

**DERBY CITY COUNCIL**

**DRAFT**

**STATEMENT OF ACCOUNTS**

**2021 - 2022**



Derby City Council



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## Narrative Statement

### Introduction

I am pleased to present you with Derby City Council's Statement of Accounts for 2021/22. This brief introduction to the financial statements provides a summary of the financial position of the Council, key events and an explanation of the contents of the accounts.



The accounting treatments applied are in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of a large and diverse organisation such as Derby City Council are by their nature both technical and complex, so this narrative aims to explain some of the statements and provides a summary of the Council's financial performance for 2021/22 and its financial prospects. Where necessary, estimates and judgements have been made in preparing these accounts which comply with the Code. Further details of these estimates and judgements are included in the supporting notes. The Narrative statement provides an overview of the financial performance of the year, providing a link to the managing accounting framework that the Council report on during the year.

The narrative report aims to provide context to the accounts in respect of the 2021/22 financial outturn, the overall financial position of the Council and to place the Council's finances in the context of the Covid Recovery Plan, priorities and achievements. The Council, through strong financial management, was able to deliver £8.4 million of its planned £9.6m savings but also deliver £2.9m underspend on the budget in, what has been, another very challenging year for the Council.

During the financial year the Council continued to deal with the impacts of the Covid-19 pandemic on the City. We continued prioritise staff and resources to meet community need, support the vulnerable and to work with partners.

These Accounts were provided to the Auditor on the 1st August for the Audit to commence in due course. I wish to thank all Council Members, Officers and especially the finance team for their support and contributions in what has been a most challenging year.

A handwritten signature in black ink, appearing to read 'S C Riley'.

**Simon Riley BA (Hons), CPFA**

## **Organisational Overview**

Derby City Council is a Unitary Council comprising 51 elected members across 17 wards. As a unitary authority, the Council is responsible for all local government services within the City. The Council is structured with 3 operational directorates providing customer facing services as well as support services to the organisation together with a Corporate Core section providing support to the Chief Executive. In addition, the Council also wholly owns an Arms Length Management Organisation (ALMO) - Derby Homes Ltd. Derby Homes Ltd manages and maintains the Council's Housing stock as well as providing other Housing related services.

The Council is also part of strategic partnerships with other Council's including Nottingham City and Derbyshire and Nottinghamshire counties, such as D2N2 and the Local Enterprise Partnership. These partnerships are aimed at boosting the local economies in the East Midlands and helping to create jobs.

The Council's delivery plan has the following themes:

**Green City** - protecting and enhancing our environment.

**City of growth** - creating a modern smart city with jobs and skills for the future

**Vibrant City** - Reimagining our city with culture at its heart

**Resilient** - working with our communities to improve health, wealth, and opportunities.

## **Operational Model**

The Council has 3 directorates, Corporate Resources, People Services and Communities and Place.

**Corporate Resources** provides primarily the support services to the organisation such as Finance, HR, Legal, ICT and Property. In addition, it also provides 'customer facing services' such as Revenues and Benefits, Electoral Services and Land Charges.

**People Services** provide customer facing services such as Children's Social Care, Schools, Adult Learning and Adult Social Care. It is the largest of the 3 directorates both in terms of staff and budget.

**Communities and Place** provides customer facing services such as Libraries, Leisure Centres, Grass Cutting, Street Cleansing and Waste Collection. It also delivers significant regeneration projects as part of the City Masterplan.

Financial Resources are allocated to each directorate through the Council's Medium Term Financial Planning process.

During 2021/22 the Council was led by a Conservative led Administration operating a strong leader model with Cllr Chris Poulter as Leader throughout the year. The Finance Portfolio Holders during 2021/22 were Cllr Nicola Roulstone. (01/04/21 to 25/10/21) with Cllr Jonathan Smale assuming the role thereafter.

## **Performance**

In February 2021, Cabinet approved the 2021/22 Recovery Plan, which aligned to the Council Plan 2019 - 2023 and replaced our annual Council Delivery Plan. The content of the Recovery Plan subsequently formed the basis of our performance monitoring framework for 2021/22.

The Recovery Plan was focused on delivering better outcomes within three priority areas; our place, our people and our organisation.



At the end of March 2022, 65% of measures within the Recovery Plan where targets had been set had met or exceeded them. 81% of priority milestones/actions were assessed as 'on track' or 'completed', and 80% of the priority projects being monitored as part of the Recovery Plan have been evaluated at the end of March as either 'green' or 'amber / green'.

Working together with the city, key areas of progress to note over the last 12-months includes:

- Throughout the year colleagues have worked with partners through the Economic Recovery Steering Group to design and deliver six interventions using Covid Additional Restrictions Grant funding. The scheme closed at the end of March 2022, and we committed/spent a total of £7.7million in support, which has assisted in reducing the risk rating for "SR 19 - Business resilience and loss of jobs considering Covid-19".
- Investments totalling over £118 million have been generated in Derby City, as a result of Council interventions and activities, which is in addition to nearly £54 million in external public funding.

Between April 2021 and March 2022,

- Our interventions have created 328 jobs.
- 112 businesses have been supported, through access to finance, advice and indirect support.
- Twelve businesses participated in the Ascend Programme over the last year creating 78 jobs, with further applications anticipated in 2022/23.
- In 2021/22, there has been over 360,000 attendances recorded at Derby Live produced, presented and supported events and performances, with more than 525,000 visitors to our Leisure Centres and Derby Arena.

- The percentage of young people in years 12 and 13 who are not in education, training or employment (NEET) or whose activity is Not Known has improved from 7.4% at the end of 2020/21 to the position of 5.2% at the end of 2021/22.
- We have exceeded our targets for both the number of energy audits undertaken for small and medium sized enterprises, alongside the number of grants awarded for energy efficiency measures.
- Derby has become one of only three cities in the country (at the time that the report was published) to be rated 'outstanding' for its services for children and young people, following an inspection by Ofsted.
- Ofsted and the Care Quality Commission (CQC) published their findings from our inspection re-visit of Derby's local area services for children and young people with special educational needs and disabilities (SEND). The re-visit found that all five areas identified for improvement had significantly developed since the 2019 inspection.
- Our Anchor Network is now well established and has developed a Charter to secure commitment.
- The Community Protection Team was successfully moved into Riverside Chambers, alongside the Police and other departments.
- During the final quarter of the year, work was completed on Moorways Sports Village, on time and within budget.
- Local responses continue to be managed for, Covid-19, in line with national policy. Targeted risk assessments are carried out as necessary, and a response plan is in place to manage variants of concern. Working collaboratively across the local area has enabled us to mitigate the risks from Covid-19 on service delivery and as such a number of associated risk scores have reduced or been closed during the final quarter of the year.
- 81.5% of older people were still at home, 91 days after discharge from hospital into reablement/rehabilitation services, which represents the highest position reported since 2017/18 and is a significant improvement on the 2020/21 position of 76.2%.
- Working collaboratively with Derby Homes, we have built 59 new homes, and started 57 builds, as well as providing 148 affordable homes alongside our Registered Provider partners since April 2021.
- There have been 1,183 homelessness cases resolved under the prevention duty this financial year, which is the highest annual figure for this activity representing a 36% increase on the 2020/21 position.
- Our Staying Together Team worked with families, children and young people to reduce the escalation of safeguarding risks and the likelihood of entry to care (where safe and appropriate). The work of this team, alongside our wider demand management initiatives have assisted in reducing the total number of children, young people and their families receiving statutory social care support or interventions.

- Over 2021/22, there have been 17 mainstream foster carer approvals and 10 mainstream de-registrations, resulting in a net increase of seven mainstream fostering households, which means we have achieved our target for this year. Derby City has now also been awarded 'Foster Friendly' status.
- Project governance arrangements continue to be strengthened, with the Programme Management Office Board having a clear forward plan for projects meeting the gateway review criteria. The gateway criteria was reviewed, updated and published in October 2021, with training sessions for all project personnel delivered between August and the end of October. The implementation of a Project Management Platform was also a key achievement over the last year.
- Demands on our services remained high, and the total number of working days lost due to sickness absence has increased when compared to the previous three years. During 2021/22, Stress/anxiety was the highest absence reason. Over the last year, the role of Mental Health First Aiders in the Council has been reviewed to reposition them to that of Mental Health Champions. This review has provided an opportunity to consider how best the role can be used to address expected future demands in the coming months. Signposting of well-being support and tools remained on-going, and the offer continues to be refreshed regularly.

