credit impaired	0.000	0.000	0.000	0.000	13.996	0.847	14.843
Allowed under the simplified approach, i.e. Trade Debtors	0.000	0.000	0.000	0.000	0.000	32.353	32.353
<b>No Loss Allowance as relevant statutory provisions prevent default:</b>							
Counterparty is Central Government or another local authority	0.000	49.829	0.000	0.000	0.000	15.716	65.545
<b>No Loss Allowance, Other:</b>							
Financial assets measured at Fair Value	0.000	0.000	0.000	0.000	64.458	0.000	64.458
<b>Total Gross Carrying Amount</b>	<b>0.000</b>	<b>49.829</b>	<b>78.334</b>	<b>0.000</b>	<b>78.908</b>	<b>48.916</b>	<b>255.987</b>
Loss Allowances	0.000	0.000	(0.015)	0.000	(3.791)	(4.778)	(8.584)
<b>Total Net Carrying Amount</b>	<b>0.000</b>	<b>49.829</b>	<b>78.319</b>	<b>0.000</b>	<b>75.117</b>	<b>44.138</b>	<b>247.403</b>

At 31 March 2023 the position was:

## 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:

	31 Mar 2023 £m	31 Mar 2024 £m
Less than three months	15.522	34.998
Three to six months	3.308	2.351
Six months to one year	3.274	3.121
More than one year	8.762	6.595
<b>Total</b>	<b>30.865</b>	<b>47.065</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 31 Mar 2024 £m</b>
Finance Lease Receivables	1.331
Contract Assets	0.488
0 - 30 Days	14.771
Over 30 Days	15.763
<b>Debtors Excluding Other Local Authorities and Government</b>	<b>32.353</b>

At 31 March 2023 the position was:

	<b>Gross Value of Trade Debtors 31 Mar 2023 £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 2024 with the historic default rate based on information collated by rating agency Moody's. Macroeconomic conditions are forecast to improve in 2024 compared to 2023. The expected default rate for 2024 is lower than the historic default rate, therefore the adjustment for current market conditions has resulted in a lower allowance for losses compared to the raw calculation based on the profile of debt, as at 31 March 2024, and the historical rate of debt recovery alone.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Department / Debt Category	Trade Debtors Over 30 Days £m	Referred Debt * £m	Expected Non-Recovery Rate %	Factor for Current Economic Conditions ** %	General Loss Allowance £m	Specific Loss Allowance: Non-Local Authority/ Government Debt £m	Specific Loss Allowance: Local Authority/ Government Debt £m	Total Loss Allowance £m
Adult Care - Secured Over Property	1,997	0.000	0%	86%	0.000	0.000	0.000	0.000
Adult Care Other - Over 1 Year	3,380	3,380	61%	86%	1,778	0.000	0.000	1,778
Adult Care Other - 1 Year or Under	4,401	4,401	40%	86%	1,509	0.000	0.000	1,509
Other	5,986	0.101	40%	86%	0.034	0.609	0.847	1,490
<b>Total</b>	<b>15,764</b>	<b>7,882</b>			<b>3,321</b>	<b>0,609</b>	<b>0,847</b>	<b>4,777</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

At 31 March 2023 the position was:

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.

### 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 2024 is provided as follows:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at start of year £m	Increase due to recognition of new Financial Assets £m	Decrease due to de-recognition of Financial Assets £m	Change due to modification of cash flows of the Financial Assets £m	Due to change in Average Default Rates £m	Due to change in significance of credit risk £m	Balance at end of year £m
<b>Measured at 12-month expected credit losses where:</b>							
There has been no significant increase in credit risk since initial recognition	0.053	0.004	(0.030)	0.000	(0.012)	0.000	0.015
<b>Measured at lifetime expected credit losses where:</b>							
Credit risk has increased significantly since initial recognition	2.854	0.246	0.000	0.000	0.691	(3.791)	0.000
Financial assets have become credit impaired	0.000	0.000	0.000	0.000	0.000	3.791	3.791
Allowed under the simplified approach i.e. Debtors	5.940	0.000	(0.225)	0.000	(0.937)	0.000	4.778
<b>Total Loss Allowance</b>	<b>8.847</b>	<b>0.250</b>	<b>(0.255)</b>	<b>0.000</b>	<b>(0.258)</b>	<b>0.000</b>	<b>8.584</b>

At 31 March 2023 the position was:

	Balance at start of year £m	Increase due to recognition of new Financial Assets £m	Decrease due to de-recognition of Financial Assets £m	Change due to modification of cash flows of the Financial Assets £m	Due to change in Average Default Rates £m	Due to change in significance of credit risk £m	Balance at end of year £m
<b>Measured at 12-month expected credit losses where:</b>							
There has been no significant increase in credit risk since initial recognition	0.028	0.011	(0.019)	0.000	0.033	0.000	0.053
<b>Measured at lifetime expected credit losses where:</b>							
Credit risk has increased significantly since initial recognition	1.306	0.109	0.000	0.000	1.439	0.000	2.854
Financial assets have become credit impaired	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Allowed under the simplified approach i.e. Debtors	2.073	0.000	(0.530)	0.000	4.397	0.000	5.940
<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>

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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. Loan payments were due to commence in October 2023, but as of 31 March 2024, no payments had been received. As this was a default according to the terms of the loan, the Council considers that the loan is now a credit-impaired financial asset. The allowance for expected credit losses (ECLs) on the loan continues to be recognised at all of the accumulated interest on the loan, in addition to 10% of the original loan advanced. This gives a lifetime allowance for ECLs of £3.745m which falls in the range of probable outcomes in the options analysis undertaken by the Council's financial advisors. The Council is in dialogue with Buxton Crescent Limited 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 (2022-23: no modifications).

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 2024 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 2024</b>
	<b>£m</b>
Less than one year	(141.253)
Between one and two years	(5.000)
Between two and five years	(37.986)
Between five and ten years	(44.585)
More than ten years	(148.713)
	<b>(377.537)</b>

At 31 March 2023 the position was:

	<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:

	Total	Non- interest bearing	Variable or Fixed <1 year	Fixed > 1 year	Fixed rate Weighted average int rate (%)	Weighted average period (years)
	£m	£m	£m	£m		
<b>Financial assets</b>	<b>203.297</b>	4.711	198.586	0.000	4.81	4
<b>Financial liabilities</b>	<b>(377.537)</b>	0.000	(141.253)	(236.284)	4.53	13

At 31 March 2023 the position was:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Total £m	Non- interest bearing £m	Variable or Fixed <1 year £m	Fixed > 1 year £m	Fixed rate	
					Weighted average int rate (%)	Weighted average period (years)
<b>Financial assets</b>	<b>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)	0.780	21.429
Decrease by 1% (100 basis points)	(0.780)	(21.429)

At 31 March 2023 the position was:

	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)

### 48. SUBSEQUENT EVENTS

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

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## ACCOUNTING POLICIES

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

### 1.14. Non-Current Asset Valuation Methodology

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

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the Revaluation Reserve. This is then reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain. Where there is a 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)**

These are agreements or contracts where the contractor uses a fixed asset to provide a public service on behalf of the Council for a specified period of time and the contractor receives payments from the Council for the period of the arrangement. The asset may be provided, constructed or enhanced by either the contractor or Council.

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## ACCOUNTING POLICIES

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The arrangement is assessed against control tests to determine whether the risks and rewards incidental to ownership of the asset lie with the Council. Where the control tests are met, the Council recognises a capital asset in the Balance Sheet. Once recognised this asset is treated in line with all capital assets. A corresponding long-term liability is also recognised at the construction value.

The total unitary payments made during the life of the contract are separated into the service charge, finance costs and capital 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.

The service element, which compensates the contractor for the public services it is providing, is chargeable to the relevant revenue service expenditure as incurred. 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. 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.

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## **ACCOUNTING POLICIES**

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

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

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

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

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

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

### **1.28. Capital Reserves**

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

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

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# ACCOUNTING POLICIES

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## REVENUE ACCOUNTING

### 1.29. Recognition of Revenue Expenditure

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

### 1.30. Employee Costs

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

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

#### Short Term Employee Benefits

- **Salaries and Wages** – The total salary and wages earned by employees during the financial year are charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.
- **Leave Owed, Accumulating Absences** – The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu.

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

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

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

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## ACCOUNTING POLICIES

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- **Non-monetary Benefits** – Where employees have non-monetary benefits (e.g. retirement benefits or life insurance), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.

### Termination Benefits

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

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

### Pensions Costs

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

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

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

- **Current Service Cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement within the relevant service area dependant on staff employed at the Council. The current service cost includes an allowance for administration expenses

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## ACCOUNTING POLICIES

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

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

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

### 1.31. Lessee Accounting for an Operating Lease

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

### 1.32. Revenue Grants and Contributions

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

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## **ACCOUNTING POLICIES**

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

### **1.33. Income from Service Recipients**

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

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

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

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

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

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

### **1.34. Provisions**

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

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

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

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## **ACCOUNTING POLICIES**

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

The Council does not hold any general provisions.

### **1.35. Revenue Reserves**

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

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

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

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

### **1.36. Research Costs**

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

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

The Council in exercise of the powers and duties conferred by the Local Authorities (Members' Allowances) (England) Regulations 2003, has established a Members Allowance Scheme, outlining the allowances payable to Members of the Council. Members are reminded of the need to keep detailed supporting information, such as a diary, about every attendance for which they claim. This information should be available for scrutiny by the Council's Auditors or other relevant persons as and when required. The scheme is updated annually, and full details are available on the Council's website.

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

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

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

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## ACCOUNTING POLICIES

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

### 1.39. Inventories and Work in Progress

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

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

### 1.40. Loss Allowance for Expected Credit Losses

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

Credit risk is assessed based on the expectation of a debtor's or an investment issuer's ability to pay future cash flows due under the contractual terms. This risk is estimated, where possible, based on historical loss experience, the debtor's or investment issuer's credit rating and other impacting factors including forward-looking information.

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

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

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

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

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

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## **ACCOUNTING POLICIES**

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

### **TREASURY MANAGEMENT**

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

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

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

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

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

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

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

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

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

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

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## ACCOUNTING POLICIES

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

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

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

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

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

### 1.44. Financial Assets

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

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

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## ACCOUNTING POLICIES

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

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

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

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

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

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

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## ACCOUNTING POLICIES

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

Values are based on the following principles:

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

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

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

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

Values are based on the following principles:

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

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

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## ACCOUNTING POLICIES

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### 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. The Council does not currently have any such material interests that require group accounts to be prepared. 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****Disclaimer of opinion on the financial statements**

We were appointed to audit the financial statements of Derbyshire County Council ("the Council") for the year ended 31 March 2024, 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 2023-24.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Basis for disclaimer of opinion**

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2024, by 28 February 2025 ('the backstop date').

The backstop date introduced by the Amendment Regulations has impeded our ability to complete the necessary audit procedures in relation to the valuation of buildings which have been valued based on depreciated replacement cost. There has been insufficient time to perform all necessary procedures. Consequently, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on these financial statements.