The Council publishes an Annual Report (see link below), which provides further details on achievements and areas for development; alongside our quarterly performance monitoring reports.

[Standard report template Derby City Council](#)

## **Risk**

Work has continued over the last 12-months to strengthen our risk management framework and implement our Strategy and Handbook. Key areas of progress have included:

- strengthened alignment between Internal Audit and Strategy and Performance, to make sure that assurance activities on risk controls are coordinated and targeted;
- the development of an Accountabilities Framework, led by Organisational Development (OD), that aligns to roles and responsibilities within the Strategy;
- the implementation of a Project Management Platform to inform a wider oversight of programme and project risks by Strategy and Performance and senior leaders, aiding more consistent review, challenge and project risk escalation;
- strengthened risk identification through the introduction of more standard items for consideration by the Corporate Risk Management Group (e.g. risk indicators and the emerging risk log);
- refreshed risk registers / templates to address Internal Audit recommendations and to improve processes, reducing manual intervention and allowing easier access to historical risk controls;
- delivery of risk management training in March 2022;

- hosting risk appetite workshops with Cabinet, Directors and Heads of Service, with insight gathered through survey activities, informing the development of Derby's risk appetite statements; and
- the completion of eight deep-dive risk reviews, in addition to the work of Internal Audit.

An Internal Audit of Risk Management was published in 2021/22. The report found that "The Risk Management Framework in place at the Council had a solid basis with a risk matrix in place that was used to assess the impact and likelihood of all risks. All risks had an associated risk owner and linked closely to the strategic objectives of the Council. The Risk Registers were reviewed and updated quarterly with progress on mitigating actions. The revised Risk Management Strategy and Handbook, published in November 2020, positively progressed this Framework, acting as a much more cohesive document than the prior versions. It was also evident during the engagement that work was constantly being done to further the Council's risk maturity level."

Internal Audit were able to offer "reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally, risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives".

Seven recommendations were made in relation to 'low risk' control ratings, which were reflected within priorities for improvement during 2022; with updates on actions taken to address these presented to the Audit and Governance Committee as part of the established 6-monthly risk assurance reports.

A key priority for 2022/23 will be updating both the Risk Management Strategy and Handbook, informed by agreed risk appetite statements and an assessment of Derby's current risk maturity.

### **Financial Performance**

In February 2021, the Council agreed a net revenue budget for 2021/22 of £256.372m.

The table below shows that the Council's actual spending was £252.068m prior to movements in reserves and utilisation of other funding. The final outturn is a balanced position after transferring £2.836m back to reserves.

These figures are based on directorate responsibilities, rather than the total cost of providing services (including charges for support services, using assets, and adjustments to show the true cost of providing pensions to employees), which is used in the Comprehensive Income and Expenditure Statement.

**a) Actual Net Spending against Budget for 2021/22 (per Revenue Outturn report):**

	<b>Final Approved Budget £000</b>	<b>Actual £000</b>	<b>Final (Under) / Overspend £000</b>
People Services	162,007	169,096	7,089
Communities and Place	45,178	43,399	(1,779)
Corporate Resources	40,838	39,573	(1,265)
Covid Placeholder budgets	2,780	0	(2,780)
<b>Sub Total</b>	<b>250,803</b>	<b>252,068</b>	<b>1,265</b>
Approved Transfer from Reserves	(1,967)	(1,967)	0
Covid Reserve		(2,880)	(2,880)
NHS Funding		(990)	(990)
Funding Pressure		1,528	1,528
Business Rates Smoothing Reserve		(759)	(759)
Funding		(1,000)	(1,000)
Approved Transfer to Reserves	0	2,836	2,836
<b>Budget Requirement</b>	<b>248,836</b>	<b>248,836</b>	<b>0</b>

**Summary of key General Fund variances:**

**£000**

**Peoples Services**

Home to School Transport (net)	1,413
Increase in looked after children supported by the Council	6,574

Legal costs	1,400
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Additional COVID income	(2,571)
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Other net variances	273
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**7,089**

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**Communities and Place**

Overachievement of income	(253)
Waste disposal and vehicle replacement	(940)
Underspends against concessionary fares, directorate budget and allocation of COMF funding	(909)
Assembly rooms car park delayed closure	(446)
Pay pressure	392
Covid related pressures including waste tonnage	136
Other net variances	241
	<b>(1,779)</b>

## Corporate Resources

Increased Coroners costs	446
Additional fee income for Property Services	(710)
Additional SCAPE dividend	(250)
Additional one-off legal income	(177)
Additional one-off COVID income	(399)
Other net variances	(175)
	<b>(1,265)</b>

## Corporate

Covid Funding	(2,780)
	<b>(2,780)</b>

## Total General Fund Variances

## Summary of HRA Variances

Estimated outturn	2,769
Variances at outturn:	
Overachievement of rents / service charges	(2,500)
Reduced provision for bad debts	(631)
Lower depreciation charges	554
	<b>192</b>

Further details of the Council's financial spend in 2021/22 are detailed in the outturn report presented to Cabinet in July 2022 (see link below)