**Responsibilities of the Director of Finance for the financial statements**

As explained more fully in the Statement of Responsibilities, the Director of Finance 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 2023-24, 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.

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

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The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 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 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 responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council. 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.

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 view 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 2024.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Council's arrangements for the year ended 31 March 2024:

## AUDITOR'S OPINION – DERBYSHIRE COUNTY COUNCIL ACCOUNTS

<b>Significant weakness in arrangements</b>	<b>Recommendation</b>
<p><b>Financial Sustainability</b></p> <p>The Council has relied on reserves to support its financial position in 2023-24 and fell significantly short on its aggregated target savings for 2023-24. In our view the level of unachieved savings, and the significant planned and unplanned use of reserves to fund the resulting budget gap is evidence of a significant weakness in the Council's arrangements for financial sustainability.</p> <p>In addition, the 2023-24 service plans were finalised after the budget had been approved. We believe the lack of connection between financial and operational plans is further evidence of a significant weakness in the Council's arrangements for financial sustainability.</p>	<p>The Council should develop sustainable, deliverable financial plans to ensure services can be provided within available resources.</p>
<p><b>Governance</b></p> <p>The Head of Internal Audit's report for 2023-24 gave a limited opinion on the adequacy and effectiveness of the Council's framework of governance, risk management, and control because of a high proportion of audits in year that gave limited assurance opinions, and the lack of clear evidence that previous audit recommendations raised had been fully implemented. In our view the Head of Internal Audit opinion, and the reasons underpinning it, is evidence of a significant weakness in the Council's governance arrangements.</p>	<p>The Council should appropriately respond to recommendations made by internal audit, take actions to address those recommendations, and implement robust monitoring processes to track progress made against internal audit recommendations.</p>

### **Responsibilities of the Council**

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

### **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.

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

### **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.

**Certificate**

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- our work on an objection raised in relation to the Council's financial statements for the year ended 31 March 2024.

Daniel Watson, Key Audit Partner For and on behalf of Forvis Mazars LLP

One St Peter's Square  
Manchester  
M2 3DE

28 February 2025

# **Statement of Accounts Derbyshire Pension Fund 2023-24**

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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 350 participating employers and approaching 110,000 membership records, relating to almost 95,000 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). The profile of the Pension Fund is gradually maturing, benefit payments exceeded contribution payments during 2023-24 including the impact of transfers, however, the Fund continues to be cashflow positive including investment income.

In August 2023, the Fund achieved signatory status to the Financial Reporting Council's UK Stewardship Code 2020, which sets high standards for those investing on behalf of savers and pensioners by promoting transparency and accountability.

The Pensions and Investments Committee approved an updated Investment Strategy Statement in March 2024, which included a further switch in the strategic asset allocation benchmark from growth to income assets, to come into effect from 1 April 2024, reflecting the continued improvement in the Pension Fund's funding level. Committee also approved an updated Responsible Investment Framework and an updated Climate Strategy which included increased and expanded climate-related targets following the significant progress made in reducing the carbon footprint of the Fund's equity portfolio and increasing the proportion of Fund assets invested in low carbon and sustainable investments.

At the end of March 2024, the value of the Fund's investments assets had risen to just under £6.5bn, returning 9.3% over the year. The Fund underperformed its benchmark on a relative basis over 1 year but was in line with the benchmark over 3 years and continued to outperform the benchmark over 5 and 10 years.

Equity markets performed strongly in 2023-24 with the FTSE All World Index returning 21% in Sterling terms. Equity market performance was dominated by a small handful of US technology stocks, driven by strong earnings growth and growing excitement about the potential for Artificial Intelligence. Broader market gains were driven by greater than expected economic resilience and easing inflation increasing the prospect of lower interest rates.

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## **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

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In the UK, consumer price inflation had fallen from a peak of 11.1% in October 2022 to 3.2% by March 2024. In the US, consumer price inflation had fallen to 3.5% in March 2024, from a peak of 9.1% in June 2022. The Bank of England continued raising interest rates until August 2023, with three increases taking rates from 4.25% in March 2023 to 5.25% in August 2023, the highest level since March 2008, with no further rises during the year. In the US, the Federal Reserve continued increasing the target range for the federal funds rate until July 2023, with two increases taking the target range from 4.75-5% in March 2023 to 5.25%-5.5% in July 2023, its highest level since early 2001, with interest rates subsequently on hold.

Returns from the major equity markets were positive during the year, ranging from 26.8% in North America to 6.2% in Emerging Markets. Government bond returns were generally poor over the year, as expectations for rate cuts faded as core inflation proved to be stickier than forecast.

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, private equity and indirect property funds. The Fund expects further assets to be transitioned into LGPSC pooled products in 2024-25.

The final regulations to implement the McCloud remedy in the LGPS were laid on 8 September 2023 and came into force on 1 October 2023. The implementation of the remedy is a significant administrative undertaking for the Fund, with an estimated 28,000 in-scope cases needing to be investigated. An allowance for the expected benefit change (subsequently confirmed by the final regulations) was included in the 2022 actuarial valuation.

Registrations on My Pension Online (MPO), the Fund's member self-service system, and employer onboarding to i-Connect, continued to progress, with over 36% of the Pension Fund's combined active and deferred members registered on MPO and employers representing around 94% of the Fund's membership using i-Connect, the automated data submission and validation 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 almost 95,000 members, either active contributors, pensioners, or deferred pensioners:

	Actuals		
	31 Mar 2022	31 Mar 2023	31 Mar 2024
Contributors	38,170	38,025	37,503
Pensioners and Dependants	33,699	34,751	36,178
Deferred Pensioners	33,634	34,866	35,797

### 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	2023-24	2024-25
Derbyshire County Council	20.8% plus £0.582m	20.8% plus £0.582m
Derby City Council	20.3% plus £0.883m	20.3% plus £0.883m
Amber Valley Borough Council	21.1% plus £0.631m	21.1% plus £0.566m
Bolsover District Council	20.8% plus £0.262m	20.8% plus £0.262m
Chesterfield Borough Council	20.4% plus £0.726m	20.4% plus £0.726m
Derbyshire Dales District Council	20.5% plus £0.192m	20.5% plus £0.192m
Erewash Borough Council	20.7% plus £0.502m	20.7% plus £0.502m
High Peak Borough Council	20.9% plus £1.227m	20.9% plus £1.147m
North East Derbyshire District Council	20.6% plus £0.901m	20.6% plus £0.901m
South Derbyshire District Council	20.3% plus £0.174m	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 2023-24 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 2024-25.

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# **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

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## **Investment Policy**

During 2023-24, 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 2023-24. 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.

Subsequent to 31 March 2024, the Fund has changed its benchmark asset allocation, with a further 5% switch from Growth Assets to Income Assets, together with some further switches of the Fund's regional equity allocations into Global Sustainable Equities. The Fund expects the changes will be implemented over 2024-25.

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 2024, compared to those of its strategic benchmark, as well as the impact of inflation on Fund returns.

## PENSION FUND ACCOUNTS EXPLANATORY FOREWORD

Periods to 31 Mar 2024	Return		Inflation	Derbyshire Pension Fund Real Return
	Derbyshire Pension Fund	Benchmark	CPI	Versus CPI Inflation
	% pa	% pa	%	%
1 Year	9.3	10.0	3.2	6.1
3 Years	4.4	4.4	6.7	(2.3)
5 Years	5.6	5.4	4.4	1.1
10 Years	7.0	6.7	2.9	4.1

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 the benchmark on a five and ten-year basis and was in line with benchmark on a three-year basis. The Fund underperformed the benchmark by 70 basis points in 2023-24, albeit it should be noted that the Fund still returned +9.3% over this period. It is important to note that the Fund has delivered real returns over the long-term, with returns ahead of inflation on a five and ten-year basis. Global inflation increased significantly in 2022-23, with UK inflation peaking at 11.1% in October 2022, reflecting rising energy costs and tight global supply chains following the Covid-19 pandemic. In response to rising inflation, the major central banks increased interest rates to slow down economic activity and reduce inflation. In the UK, the Bank of England raised interest rates from a record low of 0.10% in March 2020 to 5.25%, a sixteen year high, by March 2024. UK inflation gradually fell in 2023-24, falling to 3.2% by March 2024.

Equity markets reported strong gains in 2023-24, with the FTSE All World reporting a total return of 21.0% in Sterling terms. Falling inflation, together with growing market expectations that the major central banks would start to reduce interests, created a sizeable tailwind for equity investors. In particular, equity market performance was dominated by the Magnificent Seven; seven mega-cap US technology stocks comprising Apple, Microsoft, Google parent Alphabet, Amazon, Nvidia, Meta Platforms and Tesla. These seven stocks now account for around 30% of the US equity market and delivered an average return in excess of 80% in 2023-24, driven by strong earnings growth and expectations around the growth potential for Artificial Intelligence, which the market expects to be a significant growth area from process and task automation and multi-media content creation.

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## **PENSION FUND ACCOUNTS EXPLANATORY FOREWORD**

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By asset class, equity returns to Sterling investors in 2023-24 ranged from 26.8% in North America to 6.2% in Emerging Markets. UK Equities returned 8.4%. The FTSE All World returned 21.0% in Sterling terms, rising to 23.6% in US dollar terms, as Sterling strengthened relative to the US dollar. Government bond returns were generally poor in 2023-24, as bond yields increased in response to central bank interest rate rises. UK Gilts returned 0.0% and UK Index-Linked bonds returned -5.0%. UK Investment Grade Bonds returned 7.1%. Property returns were negative at -1.0% in 2023-24, albeit these were up from -13.2% in 2022-23.

### **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:

	<b>Assumption</b>
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 been affected by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, 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 increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the bank of England's target (2% p.a.). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher than expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

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**

2022-23 £m		Note	2023-24 £m
	<b>Dealings with Members, Employers and Others Directly Involved in the Fund</b>		
202.768	Contributions	6.21	226.807
17.144	Transfers in from Other Pension Funds		12.463
<b>219.912</b>			<b>239.270</b>
(195.410)	Benefits	7.21	(224.351)
(15.510)	Payments to and on Account of Leavers	8	(27.493)
<b>(210.920)</b>			<b>(251.844)</b>
<b>8.992</b>	<b>Net (Withdrawals)/Additions from Dealings with Members, Employers and Others Directly Involved in the Fund</b>		<b>(12.574)</b>
(33.136)	Management Expenses	9	(33.299)
<b>(24.144)</b>	<b>Net (Withdrawals) Including Fund Management Expenses</b>		<b>(45.873)</b>
	<b>Return on Investments</b>		
71.587	Investment Income	10	91.047
0.008	Taxes on Income	11	2.101
(248.868)	Profits and Losses on Disposal of Investments and Changes in Value of Investments	12	486.227
<b>(177.273)</b>	<b>Return on Investments</b>		<b>579.375</b>
<b>(201.417)</b>	<b>Net Increase/(Decrease) in the Net Assets Available for Benefits During the Year</b>		<b>533.502</b>
6,132.085	Opening Net Assets of the Fund		5,930.668
<b>5,930.668</b>	<b>Closing Net Assets of the Fund</b>		<b>6,464.170</b>

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

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**NET ASSETS STATEMENT**

<b>31 Mar 2023</b>			<b>31 Mar 2024</b>
<b>£m</b>		<b>Note</b>	<b>£m</b>
5,899.509	Investment Assets	12-13	6,448.033
(1.519)	Investment Liabilities	12-13	(1.199)
44.488	Current Assets	15	32.481
(11.810)	Current Liabilities	16	(15.145)
<b>5,930.668</b>	<b>Net Assets of the Scheme Available to Fund Benefits at the Period End</b>		<b>6,464.170</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 20 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, on the assumption that the functions of the authority will continue in operational existence for the foreseeable future, in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 (“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 20 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 14 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 13). The basis of valuation of each class of financial investment asset and liability is set out in Note 13.

### **Actuarial Present Value of Promised Retirement Benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund actuary in accordance with the requirements of IAS19 and relevant actuarial standards, with an actuarial annual roll forward of the value carried out. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits in Note 20 of these accounts.

### **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:

- IFRS 16 Leases issued in January 2016.

The CIPFA/LASAAC Board confirmed in a statement that mandatory implementation of IFRS 16 Leases will go ahead as planned, and the standard will be implemented in the Code for 2024-25.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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IFRS 16 was issued by the International Accounting Standards Board (IASB) in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the Balance Sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as 'pay as you go' arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset. IFRS 16 is therefore an important new standard.

One of the areas of focus for local authorities is the adaptation for the definition of a lease. For the UK public sector this includes leases with nil consideration or peppercorn rents, which will widen the definition of a lease. This will require careful application when identifying a lease and particularly in considering when a contract includes or is a lease.

It also applies to the measurement of lease liabilities for PFI arrangements.

The Fund does not currently have any identified lease arrangements and has not entered into any PFI arrangements. The Fund has therefore concluded that this new standard would not have had a significant impact on the Fund's 2023-24 accounts.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
  - specify that an entity's right to defer settlement must exist at the end of the reporting period;
  - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
  - clarify how lending conditions affect classification; and
  - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants.

The Fund has concluded that, although these amendments provide clarification or lead to improved reporting, they would not have had a significant impact on the Fund's 2023-24 accounts.

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## **PENSION FUND ACCOUNTS**

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

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- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
  - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and
  - targeted disclosure requirements for affected entities.

This is only applicable to local authorities with group accounts and, therefore, would not have impacted on the Fund's 2023-24 accounts.

- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
  - assess how supplier finance arrangements affect an entity's liabilities and cash flows; and
  - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

The Fund has concluded that this amendment has a limited application and would not have impacted on the Fund's 2023-24 accounts.

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

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

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

##### **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 13 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.

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## **PENSION FUND ACCOUNTS**

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

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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.

The value of the Fund's Level 3 assets at 31 March 2024 was £3,570.205m, accounting for 55.4% of total investment assets. The estimated impact of price risk in respect of Level 3 assets is  $\pm 6.0\%$ , equating to £214.212m at 31 March 2024. 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 13 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 2024.

The global economy continues to show growth, albeit this differs by country, and concerns that the global economy would experience a 'hard-landing' following the sharp rise in inflation following the Covid-19 pandemic have subsided. Whilst global inflation has fallen over the last twelve months, as the major central banks increased base rates, core inflation remains persistent. Financial markets remain volatile with market sentiment closely linked to expectations around the timing of future interest rate reductions. Ongoing geopolitical uncertainties and tensions are also having an impact on market sentiment, and many developed market nations have elections across 2024-25, which may also have an impact on markets.

On 25 July 2024, the Court of Appeal dismissed the appeal in the Virgin Media Limited v NTL Pension Trustees case. HM Treasury is currently assessing whether there are any implications from this ruling for public service pension schemes.

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

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**6. Contributions**

	<b>2022-23</b>	<b>2023-24</b>
	<b>£m</b>	<b>£m</b>
<b>Employers</b>		
Normal	121.244	168.017
Deficit Funding	34.722	7.852
<b>Members</b>		
Normal	46.802	50.938
	<b>202.768</b>	<b>226.807</b>

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

Employers' contributions rates payable in 2023-24 were set as part of the 2022 valuation which revealed an overall funding level of 100%.

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. Derbyshire County Council did not pay advance employer contributions to the Fund for 2023-24.

On 1 April 2022, Derby Homes Limited paid employer contributions of £2.484m to the Fund, for 2022-23. These contributions were accounted for in 2022-23 as £2.385m of employer normal contributions and £0.099m of employer deficit funding contributions. An additional cash payment of £0.144m was paid to the Fund on 11 May 2023, in accordance with the Derby Homes 2022-23 Rates and Adjustments Certificate agreed with the Actuary. Derby Homes Limited did not pay advance employer contributions to the Fund for 2023-24.

An analysis of contributions by participating employer type is disclosed in Note 21 of these accounts.

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

**7. Benefits**

	<b>2022-23</b>	<b>2023-24</b>
	<b>£m</b>	<b>£m</b>
Pensions	155.695	175.977
Commutation of pensions and lump sum retirement benefits	33.284	42.843
Lump sum death benefits	6.431	5.531
	<b>195.410</b>	<b>224.351</b>

An analysis of benefits by participating employer type is disclosed in Note 21 of these accounts.

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

	<b>2022-23</b>	<b>2023-24</b>
	<b>£m</b>	<b>£m</b>
Refund of contributions to members leaving the Fund	0.709	0.784
Group transfers out to other pension funds	0	3.907
Individual transfers out to other pension funds	14.801	22.802
	<b>15.510</b>	<b>27.493</b>

**9. Management expenses**

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

	<b>2022-23</b>	<b>2023-24</b>
	<b>£m</b>	<b>£m</b>
Investment management expenses	28.257	28.331
Administrative costs	3.119	3.129
Oversight and governance costs	1.760	1.839
	<b>33.136</b>	<b>33.299</b>

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

Oversight and governance costs include external audit fees of £0.120m (2022-23: £0.038m), which are comprised of a scale fee of £0.109m for the 2023-24 audit (2022-23: £0.026m) and additional audit fees of £0.011m estimated in respect of 2021-22 and 2022-23 work, including 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 2023-24 are estimated to be £0.022m (2022-23: £0.018m).

#### 10. Investment income

	<b>2022-23</b>	<b>2023-24</b>
	<b>£m</b>	<b>£m</b>
Income from equities	10.564	10.301
Income from bonds	10.502	12.155
Net rents from properties	15.229	16.312
Income from pooled investment vehicles	32.143	45.566
Interest on cash deposits	3.149	6.713
	<b>71.587</b>	<b>91.047</b>

Income from equities decreased by £0.263m in 2023-24, to £10.301m (2022-23, £10.564m), 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 £13.423m in 2023-24, to £45.566m (2022-23, £32.143m), reflecting increased allocations to income generating asset classes such as infrastructure and private debt which are managed through pooled investment vehicles, together with a recovery in income levels following the Covid-19 pandemic. The increase of £1.083m in respect of net rent from properties, from £15.229m in 2022-23 to £16.312m in 2023-24, principally reflects the fact that the Fund added six new properties to the direct property portfolio in 2022-23. The increase in interest on cash deposits principally reflects the impact of increases in the Bank of England's UK Bank Rate.

Rents from properties are net of £0.350m of property expense (2022-23, net of £0.795m of property expense), which includes a £0.247m credit loss allowance income adjustment for property rent debtors at the year-end (2022-23, £0.101m credit loss expense allowance). 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.

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

**11. Taxes on income**

	2022-23	2023-24
	£m	£m
Taxation payable	(0.008)	(2.101)

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.

**12. Investment assets and liabilities**

	Value at 31 Mar 2023	Purchases & hedging payments	Sales & hedging receipts	Profits & losses on disposal of investments & changes in value of investments	Value at 31 Mar 2024
	£m	£m	£m	£m	£m
<b>Investment assets</b>					
Equities	297.381	2.438	(69.874)	6.555	236.500
Bonds	574.839	168.428	(49.574)	(24.529)	669.164
Pooled investment vehicles	4,595.156	332.438	(393.720)	502.794	5,036.668
Properties	331.275	1.104	0	(11.079)	321.300
Currency hedging contracts	0.988	1,432.880	(1,446.345)	12.486	0.009
	5,799.639	1,937.288	(1,959.513)	486.227	6,263.641
Cash deposits & short term loans	93.917			0	147.077
Other investment balances	5.953			0	37.315
	<b>5,899.509</b>			<b>486.227</b>	<b>6,448.033</b>
<b>Investment liabilities</b>					
Other investment balances	(1.519)			0	(1.199)
	<b>(1.519)</b>			<b>0</b>	<b>(1.199)</b>
	<b>5,897.990</b>			<b>486.227</b>	<b>6,446.834</b>

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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The total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities has increased the Fund's value by £486.227m during 2023-24 (2022-23, £248.868m decrease). This total includes all increases and decreases in the market value of investments held at any time during the year and profits and losses realised on sales of investments during the year. All net gains and losses on financial instruments relate to financial assets held at fair value through profit and loss. In 2023-24, net gains on financial assets and financial liabilities measured at fair value are £497.306m (2022-23, £198.866m net losses). 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.

At 31 March 2024 the Fund's investments accounting for more than 5% of the total value of the Fund's net assets available for benefits were:

- LGIM MSCI World Low Carbon Target Index Fund £907.812m, representing 14.0% (2023, £677.564m, 11.4%).
- LGIM UK Equity Index Fund £703.210m, representing 10.9% (2023, £774.200m, 13.1%).
- LGPS Central All World Equity Climate Multi Factor Fund £373.231m, representing 5.8% (2023, £314.073m, 5.3%).
- LGPS Central Global Active Corporate Bond Fund A (Acc) £365.851m, representing 5.7% (2023, £337.078m, 5.7%).
- RBC Global Equity Focus Fund £433.653m, representing 6.7% (2023, £378.812m, 6.4%).

The 2022-23 position was:

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

	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	(50.002)	331.275
Currency hedging contracts	0	0	0	0.988	0.988
	<b>5,904.532</b>	<b>462.620</b>	<b>(333.810)</b>	<b>(233.703)</b>	<b>5,799.639</b>
Cash deposits & short term loans	182.079			0	93.917
Other investment balances	5.401			0	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
Other investment balances	(2.388)			0	(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>

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts relating to sovereign fixed income holdings and the Fund's Infrastructure, Multi-Asset Credit and Indirect Property investments. 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 £383.516m (2023, two contracts, with less than six months to expiry, with a gross contract value of £360.439m).