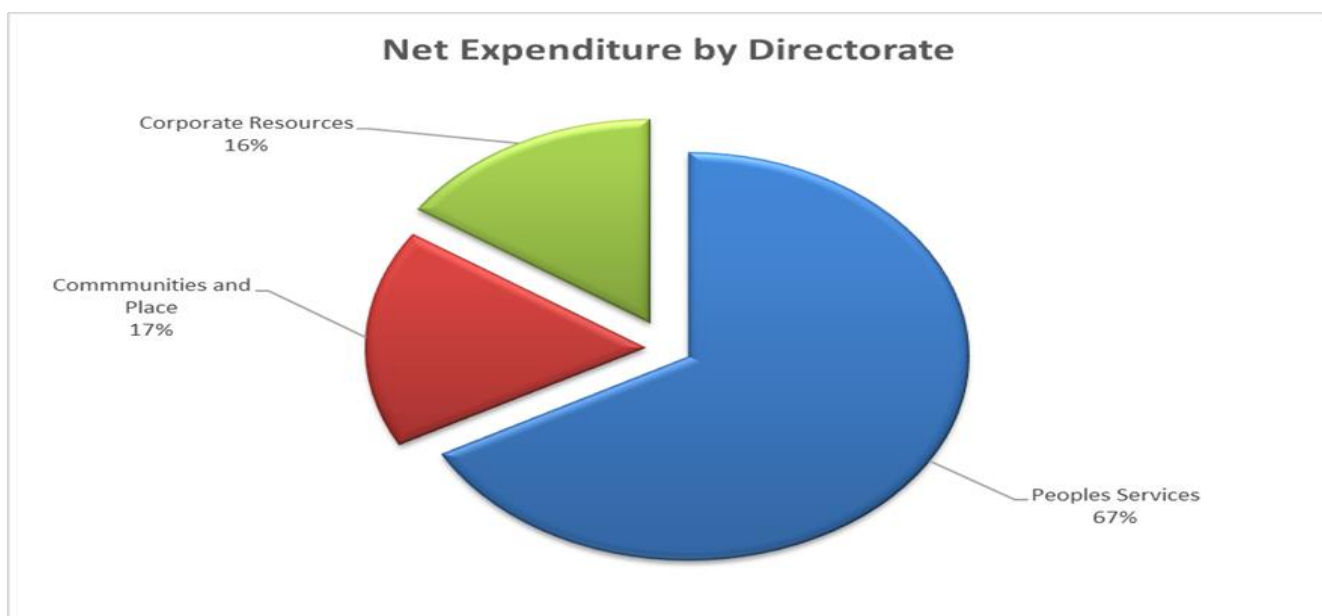
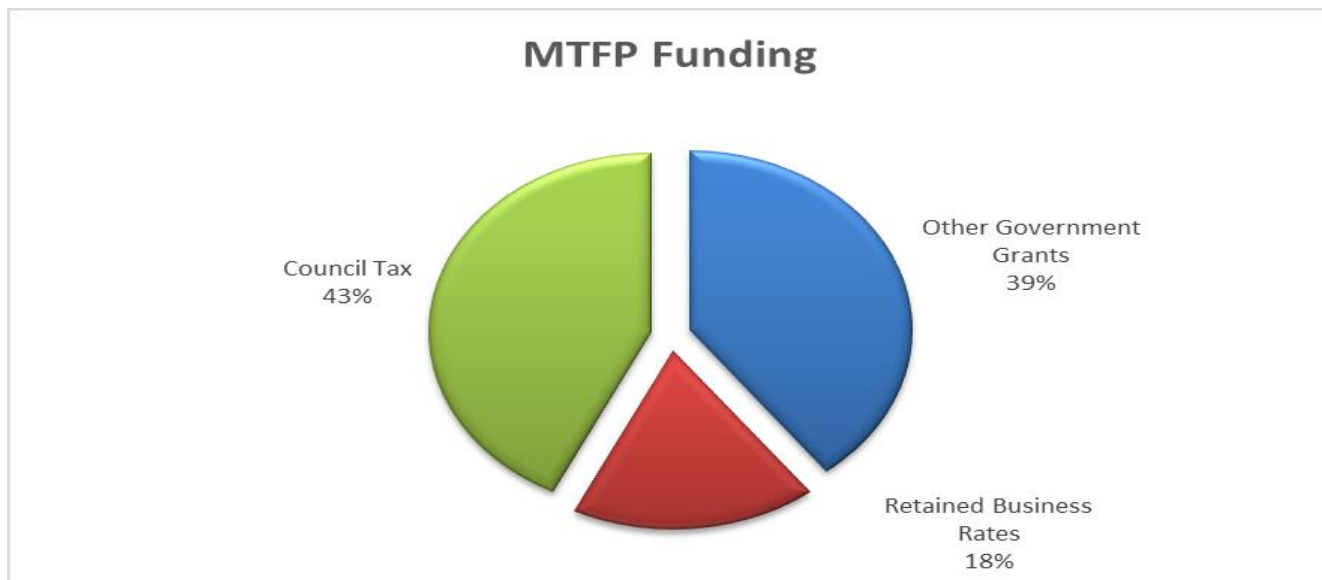
[Introduction \(derby.gov.uk\)](https://www.derby.gov.uk/Introduction)

## Reconciliation of Final (Under)/Overspend to Total Comprehensive Income and Expenditure 2021/22:

	£000
<b>Breakdown of (Under)/Overspend:</b>	
General Fund (Under)/Overspend	1,265
HRA (Under)/Overspend	192
<b>Overall (Under)/Overspend</b>	<b>1,457</b>
Less: Appropriations to General Fund reserves	18,725
Plus: Movements in schools balances	291
Plus: Adjustment between GF and HRA accounting basis and funding	31,230
Plus: Remeasurement of the net defined benefit liability	(169,313)
Less: Surplus/deficit on revaluation of Property, Plant & Equipment	(70,125)
<b>Total Comprehensive (Income) and Expenditure</b>	<b>(187,735)</b>

## b) Analysis of Revenue Spending

During the year the City Council manages and controls spending on services such as schools, social services and leisure facilities through its General Fund. This spending is financed from Council Tax, Retained Business Rates and Government Grants as shown below:



### c) Housing Revenue Account

The HRA has made a net deficit of £0.192m (£0.1.160m deficit in 2020/21), against a forecasted budget shortfall of £2.769m (£4.592m in 2020/21).

### d) Revenue Reserves

The Council holds a number of Revenue Reserves to fund projects and unbudgeted costs. These reserves are one off funding and so cannot be used to permanently support Council services.

The Council's main revenue reserve is the Unallocated General Fund Balance. This is set aside to support the management of risks in the Revenue Budget and could be used for any purpose if required. The Unallocated General Fund Balance represents the minimum level of reserves that the Council's Chief Finance Officer considers necessary to retain. This is detailed in an annual assessment at the same time as setting the Budget (each February). The level of the General Fund Balance at the end of 2021/22 is in excess of the minimum level recommended by the Chief Finance Officer. At 31 March 2022 the Unallocated General Fund Balance stands at £8.933m.

The Council also holds a number of revenue earmarked reserves to fund specific projects included within the Council's budget and priorities, such as the Council's regeneration programme. As at 31 March 2022 revenue earmarked reserves held by the Council total £73.981m.

A review of all revenue earmarked reserves is carried out on an annual basis as part of the Medium Term Financial Strategy planning process. This aims to ensure the correct level of reserves are maintained and identify any earmarked reserves which could be redistributed to better support the Council's priorities. Included within corporate earmarked reserves is a budget risk reserve of £20.523m at 31 March 2022. This reserve is not allocated to any specific risk areas and is held to support future budget planning risks and general unforeseen in-year budget pressures. This reserve has been added to following the in-year underspend.

#### Earmarked Reserves at 31st March 2022

<b>Reserve</b>	<b>Balance at 31 March 2021 £000</b>	<b>In year movement £000</b>	<b>Balance at 31 March 2022 £000</b>
Unallocated General Fund Balance	(8,933)	0	(8,933)
Balances held by schools under a scheme of delegation	(8,868)	291	(8,577)
Budget Risk Reserve	(18,269)	(2,254)	(20,523)
PFI Reserves	(30,176)	409	(29,767)
Other Revenue Earmarked	(66,049)	21,835	(44,214)
Capital Reserves	(74,648)	(945)	(75,593)
HRA Reserves	(46,151)	192	(45,959)
<b>TOTAL</b>	<b>(253,094)</b>	<b>19,528</b>	<b>(233,566)</b>

For more details on the reserves held by the Council see note 30.

In addition to the general fund reserves, the Council also holds ring fenced HRA reserves of £45.959m used to support HRA investment over the long-term.

### **Capital Income and Expenditure**

Alongside our day-to-day costs, the Council spends money on capital assets such as buildings, roads, major maintenance, vehicles and ICT. During 2021/22 the Council spent **£112.785m on capital schemes.**

#### **Major Areas of Capital Spend in 2021/22:**

<b>Section</b>	<b>Scheme</b>	<b>£000</b>
Corporate Resources	Capital Flexibility Transformation Receipts	524
Children & Young People	New build, extensions and modernisation of schools and	12,847
Highways & Transport	Highways and transportation	21,657
Property Improvements	Improvements to council buildings including the council house,	20,869
Regeneration	Regeneration of the public realm areas of the city, regeneration of	27,663
Housing General Fund	Grant aid for private sector tenants for disabled adaptations and	4,037
HRA	Maintenance to the decent homes standard on all council dwelling	19,514
Vehicles Plant and Equipment	Refuse vehicles, street cleaning and grounds plant and equipment	3,426
Flood Defence	Improvements to the Councils flood defences and culverts	1,274
ICT	Information and communication technology	974
<b>Total</b>		<b>112,785</b>

#### **Significant areas of spend included in the above were as follows:**

New Build schemes within the HRA of new council houses at various locations around the city,  
 Market Hall Improvements  
 A52 Transport Improvements  
 New Castleward School  
 New Swimming Pool Complex at Moorways  
 New Performance Venue

Capital expenditure is financed from the following sources:

- Supported borrowing (where the interest costs for the debt are funded by central government grant)
- Unsupported borrowing (where the interest costs for the debt are funded from the Council's revenue budget)
- Grants or contributions from the Government, the European Union or other third parties
- Proceeds from the sale of capital assets (capital receipts)
- Contributions from the Revenue Budget

Unapplied capital resources, excluding capital receipts, stand at £44.162m at 31 March 2022. These consist of £42.102m unapplied capital grants and £2.060m earmarked capital reserves. The unapplied capital receipts reserve stands at £31.866m at 31 March 2022.