Pooled investment vehicles are further analysed below:

**PENSION FUND ACCOUNTS**  
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	31 Mar 2023	31 Mar 2024
	£m	£m
<b>Pooled Investment Vehicles</b>		
Equities	2,928.709	3,261.249
Bonds	806.664	883.161
Property	135.416	124.709
Private Equity	201.763	216.143
Infrastructure	522.604	551.406
	<b>4,595.156</b>	<b>5,036.668</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 2023		31 Mar 2024	
	£m	%	£m	%
In-house	2,887.344	48.9	3,089.190	47.9
Colliers Capital Holdings Ltd	333.903	5.7	323.065	5.0
Legal and General Investment Management	1,775.302	30.1	1,905.869	29.6
LGPS Central Ltd	837.538	14.2	1,128.710	17.5
Wellington Management International Ltd	63.903	1.1	0	0.0
	<b>5,897.990</b>	<b>100.0</b>	<b>6,446.834</b>	<b>100.0</b>

### 13. 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.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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- Level 3 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.
- 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 2024, 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 2023	31 Mar 2024
	£m	£m
<b>Financial Assets at Fair Value through Profit or Loss</b>		
<b>Level 1</b>		
UK quoted equities	231.229	232.937
Overseas quoted equities	64.837	2.247
UK quoted bonds	476.558	570.584
Overseas quoted bonds	97.596	97.895
	<b>870.220</b>	<b>903.663</b>
<b>Level 2</b>		
Property - quoted pooled investment vehicles	13.980	15.720
Other quoted pooled investment vehicles	1,518.493	1,772.044
UK unquoted equities*	1.315	1.315
UK unquoted bonds	0.685	0.685
Currency hedging contracts	0.988	0.009
	<b>1,535.461</b>	<b>1,789.773</b>
<b>Level 3</b>		
Property – unquoted pooled investment vehicles	121.436	108.989
Other unquoted pooled investment vehicles	2,941.247	3,139.916
UK freehold properties (non-financial instruments)	279.275	270.450
UK leasehold properties (non-financial instruments)	52.000	50.850
	<b>3,393.958</b>	<b>3,570.205</b>
<b>Financial Assets at Amortised Cost</b>		
Sterling cash deposits	22.481	27.077
Money market funds	30.000	120.000
Other Sterling short term loans	40.000	0
Foreign currency	1.436	0
Other investment balances	5.953	37.315
	<b>99.870</b>	<b>184.392</b>
<b>Other Assets - Current Assets</b>	44.488	32.481
<b>Financial Assets</b>	<b>5,943.997</b>	<b>6,480.514</b>

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

	31 Mar 2023	31 Mar 2024
	£m	£m
<b>Financial Liabilities at Amortised Cost</b>		
Other investment balances	(1.519)	(1.199)
	<b>(1.519)</b>	<b>(1.199)</b>
<b>Other Liabilities - Current Liabilities</b>	<b>(11.810)</b>	<b>(15.145)</b>
<b>Financial Liabilities</b>	<b>(13.329)</b>	<b>(16.344)</b>
	<b>5,930.668</b>	<b>6,464.170</b>

\*The Fund had £1.315m invested in share capital and £0.685m in a loan to LGPSC at 31 March 2024 (31 March 2023: £1.315m and £0.685m, respectively). This share capital investment in LGPSC is carried at cost, which approximates to fair value at 31 March 2024 (31 March 2023, carried at cost, which approximates to fair value).

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

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**  
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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 2023-24:

	Value at 31 Mar 2023	Transfers to Level 2	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	Value at 31 Mar 2024
	£m	£m	£m	£m	£m	£m	£m
<b>Financial Assets</b>							
<b>Level 3</b>							
<b>Pooled investment vehicles</b>							
Property – unquoted	121.436	0	1,366	(8,660)	(6,930)	1,777	108,989
Other unquoted	2,941.247	- 19,408	160,026	(269,037)	293,629	33,459	3,139,916
<b>Properties</b>							
UK freehold (non-financial instruments)	279,275	0	1,104	0	(9,929)	0	270,450
UK leasehold (non-financial instruments)	52,000	0	0	0	(1,150)	0	50,850
	<b>3,393.958</b>	<b>- 19,408</b>	<b>162,496</b>	<b>(277,697)</b>	<b>275,620</b>	<b>35,236</b>	<b>3,570,205</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 2022-23 position was:

	Value at 31 Mar 2022	Purchases	Sales	Unrealise d 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	(46,452)	0	279,275
UK leasehold (non-financial instruments)	55,550	0	0	(3,550)	0	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>

## 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 2024 above are likely to be accurate to within the ranges set out in the sensitivity analysis below:

	Value at 31 Mar 2024 £m	Assessed valuation range %	Value on increase £m	Value on decrease £m
<b>Level 3 sensitivity</b>				
Direct property (non-financial instruments)	321.300	10.0	353.430	289.170
Diversified multi-asset credit funds	259.452	5.0	272.425	246.479
Equity index tracking funds	1,906.072	2.0	1,944.193	1,867.951
Indirect property	108.989	15.0	125.337	92.641
Infrastructure	551.407	12.5	620.333	482.481
Private debt	206.841	10.0	227.525	186.157
Private equity	216.144	15.0	248.566	183.722
	<b>3,570.205</b>	<b>6.0</b>	<b>3,784.417</b>	<b>3,355.993</b>

The position at 31 March 2023 was:

	Value at 31 Mar 2023 £m	Assessed valuation range %	Value on increase £m	Value on decrease £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>

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

#### 14. 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 amount of AVC contributions paid by members during 2023-24 was £4.045m (2022-23: £2.939m).

The total value of funds provided by separately invested AVC contributions at 31 March 2024 was £17.473m (31 March 2023: £14.699m).

#### 15. Current assets

	31 Mar 2023	31 Mar 2024
	£m	£m
Employers' contributions due	8.896	12.543
Employees' contributions due	2.487	3.352
Sundry debtors	1.328	1.592
Cash balance	31.777	14.994
	<b>44.488</b>	<b>32.481</b>

Employers' and employees' contributions due at 31 March 2024 have been received since the year-end.

As at 31 March 2024, the Fund was owed rent and service charges totalling £0.260m in respect of 2023-24 (31 March 2023, the Fund was owed rent totalling £0.667m in respect of 2022-23). 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 £0.049m against these rents (2022-23: £0.296m).

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

#### 16. Current liabilities

	31 Mar 2023	31 Mar 2024
	£m	£m
Unpaid benefits	3.027	2.905
Sundry creditors	6.673	8.685
Amounts owed to Derbyshire County Council	2.110	3.555
	<b>11.810</b>	<b>15.145</b>

#### 17. 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 2023-24 are charges from the Council of £3.360m (2022-23: £3.071m), 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 2024 the Fund owed the Council £3.555m (31 March 2023: the Fund owed the Council £2.110m).

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 2024 (31 March 2023: £1.315m and £0.685m, respectively) and was owed interest of £0.065m on the loan to LGPSC on the same date (2022-23: £0.047m).

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## **PENSION FUND ACCOUNTS**

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

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The Fund incurred costs of £0.200m associated with LGPSC Investment Management and Monitoring Costs in respect of an Active Global Sustainable Equity Broad Strategy sub-fund, an Active Global Sustainable Equity Targeted Strategy sub-fund, 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 2023-24 (2022-23: £0.164m), of which £0.036m was payable to LGPSC at 31 March 2024 (31 March 2023: £0.041m). The charge excludes fees paid to the underlying investment managers of £1.903m in 2023-24 (2022-23: £1.265m), with the increase between 2022-23 and 2023-24 reflecting an increase in the level of investment assets managed through LGPSC products.

The Fund incurred £1.211m in respect of Governance, Operator Running and Product Development costs in connection with LGPSC in 2023-24 (2022-23: £1.065m), of which £0.329m was payable to LGPSC at 31 March 2024 (31 March 2023: £0.332m).

The Fund incurred Partner Fund Support Office costs of £0.029m in 2023-24 (2022-23: nil). These costs were incurred by West Midlands Pension Fund (one of the LGPS pension funds comprising the LGPSC Pool) and were recharged to the Fund, of which £0.018m was payable to West Midlands Pension Fund at 31 March 2024 (31 March 2023: nil).

LGPSC leased office space from the Council. The lease commenced on 14 June 2018 and was for a duration of five years, with a break clause at 30 June 2021. In 2023-24, LGPSC notified the Council that it was not renewing the lease on expiry in June 2023. The rental income received by the Council from LGPSC in 2023-24 amounted to £0.003m (2022-23: £0.015m). There was no amount due at 31 March 2024 (31 March 2023: £0.015m).

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 asset at 31 March 2024 (calculated annually at the year-end) amounted to £0.047m (31 March 2023: pension liability £0.665m). Derbyshire Pension Fund's share of this LGPSC IAS19 pension asset at 31 March 2024 was £0.006m (31 March 2023: pension liability £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.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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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.

#### 18. Investment commitments

At the end of the financial year, investment commitments in respect of future payments were:

	31 Mar 2023	31 Mar 2024
	£m	£m
Unquoted investments	277.517	424.928

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.

#### 19. Financial instruments

Many requirements of the financial instruments standards (IAS 39, IAS 32, IFRS 7 and IFRS 9), which govern the recognition, measurement, presentation, and disclosure of financial instruments, are not applicable to the Fund's accounts, since all material financial instruments are carried in the net assets statement at fair value.

#### Nature and extent of risks arising from financial instruments

Certain financial risks are a necessary and appropriate component of the investment strategy of the Fund in order for it to achieve the targeted long-term rate of return assumed by the Fund Actuary. This rate of return is used in drawing up the Funding Strategy Statement and setting employer contribution rates.

The overall financial risk for the Fund is that its assets could be insufficient to meet its liabilities to pay benefits. At the financial instrument level, the Fund's key risks are:

- **Credit risk** – the risk of the Fund suffering loss due to another party defaulting on its financial obligations.
- **Liquidity risk** – the risk that funds might not be available to meet commitments because the Fund's assets are not readily marketable or easily turned into cash.
- **Market risk** – the risk that the Fund's financial instruments may suffer an adverse change in value, which is common to an entire class of assets or liabilities.

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

Responsibility for Fund investments has been delegated to the Council's Pensions and Investments Committee (the Committee). Day to day responsibility for the management of the Fund is delegated to the Director of Finance; 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 2024, the Fund was owed rent and service charges totalling £0.260m (31 March 2023, the Fund was owed rent totalling £0.667m). 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 £0.049m (31 March 2023, £0.296m) against these rents and service charges in Note 15, Current Assets, calculated based on a tier risk rating system, using information provided by both the in-house investment management team and the discretionary direct property manager.

	Rental and Service Charge Income Debt £m	General Loss Allowance £m	Total Loss Allowance 31 Mar 2024 £m
<b>Property Rental and Service Charge Income</b>	0.260	0.049	0.049

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

A reconciliation of the opening and closing balances of the potential credit losses on the Fund's financial assets for the year ended 31 March 2024 is provided as follows:

	Value at 31 Mar 2023 £m	Change in average default risk rate £m	Value at 31 Mar 2023 £m
<b>Credit Loss Allowance</b>	0.296	(0.247)	0.049

**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 2023-24 was approved by the Pensions and Investments Committee on 8 March 2023.

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 £162.071m (2023, £125.694m) 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 2024 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. At 31 March 2024, the Fund had £14.994m (2023, £31.777m) in its operational account with Lloyds Bank.

**Forward currency contracts** – Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the US Dollar and Euro currency risk on sovereign fixed income holdings and the Fund's Infrastructure, Multi-Asset Credit and Indirect Property investment assets, the value of which comprise 5.9% (2023, 6.1%) 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.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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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 £383.516m (2023, two contracts, with less than six months to expiry, with a gross contract value of £360.439m). 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 12 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 £0.009m (31 March 2023, £0.988m investment asset).

**Other financial assets** – Bonds mainly include investments in UK and US Government securities and certain corporate bond funds. The Fund does not expect any losses from non-performance by any of its counterparties in relation to these financial assets.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets as they are marked to market. The market value of financial assets represents the Fund's exposure to credit risk in relation to those assets.

The selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur during settlement of transactions.

#### **Liquidity risk**

The Fund continues to be cash flow positive, with combined contributions and investment income exceeding benefit payments. There is, therefore, no present requirement to realise assets in order to meet liabilities to pay benefits, as these are more than covered by contributions and investment income, and there is net cash available for investment. The Fund does, however, sell investments from time to time as part of normal investment management activities.

The majority of the Fund's investments are readily marketable and may be easily realised, if required. Emphasis is placed on treasury deposits of up to six months' duration to ensure that longer term investment strategy is not compromised by lack of liquidity. Listed equities may also be liquidated at short notice, normally two working days. Holdings of investments which may be less easy to realise are limited. In 2022-23 and 2023-24, Pensions and Investments Committee guidelines limited investments in Property to 12%, Multi Asset Credit to 8%, Infrastructure to 13% and Private Equity to 6%. On 1 April 2024 these limits were increased as follows: Property to 12.5% (increasing to 13.0% on 1 April 2025), Multi Asset Credit to 8.5% (increasing to 9.0% on 1 April 2025), Infrastructure to 14.5% (increasing to 16.0% on 1 April 2025) and Private Equity to 8.0%.

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.

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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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 (2023, nil).

#### **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 sensitivity analysis for each of these risks are in the subsequent sections below.

The objective of market risk management is to manage and control market risk exposure to within acceptable parameters, whilst optimising the return on risk. Excessive volatility in market risk is managed through diversification. Risk reduction arises from the different investments not being perfectly correlated.

The Fund has applied diversification at various levels; that is, diversification between countries, asset classes, sectors and individual securities. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

Risk of exposure to specific markets is limited by adhering to defined ranges within the asset allocation guidelines, which are monitored and reviewed by the Committee on a quarterly basis.

**Interest rate risk** – This risk primarily impacts on the valuation of the Fund's bond holdings, in particular the Fund's sovereign bond, non-Government investment grade bonds and diversified multi-asset credit portfolios. Interest rate sensitivity can be estimated by multiplying an assumed change in the prevailing market interest rate by the portfolio benchmark duration. The table below shows the estimated impact of a  $\pm 100$  basis points ( $\pm 100$  bps) in the prevailing market interest rate for these assets.

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

	Value at	Benchmark	Change in	Effect	Effect
	31 Mar 2024	duration	prevailing	-100bps	+100bps
	£m	Years	market	£m	£m
			interest rate		
<b>Asset type</b>					
Conventional gilts	324.879	8.53	±100bps	27.712	(27.712)
Index-linked bonds	343.600	15.47	±100bps	53.155	(53.155)
Non-Government investment grade bonds	365.851	7.15	±100bps	26.158	(26.158)
Short dated investment grade bonds	51.016	2.77	±100bps	1.413	(1.413)
Diversified multi-asset credit funds	259.452	1.09	±100bps	2.815	(2.815)
<b>Total change in asset values</b>	<b>1,344.798</b>			<b>111.253</b>	<b>(111.253)</b>

The position at 31 March 2023 was:

	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	±100bps	26.100	(26.100)
Index-linked bonds	291.383	16.99	±100bps	49.506	(49.506)
Non-Government investment grade bonds	337.078	6.67	±100bps	22.483	(22.483)
Short dated investment grade bonds	47.589	2.67	±100bps	1.270	(1.270)
Diversified multi-asset credit funds	231.352	1.00	±100bps	2.314	(2.314)
<b>Total change in asset values</b>	<b>1,190.173</b>			<b>101.673</b>	<b>(101.673)</b>

A 100 basis points increase in the prevailing market interest rate would reduce the aggregate value of the identified assets by an estimated £111.253m (2023, £101.673m), whereas a 100 basis points reduction in the prevailing market interest rate would increase the aggregate value of the identified assets by a comparable amount. It should also be noted that both non-Government investment grade bonds and diversified multi-asset credit funds are also sensitive to changes in the interest rate spread, which is the interest rate received relative to sovereign bonds, which can either increase (reducing asset values) or reduce (increasing asset values).

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

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## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

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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 2024 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 31 Mar 2024 £m	Change on increase on decrease %	Value on increase £m	Value on decrease £m
<b>Underlying asset type</b>				
Government bonds - Short Term	115.992	2.0	118.312	113.672
Government bonds - Medium Term	125.265	5.8	132.530	118.000
Government bonds - Long Term	83.632	7.2	89.654	77.610
Government index-linked bonds - Short Term	58.868	4.1	61.282	56.454
Government index-linked bonds - Medium Term	102.028	7.1	109.272	94.784
Government index-linked bonds - Long Term	182.704	8.4	198.051	167.357
Corporate bonds	417.552	7.0	446.781	388.323
UK equities	758.042	16.0	879.329	636.755
Overseas equities	2,238.274	16.7	2,612.066	1,864.482
Emerging market equities	291.175	23.0	358.145	224.205
Private equities	325.456	31.2	426.998	223.914
Infrastructure	652.350	13.6	741.070	563.630
Multi asset credit	466.294	7.1	499.401	433.187
Cash	147.077	0.3	147.518	146.636
Other investment balances	36.116	0.0	36.116	36.116
Properties (non-financial instruments)	446.009	15.6	515.586	376.432
<b>Total investment assets and liabilities</b>	<b>6,446.834</b>	<b>10.5</b>	<b>7,123.752</b>	<b>5,769.916</b>

The position at 31 March 2023 was:

**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>

**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 2024 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 2024 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 31 Mar 2024 £m	Change %	Value on increase £m	Value on decrease £m
<b>Underlying asset type</b>				
Overseas index-linked bonds	76.913	0.0	76.913	76.913
Overseas bonds	20.983	0.0	20.983	20.983
Overseas equities	2,238.274	9.3	2,446.433	2,030.115
Overseas private equities	109.471	8.8	119.104	99.838
Overseas infrastructure	226.419	0.0	226.419	226.419
Overseas multi asset credit	69.743	0.0	69.743	69.743
Overseas properties (funds)	45.043	0.0	45.043	45.043
<b>Overseas investment assets</b>	<b>2,786.846</b>	<b>7.8</b>	<b>3,004.639</b>	<b>2,569.053</b>

The position at 31 March 2023 was:

	Value at 31 Mar 2023 £m	Change %	Value on increase £m	Value on decrease £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>

**20. 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 2024 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.*

	<b>31 Mar 2023</b>	<b>31 Mar 2024</b>
	<b>£m</b>	<b>£m</b>
<i>Active members</i>	2,358.000	2,508.000
<i>Deferred members</i>	1,005.000	992.000
<i>Pensioners</i>	2,445.000	2,384.000
<b><i>Present Value of Promised Retirement Benefits</i></b>	<b>5,808.000</b>	<b>5,884.000</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 2024 and 31 March 2023. I estimate that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £323m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £39m.*

#### **Financial assumptions**

	<b>31 Mar 2023</b>	<b>31 Mar 2024</b>
<b><i>Year ended (% p.a.)</i></b>	<b>%</b>	<b>%</b>
<i>Pension Increase Rate (CPI)</i>	2.95	2.75
<i>Salary Increase Rate</i>	3.95	3.75
<i>Discount Rate</i>	4.75	4.85

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

#### **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 2022 model, with a 25% weighting of 2022 data, 0% 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:

	<b>Males</b>	<b>Females</b>
<i>Current Pensioners</i>	20.8 years	23.8 years
<i>Future Pensioners*</i>	21.6 years	25.3 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 are 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>Change in assumption at 31 March 2024</b>	<b>Approximate increase to promised retirement benefits</b> %	<b>Approximate monetary amount</b> £m
<i>0.1% p.a. decrease in the Discount Rate</i>	2%	107
<i>1 year increase in member life expectancy</i>	4%	235
<i>0.1% p.a. increase in the Salary Increase Rate</i>	0%	6
<i>0.1% p.a. increase in the Pension Increase Rate (CPI)</i>	2%	109

Richard Warden FFA

11 April 2024

For and on behalf of Hymans Robertson LLP

The actuarial present value of promised retirement benefits in the Report from the Actuary above is £5,884.000m at 31 March 2024 (31 March 2023, £5,808.000m), compared to the net assets available for benefits at that date of £6,464.170m (31 March 2023, £5,930.668m).

## PENSION FUND ACCOUNTS

### NOTES TO THE PENSION FUND ACCOUNTS

#### 21. 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:

	2022-23		2023-24	
	Benefits	Contribution	Benefits	Contribution
	£m	£m	£m	£m
Derbyshire County Council	91.040	75.686	102.156	80.291
Scheduled Bodies	97.062	121.502	112.820	139.993
Admission Bodies	7.308	5.580	9.375	6.523
	<b>195.410</b>	<b>202.768</b>	<b>224.351</b>	<b>226.807</b>

#### 22. Subsequent Events

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

### Independent auditor's report to the members of Derbyshire County Council

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

##### Opinion on the financial statements of Derbyshire Pension Fund

We have audited the financial statements of Derbyshire Pension Fund ('the Pension Fund') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of material accounting policy information. 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 2023-24.

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 2024, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2024; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023-24.

##### 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, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023-24, 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 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 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 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 2023-24, 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 2023-24 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.

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

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## AUDITOR'S OPINION – PENSION FUND ACCOUNTS

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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 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.

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 Pension Fund 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 Fund which were contrary to applicable laws and regulations, including fraud.

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 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 testing journal entries, significant accounting estimates and significant one-off or unusual transactions.

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.

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## AUDITOR'S OPINION – PENSION FUND ACCOUNTS

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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.

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.

### **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.

Alastair Newall, Key Audit Partner  
For and on behalf of Forvis Mazars LLP  
One St Peter's Square,  
Manchester  
M2 3DE

28 February 2025

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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.

### **Amortised Cost – Other Non-Current Assets**

The cost of intangible assets reduced by the amount of amortisation charged to date.

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## GLOSSARY OF TERMS

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### **Annual Leave**

Yearly entitlement of paid time off for Council staff.

### **Asset Register**

Listing of all property (for example land, buildings, furniture, infrastructure, software) owned by the Council. The register holds all financial information relating to the asset.

### **Assets**

Right or other access to future economic benefits.

### **Assets Held For Sale**

Non-Current Assets which meet the relevant criteria to be classified as held for sale.

### **Assets Under Construction**

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

### **Associates**

An entity (including partnerships) which is not a subsidiary or joint venture, where the Council has significant influence.

### **Authorised For Issue**

The date which the financial statements have been certified by External Audit and signed the relevant Officers and Members of the Council.