These resources are earmarked and planned to be used over the next five years to fund the Council's capital programme.

### **Borrowing Facilities**

In 2021/22 the Council had an authorised limit for external debt of £892.1m that compares to the actual level of debts outstanding at 31 March 2022 of £423.2m.

### **Breakdown of Borrowing Figures:**

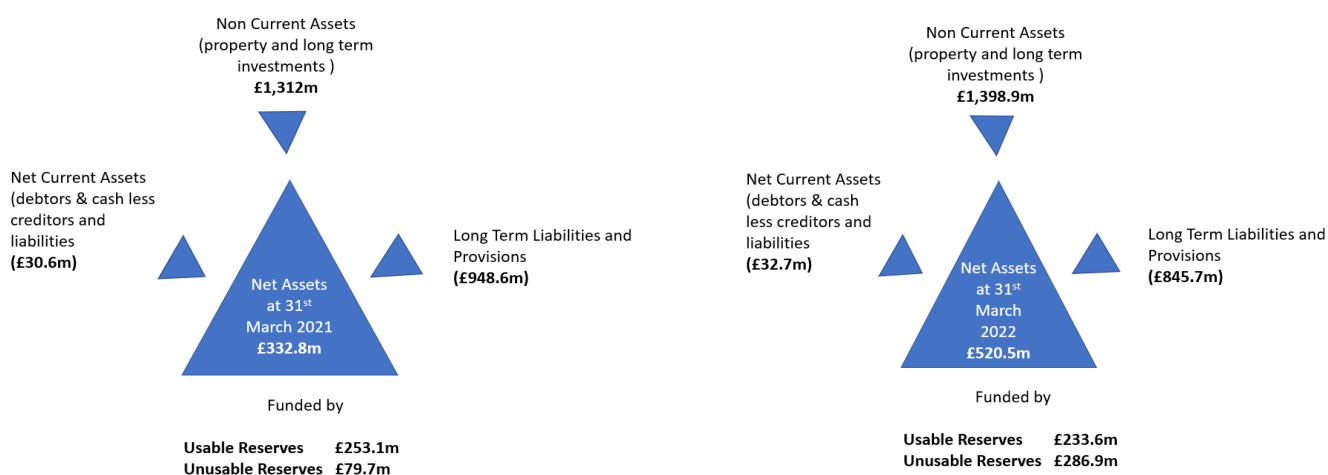
	2020/21	2021/22
	£m	£m
Short-Term Borrowing (i.e. due within 1 year)	10.8	13.5
Long-Term Borrowing	336.9	329.5
Long-Term PFI and finance leases	79.9	75.7
Short-Term PFI and finance leases	4.8	4.3
Debt managed by Erewash Borough Council	0.3	0.2
<b>Total</b>	<b>432.7</b>	<b>423.2</b>

### **Explanation of the Statements**

The following core financial statements summarise the Council's finances for 2021/22 (1 April 2021 to 31 March 2022) alongside the Expenditure and Funding Analysis note:

#### **a) Balance Sheet**

The Balance Sheet is a snap shot of the value of the assets (what the Council owns) and the liabilities (what the Council owes) at 31 March. Assets and liabilities are categorised between non current (having a life of more than one year) and current (to be settled or realised within the year). The difference between the total assets and liabilities (total net assets) is the value of the Council's reserves. Reserves are reported in two categories. Usable reserve can be used by the authority to fund services. Unusable reserves cannot be used to provide services.



The Council maintains a strong balance sheet despite financial challenges, with net assets of £520.538m at 31st March 2022 (£332.803m at 31st March 2021).

Within the usable reserve balance as at 31st March 2022 are Government grants in relation to collection fund deficits. It's important to note they are intended to be discharged against the Collection Fund Deficit from 2022/23 and do not represent additional spending power taken forward in to 2022/23. They are currently held in an earmarked reserve.

## b) Comprehensive Income and Expenditure Statement (CIES)

The CIES shows the total cost of providing services in accordance with accounting standards, rather than the amount funded from taxation. The reconciliation on page 8 of the narrative statement shows the main changes between the Revenue Out-turn and the overall (surplus)/deficit in the CIES.

## c) Movement in Reserves Statement

analysed into usable reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and other unusable reserves. Unusable reserves largely accrue from the differences in transactions required by accounting standards and those required by statute. The Net Increase/Decrease lines shows the statutory General Fund and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## d) Cash Flow Statement

The Cash Flow Statement shows the total movements in cash and cash equivalents of the Council during 2021/22. Cash flows are related to income and expenditure but not equivalent due to the accruals concept applied in the CIES. The statement shows how the council uses cash by classifying cash flows as operating, investing and financing activities.

## e) Housing Revenue Account

This is a separate statutory account which summarises all income and expenditure arising from the provision, management and maintenance of Council housing. This is a ring fenced account and so cannot subsidise or be subsidised by other activities.

## **f) Collection Fund**

The Collection Fund statement reflects the Council's statutory requirement to maintain a separate account showing all transactions relating to National Non-Domestic Rates and Council Tax.

## **g) Statement of Accounting Policies**

The Council produces figures in the accounts using the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. They ensure accounts from different public sector organisations are consistent and comparable. This section explains the main policies which the Council has adopted.

## **h) Notes to the Core Financial Statements**

These notes aim to assist in understanding by breaking down balances shown in the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement.

## **i) Group Accounts**

To provide a full picture of the activities of the Council, Group Accounts have been prepared. The accounts of Derby Homes Ltd, a wholly owned subsidiary, have been combined with the Council's single entity accounts on a line by line basis.

## **j) Expenditure and Funding Analysis**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

## **Other Key Disclosures**

### **(a) Provisions**

The Council is carrying a significant provision of £4.849m (£6.023m in 2020/21) for the repayment of any successful NDR appeals upheld by the Government's Valuation Office Agency. Prior to the introduction of the Retained Business Rate Scheme the cost of these appeals were met by the national pool administered by central government, but now the council is liable for 49% of the cost of appeals.

## **(b) Revaluations**

The Council's accounts include material figures for both the revaluation of property and the remeasurement of the pension liability. Property revaluations have resulted in a gain of £70.1m (which has affected the revaluation reserve) on a total Long Term Asset base of £1.39bn. Impairments and revaluation movements of £11.6m have been charged to the CIES in 2021/22. A gain of £169.313m has been recognised on the net pension liability of £369.057m from the movement in investment values and forecasts of future investment growth. Although these amounts are significant in size and impact on the accounts, due to statutory requirements they do not affect the usable resources the Council controls.

## **c) Private Finance Initiatives**

Private Finance Initiative (PFI) schemes are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a contract are mainly split between capital financing liability, interest and service charges, all of which are charged to revenue to reflect the value of services received in each financial year.

Derby City Council has five operational PFI projects. Four of these are included within the accounts (Grouped Schools, Street Lighting, Building Schools for the Future, Housing PFI). The fifth PFI (Housing Inner City Regeneration) is not included as an asset in the Accounts as the Council does not control a significant residual interest in the assets, have the option to purchase the assets or to receive the assets for nil consideration at the conclusion of the contract.

## **(d) Pensions Liability**

The Council participates in the Derbyshire County Council defined benefit (open) pension fund and the Teachers' Pension Fund. The forecast pension payments will be paid out over a period of many years during which time the assets will continue to generate returns towards funding them.

In calculating the scheme assets and liabilities the fund's actuaries make a number of assumptions about events and circumstances in the future. The resulting actuarial calculations are subject to uncertainties on the outcome of future events and include assumptions on the income and valuation of investments held by the fund. The principal actuarial assumptions made in relation to these accounts are disclosed in the supporting note. This discloses the actuarial gains and losses in the year which reflects where actual outcomes differ from actuarial assumptions made last year together with the effect of consequent revision of the estimates moving forward.