### **Balance Sheet**

Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

### **Balance Sheet Date**

The date at which the Council reports its financial statements. For Derbyshire County Council, this date is the 31 March.

### **Bias**

Influence or direction.

### **Billing Authorities**

Councils who are responsible for issuing Council Tax Invoices and collection of income from local residents. The relevant share of that income is then transferred to the Council.

### **Borrowing Requirement**

The amount required to be loaned from Money Markets or other financial institutions or Councils in order to support capital expenditure.

### **Business Rates**

Local property taxation issued to businesses, similar to Council Tax on residential properties. Also known as National Non Domestic Rates (NNDR).

### **Cabinet**

Sub-committee of elected Councillors representing the functions and portfolios of the Council.

### **Capital**

Assets which have a long term value (more than one year) to the Council such as Buildings.

### **Capital Adjustment Account**

Capital reserve largely comprising of resource applied to capital financing and is not available to the Council to support new investment.

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## GLOSSARY OF TERMS

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### **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 effective for financial years 2018-19 to 2022-23.

### **Premium**

A payment made in association with the early repayment of debt.

### **Pre-Payments**

See payment in advance.

### **Present Value**

See Discounted.

### **Previous Year Adjustments**

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

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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.

### **Right-of-Use Asset**

An asset representing the Council's right to use an underlying asset, such as a vehicle or building, for a period of time.

### **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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Phone  :

01629 533190

# Annual Governance Statement 2023-24

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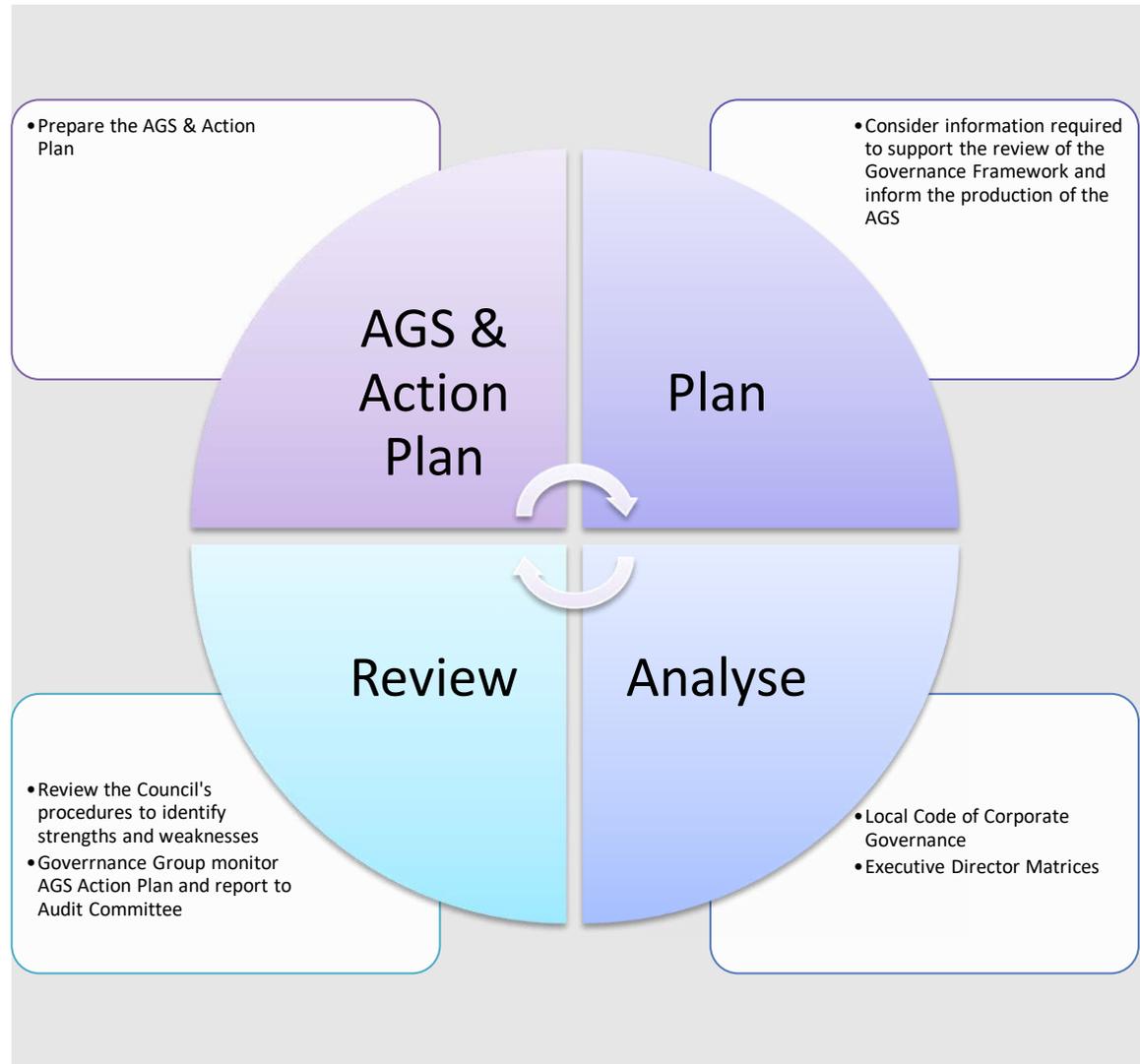
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# ANNUAL GOVERNANCE STATEMENT

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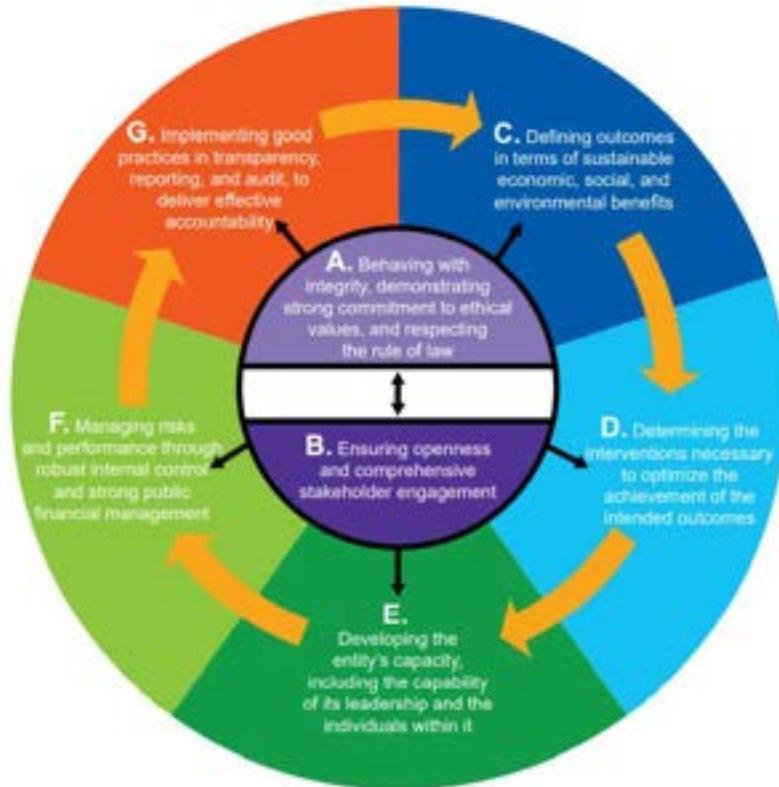
## Introduction and the Purpose of the Governance Framework

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# 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”.

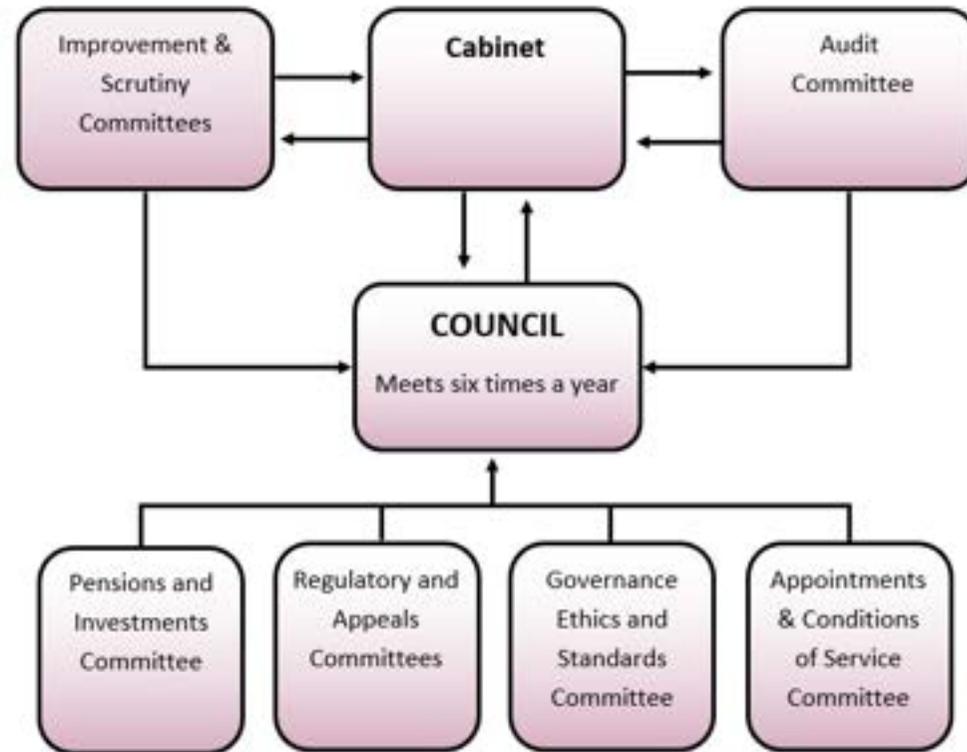
This Statement explains how the Council demonstrates compliance with the Framework whilst meeting the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

# 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 2024 and up to the date of the Statement of Accounts being certified by the Director of Finance.



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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 2023-24**

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Departmental Representatives attend the Governance Group and progress has been made to address the areas for improvement identified in the 2022-23 action plan. Where items have not been completed the Group seeks to assure itself that 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, the Executive Director of Corporate Services and Transformation has continued to chair the meetings throughout 2023-24.

During the year the Local Code of Corporate Governance has been reviewed and approved by Audit Committee and lessons learnt from other public bodies and public interest reports have been considered. 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 2023-24 include:

- Code of Conduct for Officers reviewed, and approval of Council given to remove from the Constitution.
- An updated Code of Conduct for Members.
- Amended list of Budget and Policy Framework policies and strategies.
- Minor amendments to the Petition Scheme.
- Minor amendments to the terms of reference of Audit Committee to include 2 independent co-opted members.
- Members Allowances Scheme for 2024/25 approved.

A review of the Scheme of Delegation also commenced during 2023-24. In addition, the Improvement and Scrutiny Procedure Rules, were reviewed considering the statutory guidance and guidance issued by the Centre of Governance and Public Scrutiny; however, following an update to the statutory guidance, a further review will be carried out prior to consideration of amendments by Governance Ethics and Standards Committee and full Council.