Details of the Councils pension liabilities can be found at Note 37 and 38.

## **(e) Trade Union Facility Time**

Local authorities must publish annually information on trade union facility time, this can be found on the Derby City Council website:

[Open data and transparency | Derby City Council](#)

## **(f) Waste Disposal**

During 2021/22 work has continued to determine the condition and capability of the new waste treatment facility (NWTF) in Sinfin. This work is being carried out by Renewi UK Services Ltd. Due to ongoing measures introduced to counter and manage the Covid-19 outbreak, progress on site has been affected. Work is also ongoing to determine the estimated fair value (EFV) of the contract

## **Financial Strategy**

The Medium Term Financial Strategy (MTFS) sets out the Council's strategic approach to the management of its finances reflecting the funding and expenditure forecasts for the coming years, the continued financial challenges that the Council faces and the approach planned to meet the priorities identified by the Council.

The Council in February 2021 agreed a MTFS for the financial years 2021/22 to 2023/24 (see link below). Despite the significant impacts of the pandemic, this evidenced a balanced budget for 2021/22, however it also showed a budget gap of around £11m 2022/23 rising to £15.1m in 2023/24.

[Document.ashx \(derby.gov.uk\)](#)

<b>Proposed MTFP</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Net Budget Requirement	258.471	277.620	287.864
Total Resources Available (funding)	258.471	266.82	272.72
<b>Budget Gap</b>	<b>-</b>	<b>10.800</b>	<b>15.144</b>

The Actual Budget Gap will be influenced by the next Comprehensive Spending Review and the introduction of a fair funding review and changes to the business rate retention framework.

### **Covid-19**

During 21/22 the Council has continued to be impacted by the pandemic. The Council has worked with partners and stakeholders towards a common aim of supporting the city's response and recovery, mitigating risks and developing any opportunities emerging from the pandemic.

### **Government Funding for COVID**

The Government continued to provide financial support to the Council, local businesses and City residents to help deal with the impacts of the pandemic.

### **Going Concern**

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

The cashflow modelling we have undertaken demonstrates that we are able to work within the limits set out within our treasury management strategy. As at 31st March 2022 we had short term investment balances of £32m and short term borrowing of £6m for cashflow purposes. As at 31st March 2022 the council was in an under borrowed position of £331m, meaning that we are using £331m of reserves and working capital to meet our capital financing requirement. Should the need arise we are able to swap this use of internal resources for actual borrowing which would further improve our cashflow position. Worst case scenario we could borrow the full £331m although this would have significant ongoing revenue implications. Our borrowing operational boundary is £711m compared to actual borrowing of £343m leaving headroom of £368m for further borrowing during 2020/21. Our cashflow suggests that we will need minimal borrowing to fund our capital programme. The timing and value of any borrowing will be subject to continual review as and when new information becomes available. Borrowing will be taken either from the PWLB or another source, depending on which offers the best value at the time.

Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern throughout the assessment period of 12 months from the date of approval of these financial statements to January 2023.

#### **True and Fair View Override**

As required by the Accounts and Audit Regulations, 2015 I have not had to use the 'true and fair view override' in preparing the accounts.

The Statement of Accounts for 2021/22 present a true and fair financial position of Derby City Council for the financial year ending 31st March 2022. Up to date and proper accounting records have been maintained in accordance with the accounting policies detailed.

Simon Riley BA (Hons), CPFA

## Statement of Responsibilities

### The Authority's Responsibilities:

The Authority is required:

- (1) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At Derby City Council that officer is the Strategic Director of Corporate Resources.
- (2) To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (3) To approve the Statement of Accounts.

The Accounts were approved by the Audit and Governance Committee on TBC.

Signed:

### The Strategic Director of Corporate Resources Responsibilities

The Strategic Director of Corporate Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Strategic Director of Corporate Resources has ensured that:

- (1) Suitable accounting policies have been selected and then applied consistently
- (2) Judgements and estimates have been made that were reasonable and prudent
- (3) Accounts comply substantially with the Local Authority Code of Practice
- (4) The financial statements give a true and fair view of the financial position of the Local Authority and its group at 31st March 2022.

The Strategic Director of Corporate Resources has also ensured that:

- (1) Proper accounting records have been kept which were up to date
- (2) Reasonable steps have been taken for the prevention and detection of fraud and other irregularities

Signed:  \_\_\_\_\_

Simon Riley (S151 Officer)

Date: 29th July 2022

## Balance Sheet

This statement shows the value of what the Council owns (assets) and owes (liabilities), together with reserves.

31 March 2021 £000		Notes	31 March 2022 £000
1,215,901	Property, Plant & Equipment	16	1,300,704
76,351	Heritage Assets	17	80,944
3,710	Investment Property	18	5,240
983	Intangible Assets	48	198
325	Long Term Investments	22	315
14,707	Long Term Debtors	25b	11,482
<b>1,311,977</b>	<b>Long Term Assets</b>		<b>1,398,883</b>
2,455	Assets Held for Sale	24	1,674
12,006	Short Term Investments	22	7,014
1,288	Inventories		1,538
45,007	Short Term Debtors	25a	51,767
22,958	Cash and Cash Equivalents	26	21,252
<b>83,714</b>	<b>Current Assets</b>		<b>83,245</b>
(14,005)	Short Term Borrowing	22	(16,692)
(4,778)	Short Term Finance Lease Liabilities	22	(4,277)
(89,160)	Short Term Creditors	27	(89,730)
(6,392)	Provisions	29	(5,216)
<b>(114,335)</b>	<b>Current Liabilities</b>		<b>(115,915)</b>
(79,932)	Long Term Finance Lease Liabilities	22	(75,687)
(70)	Provisions	29	(70)
(336,927)	Long Term Borrowing	22	(329,450)
(502,032)	Other Long Term Liabilities	28	(375,092)
(29,592)	Capital Grants Receipts in Advance	14	(65,376)
<b>(948,553)</b>	<b>Long Term Liabilities</b>		<b>(845,675)</b>
<b>332,803</b>	<b>Net Assets</b>		<b>520,538</b>
(253,094)	Usable Reserves	30	(233,566)
(79,709)	Unusable Reserves	32	(286,972)
<b>(332,803)</b>	<b>Total Reserves</b>		<b>(520,538)</b>

The final financial statements were approved for issue on 29/07/2022 by the Strategic Director of Corporate Resources.

## Comprehensive Income and Expenditure Statement

This statement shows the total amounts of income and expenditure chargeable in each year.

2020/21				2021/22		
Gross Exp £000	Gross Inc £000	Net £000		Gross Exp £000	Gross Inc £000	Net £000
			<b>Directorate</b>			
351,889	(203,833)	148,056	People Services	376,003	(199,743)	176,260
106,616	(29,748)	76,868	Communities and Place	133,049	(40,274)	92,775
118,988	(78,802)	40,186	Corporate Resources	122,897	(84,461)	38,436
3,566	(654)	2,912	Corporate	11,001	(11,094)	(93)
47,983	(58,728)	(10,745)	Local authority housing (HRA)	50,044	(59,812)	(9,768)
<b>629,042</b>	<b>(371,765)</b>	<b>257,277</b>	<b>Cost of Services</b>	<b>692,994</b>	<b>(395,384)</b>	<b>297,610</b>
13,763	(6,722)	7,041	Other operating expenditure (Note 9)	28,739	(16,900)	11,839
47,461	(19,421)	28,040	Financing and investment income and expenditure (Note 10)	50,229	(20,357)	29,872
0	(277,979)	(277,979)	Taxation and non-specific grant income (Note 11)	0	(287,618)	(287,618)
<b>690,266</b>	<b>(675,887)</b>	<b>14,379</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>771,962</b>	<b>(720,259)</b>	<b>51,703</b>
		(34,281)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 32)			(70,234)
		347	Impairment losses on non-current assets charged to the Revaluation Reserve (Note 32)			109
		170,109	Remeasurement of the net defined benefit liability (Note 38)			(169,313)
		<b>136,175</b>	<b>* Other Comprehensive (Income) and Expenditure</b>			<b>(239,438)</b>
		<b>150,554</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>			<b>(187,735)</b>

\* The Council does not have any material items of Other Comprehensive Income and Expenditure which would subsequently be reclassified to the Surplus or Deficit on the Provision of Services when specific conditions are met.