The Council works with the Local Government and Social Care Ombudsman (LGSCO) to respond promptly and effectively to recommendations identifying areas for improvement. The Annual Review Letter of the Local Government & Social Care Ombudsman 2022-23, which was reported to Cabinet on 19 October 2023 and Governance Ethics and Standards Committee

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## ANNUAL GOVERNANCE STATEMENT

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on 26 October 2023, confirmed the Council complied with all the recommended remedies giving a compliance rate of 100%. Of the 97 complaints made, 20 were upheld but, there were no findings of maladministration. In 2023-24 there were 107 complaints made to the LGSCO, The LGSCO issued 80 decisions relating to complaints in 2023-24, of these 45 were upheld but, there were no findings of maladministration. To date the Council has already complied with all the recommended remedies or actions are in progress.

The internal audit annual opinion is a crucial element of the governance and assurance framework within the public sector. It represents the conclusion reached by the Chief Audit Executive (CAE) regarding the adequacy and effectiveness of the organisation's risk management, control, and governance processes for the reporting period. This opinion is essential for providing assurance to senior management and other stakeholders about the organisation's control environment and its capacity to achieve its objectives. For 2023-24 the opinion is one of limited assurance which is reflective of the requirement to improve due to the significant risks being faced by the organisation to achieve its objectives.

The council continues to monitor the views of employees through the employee survey and is developing wellbeing and engagement strategies to support our employees. However, as was noted in this statement last year, there remains pressures in terms of staffing levels and recruitment to certain jobs and roles. To a large extent this is a function of a national shortage of skilled workforce supply which is proving to be a challenge for some services and functions. The consequence of this workforce pressure will increase the strain on front line services and the council's financial position.

The Statement of Accounts for 2022-23 were signed in May 2024, as explained in last year's Annual Governance Statement the delay was caused by a variety of complex technical factors.

The Council continues to face a challenging economic environment. The impact events such as the pandemic and the Russian invasion of Ukraine have led to disruption in global supply chains and inflationary pressures not seen for over twenty years. Whilst current forecasts are for inflation to ease over the course of the next year, the impact on the council's finances over the past two years has been severe. Inflationary pressures and workforce shortages have pushed up the cost of services we provide. In addition to these cost pressures there has been a material increase in the demand for some council services, particularly those related to children's care. Should these pressures not abate and costs for service provision stabilise the council will face a significant financial challenge in the short to medium term. The medium-term Financial Strategy will be refreshed during the coming year to coincide with production of the new Council plan, but to achieve financial stability the council must move away from reliance upon the of reserves to supplement its funding for day-to-day spending.

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## ANNUAL GOVERNANCE STATEMENT

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During 2023-24 the Council was unable to deliver a number of savings proposals. In the immediate short term, over the course of the 2024-25 financial year, the Council must deliver savings and efficiency measures of £40m. The budget preparation was undertaken through extensive engagement with all departments, and ongoing review and scrutiny of draft budget pressure bids and potential savings proposals by the Managing Director, Director of Finance & ICT and Lead Members. Improvements were made to the budget setting process in 2023/24 with budget savings and efficiency proposals being reported to Improvement and Scrutiny Committee, Resources for comment prior to consideration by Cabinet, increasing transparency and enabling budget savings to be reviewed comprehensively before budget decision-making processes commenced.

In addition, governance processes over the delivery of the agreed measures have been improved with the introduction of the Programme Management Office to monitor and report on progress against the targets set. However, there remains significant risks to the council's finances and, as a consequence, delivery of services if the level of savings is not achieved and the council does not operate within its approved budget.

A further new measure to improve assurance for delivery of budget and budget savings was implemented with Executive Directors within the council all being required to agree budget responsibility memos which make clear their accountability for delivering services within their approved budgets.

Embedded within the Digital Strategy, Cloud Technical Infrastructure Strategy, and Digital Services Structure Strategy (ICT Strategy, Target Operating Model and Implementation Plan) are a series of essential deliverables aimed at fortifying our organisational framework. These encompass comprehensive reviews of internal processes to ensure optimal efficiency, a steadfast commitment to adhering to architectural principles for enhanced system robustness, proactive measures towards reducing technical debt to streamline operations, and a pivotal shift towards cloud adoption / integration. The strategic intention to migrate to cloud-based infrastructure will not only modernise our Digital landscape but also significantly bolster our cyber security resilience, positioning us advantageously in safeguarding against emerging threats and vulnerabilities.

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 was 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

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## ANNUAL GOVERNANCE STATEMENT

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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 which is monitored on a quarterly basis and an annual update on progress is also produced, with the next report to be reviewed by Corporate Management Team in July 2024.

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 continues to collaborate 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. In November 2022 a devolution deal was signed by the four upper tier councils of Derbyshire County Council, Nottinghamshire County Council, Derby City Council and Nottingham City Council. Pursuant to this agreement, the East Midlands Combined County Authority was created in February 2024 and met for the first time in March 2024. The County continues to work with EMCCA through its formation and establishment.

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 2024-25.

The Annual Governance Statement for 2023-24 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

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	Strengths	Areas for Improvement
<p><b>Principle A</b></p> <p>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</p>	<p><b>Review</b></p>	<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 Conducts are in place for Members and officers. The Code of Conduct for Employees has been refreshed and updated and communicated in October 2023 to all colleagues. The Members' Code of Conduct was reviewed in 2023 by a working group set up by the Governance, Ethics and Standards Committee and a revised version approved by Council on 27 March 2024.</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. Continued officer awareness of the gifts and hospitality process is provided by departmental reps to ensure the online process is effectively embedded;</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.</li> <li>➤ The Monitoring Officer is responsible for ensuring the lawfulness of decisions taken by Council, Cabinet, Committees and officers;</li> <li>➤ The organisational engagement cycle encourages open and honest feedback from employees on a range of issues with an annual employee engagement survey in place.</li> <li>➤ A process and timetable is in place for production of reports to ensure they are not presented to decision</li> </ul>	<ul style="list-style-type: none"> <li>➤ The Whistleblowing Policy was updated 2021-22 and is due to be reviewed in 2024. Further work is also required to complete and promote a Whistleblowing Referral Form and continue to ensure that the policy is communicated widely, understood and embedded;</li> <li>➤ Employees and Members to be provided with formal ethical awareness training to embed high ethical standards, an understanding of ethical risks and ability to make decisions with integrity and confidence;</li> <li>➤ The corporate complaints procedure requires reviewing</li> <li>➤ The Anti-Money Laundering Policy is reviewed on an annual basis, and has been published on "our Derbyshire" but further internal communication and training needs to be developed;</li> <li>➤ Training for the amended Financial Regulations and Standing Orders needs to be rolled out across the Council;</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> <li>➤ Policies and procedures relating to conflicts of interest require review</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement
		<p>makers without being appropriately considered for legal and financial implications</p> <ul style="list-style-type: none"> <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> <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>	
<p><b>Principle B</b></p> <p>Ensuring openness and comprehensive stakeholder engagement</p>		<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> </ul>	<ul style="list-style-type: none"> <li>➤ Work is underway to review and further develop the Council's approach to resident voice. As part of the organisation's Integrated Strategic Planning Cycle a consultation strategic framework, toolkit timetable of proposed corporate consultation activity for 2024- 25 aligned with strategic drivers for activity is being developed;</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement
		<ul style="list-style-type: none"> <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 Council services as well as identifying residents' priorities;</li> <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>➤ An annual Employee engagement cycle is in place with annual employee survey 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>➤ It is proposed that a redesign of the Partnership Protocol and Toolkit is undertaken. 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 and a mechanism for on-going corporate oversight. ;</li> <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 roll out and embedding;</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	Strengths	Areas for Improvement
	Good	<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>	
<p><b>Principle C</b></p> <p>Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	<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>➤ Further colleague 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. The use of detailed reporting templates has also facilitated a consistent approach to the consideration of potential implications.</li> <li>➤ The Customer Charter requires review and increased awareness raising with colleagues and the public, aligned to the organisation’s wider complaints procedures and development of the customer experience strategy.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement
		<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 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>	
<p><b>Principle D</b></p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<p><b>Review</b></p>	<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>➤ The Council's new Digital Strategy, which describes the council's future approach to Digital, and the Cloud Technical Infrastructure Strategy, which defines the technical infrastructure necessary to deliver the Digital Strategy were completed and agreed by the council in the financial year. The Digital Services Structure Strategy (ICT Strategy, Target Operating Model and Implementation Plan) has been completed since the end of the financial year and agreed by the council. A Digital Transformation Programme is now being planned, to implement the changes described in the three strategies.</li> <li>➤ The Council upgraded its Enterprise Resource Planning (ERP) system, SAP to S4, which in turn has mitigated technical infrastructure risk.</li> <li>➤ Following risk mitigation work on its technical infrastructure as the strategies were compiled (above), the Council received a PSN Connection Compliance Certification from the Cabinet Office on 4 Mar 2024, for the first time since Jan 2021. The Council is working to</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement
			<p>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 during 2024;</p> <ul style="list-style-type: none"> <li>➤ Where departments have unachieved savings, alternative initiatives need to be developed to ensure the Council continues to achieve a balanced budget;</li> <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>
<p><b>Principle E</b></p> <p>Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>	<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 in place, with steps being taken to determine the future approach to the Member Development Working Group;</li> <li>➤ Induction policies, procedures and programmes are in place to support newly elected Members and employees;</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 a graduate development scheme.</li> <li>➤ The approach to engaging, informing and developing leaders has been deployed with the Shaping the Future</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 monitor completion rates and support the wider roll out of the PDR process across the Organisation however the process is deployed to all colleagues;</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> </ul>

## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement
		<p>forum regularly held and the leadership forum recently re-launched;</p> <ul style="list-style-type: none"> <li>➤ Meetings attended by senior management from the individual departments held on a weekly basis. Shaping the Future Forums are attended by EDs, Directors and Assistant Directors on a quarterly basis and a Leadership Forums take place twice a year for all Grade 14 leaders and above. Executive directors and statutory officers attend weekly Corporate Management Team (CMT) meetings to bring the Council together as a whole. Attendees are party to the development of policy from an early stage. Cabinet meetings are held in conjunction with CMT on a monthly basis</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 programme takes 5 months to complete and will be delivered through a top-down approach over 3 years;</li> <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> </ul>	<ul style="list-style-type: none"> <li>➤ Member training and development programmes require improvement. A previous 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 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.</li> <li>➤ The Scheme of delegation in the Constitution is currently being reviewed and will be published in 2025.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement
		<ul style="list-style-type: none"> <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><b>Principle F</b></p> <p>Managing risks and performance through robust internal control and strong public financial management</p>	<p><b>Review</b></p>	<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 with data breaches which are continually monitored by the officer Groups;</li> <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> </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>➤ There have been delays in revaluing property for insurance purposes;</li> <li>➤ A Data Management Strategy has not yet been introduced. This will be developed during 2024-25;</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 emerges from the pandemic". The financial plan will be reviewed as part of budget setting 2025-26;</li> <li>➤ Develop the process for lessons learnt from internal incidents and external Public Interest Reports;</li> <li>➤ A small number of departmental financial assurance packs have not been submitted in accordance with agreed timescales;</li> <li>➤ Financial reporting needs to be improved to detail the cost of services linking to activities and the performance of services;</li> <li>➤ Improve and strengthen the Council's Business Continuity Planning Arrangements.</li> <li>➤ Further embedding of Risk management Strategy required alongside further embedding and increased understanding of risk management at an operational level</li> <li>➤ Reinforce the importance of Information Governance across the Council</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement
		<ul style="list-style-type: none"> <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>	<ul style="list-style-type: none"> <li>➤ Assurance is required over the quality of performance monitoring below divisional level</li> </ul>
<p><b>Principle G</b></p> <p>Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	<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> <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</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>➤ Embed the process to produce the AGS in a timely manner;</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> <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 as overall context for the work plan and future actions, including the creation of a comprehensive picture of all current partnership arrangements;</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

What is working well and areas for improvement			
Core Principles of the Framework	Overall Assessment	Strengths	Areas for Improvement
		<p>being considered, and minutes are published on the website to aid transparency;</p> <ul style="list-style-type: none"> <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> <li>➤ The Monitoring Officer reports the Annual Review Letter of the Local Government and Social Care Ombudsman to Governance Ethics and Standards Committee and Cabinet on an annual basis.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Continue to improve the governance arrangements with partnering organisations</li> <li>➤ Continue to improve the governance arrangements across companies and organisations where the Council operates.</li> <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>➤ A system to track the implementation of Audit recommendations was introduced in 2023-24. The system now needs to be embedded across the Council with all Departments engaging in the process.</li> <li>➤ The Councils Financial Regulations and Schedule of financial delegation should be reviewed and updated</li> <li>➤ The Councils Financial Regulations and Schedule of financial delegation should be reviewed and updated</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 to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements which were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Councillor Barry Lewis**  
**Leader of the Council**

**Date** July 2024

For Derbyshire County Council

**Emma Alexander**  
**Managing Director**

**Date** July 2024

## ANNUAL GOVERNANCE STATEMENT

### Action Plan - Areas for Improvement

Principle A	Area for Improvement	Agreed Action	Responsible Officer	Completion Date
<b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</b>	Work required to develop a Whistleblowing Referral Form and continue to ensure Whistleblowing Policy is communicated widely, understood and embedded. This is to be completed after review of Whistleblowing Policy.	Approve the referral form, publish on the website and ensure the policy is appropriately communicated across the organisation	Director of Legal & Democratic Services	Dec 24
	Employees and Members to be provided with formal ethical awareness training to embed high ethical standards, an understanding of ethical risks and ability to make decisions with integrity and confidence.	To be scheduled, learning request to be completed.	Director of People & Organisational Change	Mar 25
	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..	The Anti-Fraud and Anti-Corruption Strategy, and Fraud Response Plan were approved in February 2024	Assistant Director of Finance (Audit)	Dec 24
	The Anti-Money Laundering Policy is not widely publicised.	Develop internal communication and training	Director of Finance	Sep 24

## ANNUAL GOVERNANCE STATEMENT

Further training on the Member Code of Conduct	Refresher training focussing on scenarios and practical examples to be delivered.	Director of Legal & Democratic Services	Jul 24
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	Sep 24
Improve process for production of reports to ensure they are not presented to decision makers without being appropriately considered for legal and financial implications.	Democratic Services to return reports to report author where not appropriately considered for legal and financial implications. Directors to ensure reports are not dealt with outside of approved process/system	Director of Legal & Democratic Services/Directors	Ongoing
The corporate complaints procedure requires review	Undertake review of corporate complaints procedure	Director of People & Organisational Change	Dec 24
Policies and procedures relating to conflicts of interest require review	Approve and implement an Officers' Declaration of Interests Policy	Director of Legal & Democratic Services/Directors	Dec 24

## ANNUAL GOVERNANCE STATEMENT

Principle B	Area for Improvement	Agreed Action	Responsible Officer	Completion Date
<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.	Develop a strategic framework document and timetable of proposed consultation activity for 2024- 25 aligned with strategic drivers	Director of People and Organisational Change	Sep 24
	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	Assistant Director Strategy and Policy	Mar 25
	A new streamlined process for Officer decisions to be published through Mod.gov. requires further development.	Roll out process to coincide with publication of the revised scheme of delegation	Director of Legal & Democratic Services	Mar 25
	The calendar of dates for drafting reports, seeking advice and publication is	Promote the agenda management timetable at Departmental Team meetings.	Director of Legal & Democratic Services	Sep 24

## ANNUAL GOVERNANCE STATEMENT

not always followed and needs further promotion.			
Improved engagement in the production and use of the Joint Strategic Needs Assessment	The new approach to JSNA has been widely shared across the Council. The updated interim JSNA will be available in a Powerpoint from April 2024	Director of Public Health	Mar 25

## ANNUAL GOVERNANCE STATEMENT

Principle C	Area for Improvement	Agreed Action	Responsible Officer	Completion Date
<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.	Deliver officer training and support to ensure appropriate detail is included in reports and decisions.	Director of Finance	Sep 24
	The Customer Charter requires review and increased awareness raising with colleagues and the public, aligned to the organisation's wider complaints procedures and development of the customer experience strategy	Review the Customer Charter	Director of People & Organisational Change	Mar 25

## ANNUAL GOVERNANCE STATEMENT

Principle D	Area for Improvement	Agreed Action	Responsible Officer	Completion Date
	<p>The Council's new Digital Strategy, which describes the council's future approach to Digital, and the Cloud Technical Infrastructure Strategy, which defines the technical infrastructure necessary to deliver the Digital Strategy were completed and agreed by the council in 2023/24.</p> <p>The Digital Services Structure Strategy (ICT Strategy, Target Operating Model and Implementation Plan) has been completed since the end of 2023/24 and agreed by the council. A Digital Transformation Programme is now being planned, to implement the changes described in the three strategies.</p>	Implement Strategies	Director of Digital	Ongoing
	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 / Director Digital	Ongoing

## ANNUAL GOVERNANCE STATEMENT

<b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	Where departments have unachieved savings, alternative initiatives need to be developed to ensure the Council continues to achieve a balanced budget;	Monitor through savings programme board and escalate where appropriate	Director of Finance	Ongoing throughout 24/25
	Improvements to be made to align budget and Council plan development.	Council plan and budget setting process were aligned as part of budget 2024/25. Further work required to ensure MTFS and Council plan fully aligned	Director of Finance	Ongoing through budget setting for 25/26
	The Executive/Scrutiny Protocol has been agreed in principle but requires formal approval.	Protocol drafted, awaiting approval	Director of Legal & Democratic Services	Aug 24
	Improve the oversight of joint venture companies to ensure the risks to the Council are managed and the Council's interests are protected.	Implement new Governance structure	Director of Property	Apr 24

## ANNUAL GOVERNANCE STATEMENT

Principle E	Area for Improvement	Agreed Action	Responsible Officer	Completion Date
<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.	To be included in strategic planning process for April 2026 target implementation	Director of People & Organisational Change	Apr 26
	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	Director of People & Organisational Change	Apr 25
	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.	Promote guidance at Departmental Team meetings	Director of Legal & Democratic Services	Sep 24
	Member training and development programmes require improvement. A recent self-assessment exercise highlighted areas of weakness in relation to training, support and engagement.	Develop briefing note to take to the Chair of Member development working Group aligned to the new induction process in May 25.	Director of People & Organisational Change	Dec 24

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## ANNUAL GOVERNANCE STATEMENT

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	The Scheme of delegation in the Constitution requires review.	Continue to progress the review of the officer scheme of delegation.	Director of Legal & Democratic Services	Mar 25
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## ANNUAL GOVERNANCE STATEMENT

Principle F	Area for Improvement	Agreed Action	Responsible Officer	Completion Date
<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 in implementation.	Ongoing monitoring of threats by Cyber Security Group established.	Director of Digital	Ongoing
	There have been delays in revaluing property for insurance purposes	Ongoing work to deliver valuations in line with insurance requirements	Assistant Director of Finance (Audit)	Jun 24
	A Data Management Strategy has not yet been introduced.	Data management working group established and will work to producing strategy	Director of Digital	Mar 25
	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”.	Review MTFS to align with new Council plan	Director of Finance	Dec 24
	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	Ongoing

## ANNUAL GOVERNANCE STATEMENT

<p>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.</p>	<p>Arrange training to build risk assessment and management knowledge</p>	<p>Director of Finance</p>	<p>Dec 24</p>
<p>Improve and strengthen the Council's Business Continuity Planning Arrangements.</p>	<p>Review BCG Terms of Reference, Priority Services and Corporate BC Plan</p>	<p>Director of People and Organisational Change</p>	<p>Mar 25</p>
<p>Departmental assurance packs to be submitted in accordance with agreed timescales.</p>	<p>Packs to be reviewed and completed by services</p>	<p>Director of Finance</p>	<p>Ongoing</p>
<p>Improve financial reporting, linking to service activity and performance</p>	<p>Improve financial processes and link to PMO</p>	<p>Director of Finance</p>	<p>Dec 24</p>
<p>Reinforce the importance of Information Governance across the Council</p>	<p>Improve information governance awareness across the Council</p>	<p>Director of Finance</p>	<p>Dec 24</p>
<p>Review performance monitoring arrangements</p>	<p>Maintain and further develop the corporate performance management framework to</p>	<p>Assistant Director Strategy and Policy</p>	<p>Mar 25</p>

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## ANNUAL GOVERNANCE STATEMENT

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		<p>promote a high performing culture, including:</p> <ul style="list-style-type: none"><li>- Review and development of new performance management framework (PMF) and outcomes framework aligned to the new council plan</li><li>- Review of Apex (corporate performance management system) and procurement of corporate solution that meets requirements of integrated management of performance, risk and project management</li></ul>		
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## ANNUAL GOVERNANCE STATEMENT

Principle G	Area for Improvement	Agreed Action	Responsible Officer	Completion Date
<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
	Implement the action plan to develop and support the Audit Committee’s effectiveness.	Appoint two independent members of the committee	Assistant Director of Finance (Audit)	Dec 24
	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	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.	Promote the detailed officer guidance on executive and non-executive decision making (referred to above), which sets out the legal framework. Introduce a robust process to challenge reasons for exemption and promote openness and transparency	Director of Legal & Democratic Services	Dec 24

## ANNUAL GOVERNANCE STATEMENT

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	Dec 24
Continue to action the recommendations of LGA Corporate Peer Review follow-up;	Prepare final report on progress for Cabinet in July 2024.	Director of People & Organisational Change	Sep 24
A system to track the implementation of Audit recommendations was introduced in 2023-24. The system now needs to be embedded across the Council with all Departments engaging in the process	Ongoing monitoring of completion of the tracker	Nominated departmental leads	Mar 25
The Councils Financial Regulations and Schedule of financial delegation should be reviewed and updated	Review and update Financial Regulations and schedule of financial delegation	Director of Finance	Jun 24

An update of the progress towards implementing the actions agreed in the Annual Governance Statement was presented to the Council's Audit Committee on 28 January 2025, at Agenda Item 5.