### Movement in Reserves Statement

This statement shows the in-year movement of reserves, for a breakdown of the movement in Earmarked Reserves see note 30.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 31 March 2020 carried forward</b>	<b>(101,627)</b>	<b>(47,310)</b>	<b>(32,277)</b>	<b>(2,885)</b>	<b>(31,453)</b>	<b>(215,552)</b>	<b>(267,805)</b>	<b>(483,357)</b>
<b>Movement in Reserves during 2020/21</b>								
Total Comprehensive Income and Expenditure	16,355	(1,976)	0	0	0	<b>14,379</b>	136,175	150,554
Adjustments between accounting basis & funding basis under regulations (Note 7)	(47,023)	3,135	972	795	(9,800)	<b>(51,921)</b>	51,921	<b>0</b>
<b>(Increase)/ Decrease in 2020/21</b>	<b>(30,668)</b>	<b>1,159</b>	<b>972</b>	<b>795</b>	<b>(9,800)</b>	<b>(37,542)</b>	<b>188,096</b>	<b>150,554</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>(132,295)</b>	<b>(46,151)</b>	<b>(31,305)</b>	<b>(2,090)</b>	<b>(41,253)</b>	<b>(253,094)</b>	<b>(79,709)</b>	<b>(332,803)</b>
<b>2021/22</b>								
<b>Movement in Reserves during 2021/22</b>								
Total Comprehensive Income and Expenditure	53,243	(1,540)	0	0	0	<b>51,703</b>	(239,438)	(187,735)
Adjustments between accounting basis & funding basis under regulations (Note 7)	(32,962)	1,732	(561)	465	(849)	<b>(32,175)</b>	32,175	<b>0</b>
<b>(Increase)/ Decrease in 2021/22</b>	<b>20,281</b>	<b>192</b>	<b>(561)</b>	<b>465</b>	<b>(849)</b>	<b>19,528</b>	<b>(207,263)</b>	<b>(187,735)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(112,014)</b>	<b>(45,959)</b>	<b>(31,866)</b>	<b>(1,625)</b>	<b>(42,102)</b>	<b>(233,566)</b>	<b>(286,972)</b>	<b>(520,538)</b>

## Cash Flow Statement

A detailed explanation of the purpose of this statement is included in the Narrative Statement.

<b>2020/21 £000</b>		<b>2021/22 £000</b>
14,379	Net (surplus) or deficit on the provision of services	51,703
(81,272)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 41)	(91,640)
24,000	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 42)	65,521
<b>(42,893)</b>	<b>Net cash flows from Operating Activities</b>	<b>25,584</b>
43,477	Investing Activities (Note 44)	(29,803)
15,789	Financing Activities (Note 45)	5,925
<b>16,373</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>1,706</b>
39,331	Cash and cash equivalents at the beginning of the reporting period	22,958
<b>22,958</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 26)</b>	<b>21,252</b>

## 1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices.

	2020/21				
	Net expenditure Chargeable to the General Fund and HRA Balances - reported (note 1b)	Net expenditure Chargeable to the General Fund and HRA Balances - not reported	Total net expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (note 1a)	Net Expenditure in the CI&ES
	£000	£000	£000	£000	£000
<b>Directorate</b>					
People Services	150,917	(17,216)	133,701	14,355	148,056
Communities and Place	51,336	1,126	52,462	24,406	76,868
Corporate Resources	34,581	153	34,734	5,452	40,186
Corporate	10,537	(4,539)	5,998	(3,086)	2,912
Local authority housing (HRA)	(9,124)	0	(9,124)	(1,621)	(10,745)
<b>Cost of Services</b>	<b>238,247</b>	<b>(20,476)</b>	<b>217,771</b>	<b>39,506</b>	<b>257,277</b>
Other income and expenditure	(247,281)	0	(247,281)	4,383	(242,898)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(9,034)</b>	<b>(20,476)</b>	<b>(29,510)</b>	<b>43,889</b>	<b>14,379</b>
Opening General Fund and HRA Balance			(148,937)		
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year			(29,510)		
<b>Closing General Fund and HRA Balance at 31 March*</b>			<b>(178,447)</b>		

	2021/22				
	Net expenditure Chargeable to the General Fund and HRA Balances - reported (note 1b)	Net expenditure Chargeable to the General Fund and HRA Balances - not reported	Total net expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (note 1a)	Net Expenditure in the CI&ES
	£000	£000	£000	£000	£000
<b>Directorate</b>					
People Services	174,791	(19,171)	155,620	20,640	176,260
Communities and Place	43,399	3,990	47,389	45,386	92,775
Corporate Resources	31,727	(1,160)	30,567	7,869	38,436
Corporate	7,844	(4,536)	3,308	(3,401)	(93)
Local authority housing (HRA)	(9,866)	0	(9,866)	98	(9,768)
<b>Cost of Services</b>	<b>247,895</b>	<b>(20,877)</b>	<b>227,018</b>	<b>70,592</b>	<b>297,610</b>
Other income and expenditure	(206,545)		(206,545)	(39,362)	(245,907)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>41,350</b>	<b>(20,877)</b>	<b>20,473</b>	<b>31,230</b>	<b>51,703</b>
Opening General Fund and HRA Balance			(178,446)		
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year			20,473		
<b>Closing General Fund and HRA Balance at 31 March*</b>			<b>(157,973)</b>		

\* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement.

**1a. Note to the Expenditure and Funding Analysis - adjustments between funding and accounting basis.**

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

	2020/21			
	Adjustments for Capital Purposes (note 1)	Net change for the Pensions Adjustments (note 2)	Other Differences (note 3)	Total Adjustments
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>				
	£000	£000	£000	£000
People Services	8,526	5,839	(10)	14,355
Communities and Place	21,930	2,478	(2)	24,406
Corporate Resources	3,829	1,619	4	5,452
Corporate	(3,086)	0	0	(3,086)
Local authority housing (HRA)	(1,697)	58	18	(1,621)
<b>Net Cost of Services</b>	<b>29,502</b>	<b>9,994</b>	<b>10</b>	<b>39,506</b>
Other income and expenditure	(25,975)	7,323	23,035	4,383
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Service</b>	<b>3,527</b>	<b>17,317</b>	<b>23,045</b>	<b>43,889</b>
	2021/22			
	Adjustments for Capital Purposes (note 1)	Net change for the Pensions Adjustments (note 2)	Other Differences (note 3)	Total Adjustments
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>				
	£000	£000	£000	£000
People Services	3,258	16,583	799	20,640
Communities and Place	38,037	7,017	332	45,386
Corporate Resources	4,507	3,089	273	7,869
Corporate	(3,401)	0	0	(3,401)
Local authority housing (HRA)	(97)	187	8	98
<b>Net Cost of Services</b>	<b>42,304</b>	<b>26,876</b>	<b>1,412</b>	<b>70,592</b>
Other income and expenditure	(35,666)	10,251	(13,947)	(39,362)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Service</b>	<b>6,638</b>	<b>37,127</b>	<b>(12,535)</b>	<b>31,230</b>

## **Note 1 - Adjustments for Capital Fund and Expenditure Purposes**

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line 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. This also includes adjustments for the use of capital receipts towards administrative costs of non-current capital receipts pool.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other 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 receivable in the year without conditions or for which conditions were satisfied in the year.

## **Note 2 - 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 IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed 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.

## **Note 3 - Other Differences**

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

For services this represents the carry forward of the Dedicated Schools Grant deficit which had been supported by unusable reserves and the amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year.

The charge under Taxation and non-specific grant income and expenditure includes the difference between what is chargeable under statutory regulations for council tax and NDR 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 Collection Fund.

**1b. Note to the Expenditure and Funding Analysis - segmental analysis of Net Cost of Service reported**

<b>2020/21</b>	<b>Recharge Income</b>	<b>Interest Revenue</b>	<b>External Income</b>	<b>Total Income</b>	<b>Interest Expense</b>	<b>Other Expenditure</b>	<b>Total Expenditure</b>	<b>Net Expenditure</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
People Services	(10,577)	0	(185,307)	(195,884)	0	346,801	346,801	150,917
Communities and Place	(4,697)	0	(31,553)	(36,250)	0	87,586	87,586	51,336
Corporate Resources	(4,103)	(473)	(80,639)	(85,215)	21,121	98,675	119,796	34,581
Corporate	0	0	(1,127)	(1,127)	0	11,664	11,664	10,537
Local authority housing (HRA)	0	0	(58,729)	(58,729)	0	49,605	49,605	(9,124)
<b>Reported net cost of Services</b>	<b>(19,377)</b>	<b>(473)</b>	<b>(357,355)</b>	<b>(377,205)</b>	<b>21,121</b>	<b>594,331</b>	<b>615,452</b>	<b>238,247</b>

<b>2021/22</b>	<b>Recharge Income</b>	<b>Interest Revenue</b>	<b>External Income</b>	<b>Total Income</b>	<b>Interest Expense</b>	<b>Other Expenditure</b>	<b>Total Expenditure</b>	<b>Net Expenditure</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
People Services	(9,995)	0	(180,858)	(190,853)	0	365,644	365,644	174,791
Communities and Place	(6,398)	0	(39,267)	(45,665)	0	89,064	89,064	43,399
Corporate Resources	(3,948)	(479)	(84,416)	(88,843)	20,039	100,531	120,570	31,727
Corporate	0	0	(11,442)	(11,442)	0	19,286	19,286	7,844
Local authority housing (HRA)	0	0	(59,812)	(59,812)	0	49,946	49,946	(9,866)
<b>Reported net cost of Services</b>	<b>(20,341)</b>	<b>(479)</b>	<b>(375,795)</b>	<b>(396,615)</b>	<b>20,039</b>	<b>624,471</b>	<b>644,510</b>	<b>247,895</b>

## **2. Accounting Policies 2021/22**

### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, these Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a going concern basis.

### **ii. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- 1) Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, it is probable that economic benefits or service potential associated with the transaction will flow to the Council; and the amount of revenue can be measured reliably.
- 2) Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 3) Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- 4) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- 5) Interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 6) Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## 7) Collection Fund

Retained Business Rate and Council Tax income is included in the Comprehensive Income & Expenditure Statement for the year and treated as accrued income. This is measured at the full amount receivable.

Both NDR, Top Up Income and Council Tax support are recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

While the Council Tax and NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is the Council's demand on the Fund for that year, plus/(less) the Council's share of any surplus/(deficit) on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Revenue from non-exchange transactions shall be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.

### **iii. 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 from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Balance Sheet, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### **iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **v. Charges to Revenue for Non-Current Assets**

Services are debited with the following amounts to record the cost of holding non current assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible non current assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision - MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

For capital expenditure incurred before 1st April 2008 and for supported capital expenditure incurred on or after that date, MRP will be determined by charging the expenditure on an appropriate annuity rate over the remaining life in respect of that expenditure.

For unsupported capital expenditure incurred after 31st March 2008 MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments or as the principal repayment on an annuity basis, starting in the year after the asset becomes operational. For annuity basis the interest rate charged is 4.3% for unsupported capital expenditure incurred after 31st March 2019. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over the number of years specified in the CLG Guidance.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability. For the transferred debt from other Authorities an appropriate annuity basis will be used over 50 years.

No MRP will be charged in respect of assets held within the Housing Revenue Account.

Capital expenditure incurred during 2021/22 will not be subject to an MRP charge until 2021/22 provided the works are completed.

## **vi. Employee Benefits**

### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. untaken flexi leave) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefits. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

### **Post Employment Benefits**

Employees of the Council are members of three separate pension schemes:

- 1) The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- 2) The NHS' Pension Scheme, administered by NHS Pensions for Public Health employees who transferred to Derby City Council.
- 3) The Local Government Pensions Scheme, administered by Derbyshire County Council.

All of the above schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' scheme and NHS Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These scheme's are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. Within the Comprehensive Income and Expenditure Statement the People's Services line is charged with the employer's contributions payable to Teachers' Pensions and NHS Pensions in the year.

## **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the Derbyshire County Council pension fund 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 about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate. The details of these rates are included in the Defined Benefit Pension Schemes note.

The assets of Derbyshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities - current bid price
- Unquoted securities - professional estimate
- Unitised securities - current bid price
- Property - market value.

The change in the net pensions liability is analysed into the following components:

### **1) Service costs comprising:**

a) current service cost - the increases in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

b) past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

c) net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

## 2) Remeasurements comprising:

a) the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

b) 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 - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

3) Contributions paid to the Derbyshire County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Council also 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 as are applied to the Local Government Pension Scheme.

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

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

1) Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.

2) Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **viii. Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustments Account in the Movement in Reserves Statement.

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) .

The Council's business model is to hold investments to collect contractual cash flows. Most Financial assets are therefore classified as amortised cost. Except for Money Market Funds and those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

#### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Should a soft loan be made, a loss is recorded in the CIES (debited to the appropriate service) 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. The Council does not currently have any soft loans.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES 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 Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

#### Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant Fair Value at Amortised Cost), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

instruments with quoted market prices - the market price

other instruments with fixed and determinable payments - discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs - unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **ix. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **Business Improvement Districts (BID)**

The Council acts as an agent for the Cathedral Quarter Business Improvement District Company and the St Peter's Quarter Business Improvement District Company. The only amounts recognised in the Council's Comprehensive Income and Expenditure Statement for the BID schemes are contributions made by the Council and BID levy collection costs and are shown within the relevant service line(s) of the Cost of Services section.

## **x. Heritage Assets**

### **Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)**

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. Most of the heritage assets held by the Council are included in the collections of assets and artefacts either exhibited or stored in the Council's Museums and Art Galleries.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. Smaller individual items with a value of less than £10,000 are not recognised unless they form part of a significant collection. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below.

The Council's heritage asset collections are relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation, using the appropriate methodology for the specific collection. The Council's materiality is consistent with the policy for Property, Plant and Equipment.

Unless otherwise detailed below for a specific collection, all heritage assets are reported in the Balance Sheet at insurance valuation. Aligned with the Council's annual insurance policy renewal these insurance valuations are reviewed to reflect any changes for damage, authenticity or deterioration in condition.

Where valuations are not available and the cost of obtaining valuations would be disproportionate to the benefits to the users of the Statement of Accounts, the assets are not recognised on the Balance sheet.

Where the Council's heritage assets are recognised on the balance sheet, they are deemed to have indeterminate lives and a high residual value and therefore the Council does not consider it appropriate to charge depreciation.

The Council's most significant collections of heritage assets are accounted for as follows:

### **Art Collection**

The art collection includes paintings, drawings and sculptures and is reported in the Balance Sheet at insurance valuations. The most significant element of the Council's art collection is its collection of Joseph Wright oil paintings.

### **Decorative Art Collection**

The Council's collection of decorative art includes a wide range of pieces such as textiles, ceramics and porcelain works. These items are reported in the Balance Sheet at insurance valuation.

### **Industrial Collection**

The Council has a collection of industrial heritage artefacts, most notably to do with the city's aeronautical and engineering history. These items are included in the Balance Sheet at insurance valuation.

### **Natural History Collection**

The natural history collection includes a range of flora and fauna artefacts and a biological records database. The collection is included on the Balance Sheet at insurance valuation.

### **Military Collection**

The Council also has a collection of historic military artefacts, including a collection of 9th and 12th Century Lances. These items are reported in the Balance Sheet at insurance valuation.

### **Civic Regalia**

The Council owns a collection of civic regalia, including items such as the Mayor's chain and mace, as well as dinner services and other decorative items. These items are included in the Balance Sheet at insurance valuation.

### **Sculptures/Monuments**

The Council's Sculptures/Monuments collection includes items from various locations across the city, such as parks and public areas. The Council does not consider that reliable cost or valuation information can be obtained for the items held in its sculptures/monuments collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet.

## **Other Collections**

The Council has a number of other minor collections of heritage artefacts, including archaeological artefacts, historic coinage and costumes. Where reliable information is available, these items are reported in the Balance Sheet at insurance valuation.

## **Heritage Assets - General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment - see note xv in this summary of significant accounting policies.

The trustees of the Council's Museums and Art Galleries will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see note xv in this summary of significant accounting policies).

## **xi. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## **xii. The Council as Lessee**

### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment assets recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

## **xiii. The Council as Lessor**

### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by Statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **xiv. Property, Plant and Equipment**

Assets that have physical substance and are held for use in production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment - PPE.

### **Recognition**

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Single item acquisitions below £10,000 are not recognised on the Council's Balance Sheet in line with the Council's de minimus threshold for capitalisation, however these items are financed as capital. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Code of Practice on Local Authority Accounting 2021/22 requires that the Council depreciates separately any part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item.

In order to identify any such significant components, the Council has made a number of assumptions with regards to materiality and the proportion of the cost of the overall asset made up by the individual components. For all relevant asset categories, excluding Council Dwellings, the Council reviews material components whereby the main property asset has a gross book value of £2m or greater. Individual components are only recognised where they represent a significant proportion (20% or greater) of the main asset. A further review is then undertaken to determine the depreciation charge variance between componentising the asset and not componentising the asset. If this variance is deemed to be less than 20% the asset is not componentised. For Council Dwellings, the Council has applied the componentisation requirements under HRA Self-Financing regulations introduced for 2013/14. The Council applies 10 component categories to Council Dwellings with a range of Useful Economic Lives (UEL) between 12 and 60 years.

In accordance with the Code of Practice 2021/22, PPE assets are only recognised if it is probable that future economic benefits or service potential associated with the item will flow to the Council. The PPE assets of the Council's Community, Voluntary Controlled, Voluntary Aided (excluding land) and Foundation schools are considered to meet the IFRS definition for recognition and are included in the Council's balance sheet. Land at Voluntary Aided school sites does not meet this criteria and so is excluded. In addition as Academy schools are not owned or fully funded by the Council, they are also not considered to meet the recognition criteria and are therefore not included in the Council's Balance Sheet.

### **Derecognition**

As components are added, any component being replaced is derecognised. On derecognising components where the component is within a non separated component bundle, the depreciation is apportioned on a straight line basis and derecognised accordingly. In addition, where the historic cost of the old component is not readily determinable, it has been estimated by comparing the remaining useful economic life of the component to the original useful economic life and the cost of the replacement component. A pro rata of both the depreciation and any applicable Revaluation Reserve is also derecognised.

### **Measurement**

Assets are initially measured at cost, comprising:

- 1) The purchase price
- 2) Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- 3) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Assets under construction - cost
- Infrastructure assets - depreciated historical cost
- Community assets - these assets are held in perpetuity, have no determinable useful life and may have restrictions upon their disposal. Generally a nil value has been adopted against these assets with the exception of allotments (where the value is based upon income generated) and parks/play equipment which is held at depreciated historical cost.
- Dwellings - current value, determined using the basis of existing use value for social housing (EUVSH)
- Surplus assets – fair value, estimated at highest and best use from a market participant's perspective.
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Property assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- 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).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Vehicle, Plant, Equipment, infrastructure and Intangible fixed assets are not valued, they are held at depreciated historic cost.

## **Impairment**

Where indications of impairment exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- 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)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is not charged in the year of acquisition but is applied in the year of disposal.

Depreciation is calculated on the following bases, on unadjusted asset values and remaining useful life balances held as at the beginning of the Financial Year (1st April), with the exception of Council Dwellings which are valued annually on the 1st April :

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Valuer (this can range from between 5 and 100 years)
- Vehicles, plant, furniture and equipment - straight-line allocation over the useful life of the asset (usually between 3 and 20 years).
- Infrastructure - straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable, based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not be classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be 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 appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **xv. Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. Where the Council is deemed to control the services that are provided under its PFI schemes, and controls a significant residual interest of the asset, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. Where either of these criteria are not met the assets are not included in the Council's balance sheet.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost - an interest charge of 2.61% - 7.53% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

## **xvi. Provisions, Contingent Liabilities and Contingents Assets**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

The Council currently hold a number of provisions on the Balance Sheet, further details of these provisions can be found in note 29.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that give 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 is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

The Council currently has two material contingent liabilities, details of these can be found in note 39.

## **xvii. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes to cover contingencies. Reserves are created by appropriating amounts out of the General Fund or HRA Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund or HRA Balance in the Movement in Reserves Statement, so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and do not represent usable resources for the Council - these unusable reserves are explained in the relevant policies.

Further details of the Council's reserves can be found in notes 30, 31 and 32.

## **xviii. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions, but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund or HRA Balance to the Capital Adjustment Account, then reverses out the amounts charged, so that there is no impact on the level of council tax.

## **xix. Accounting for Local Government Schools**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flow and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

The treatment of land and buildings for each type of school is based on the legal framework underlying each type of school. The Council controls the management and running of community, special, voluntary aided and voluntary controlled schools and therefore the land (excluding voluntary aided schools) and buildings of those schools are included on the Council's balance sheet.

All activities of community, special, foundation, voluntary aided and voluntary controlled schools are accounted for by the Council. For example, capital expenditure is added to the balances for those schools.

The Dedicated Schools Grant is allocated between central Council Budget and budgets allocated to individual schools ("delegated school budgets"). Expenditure from central Council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under People's services.

Individual schools' balances at 31st March 2022 are included in the balance sheet of the Council as any unspent delegated schools budgets remain the property of the Council.

### **PFI Schemes**

The Council has a number of schools subject to PFI contracts. The PFI buildings for community, foundation and voluntary controlled schools are shown on the Council's balance sheet.

The PFI liabilities in respect of all PFI schools remain on the Council's balance sheet as the Council is the party to the contract with the PFI Operator.

## **xx. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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

An assessment of the Council's interests in other entities has been carried out to establish the group boundary. Inclusion in the group is dependant upon the extent of the Council's control over the entity, demonstrated through ownership or influence by representation on the board of directors of the entity.

The Council has a number of interests in other companies but the majority are considered immaterial or do not meet the required level of control to be consolidated into the Council's accounts.

The Council's main interest relates to Derby Homes Ltd which is a wholly owned subsidiary of the Council. Derby Homes produce financial statements to 31st March in line with the Council's own financial reporting; there are no material differences in accounting policies between the two entities. In line with the code of practice for local authority accounting these accounts are consolidated into the group accounts on a line by line basis. This is the only entity consolidated into the Council's group accounts.

## **xxii. Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. 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 at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either;

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

### **xxiii. Investment Property**

Investment properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **xxiv. Overheads and Support Services**

The costs of overheads and support services are included in the CIES within the Directorate which reports on the service, for example Payroll is included within the Corporate Resources directorate.

## **xxv. Intangible Assets**

Expenditure on assets that do not have physical substance but are controlled by the authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the authority's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

### **3. Accounting Standards that have been issued but have not yet been adopted**

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. There are 3 Accounting Standards that have been issued and not yet applied in the preparation of the accounts these are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

### **4. Events after the reporting period**

The Statement of Accounts was authorised for issue by the Strategic Director of Corporate Resources on 29th July. Events taking place after this date are not reflected in the financial statements or notes.

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

### **5. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in the Accounting Policies note, the Council has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

#### **1) Government Funding:**

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

## 2) PFI Schemes:

The Council has five PFI schemes in operation which are included within the Statement of Accounts. In all cases, judgements have been made about the nature and timing of future project expenditure given the complexity of projects. The actual profiling of future project costs may be subject to change due to unforeseen circumstances. The Council has judged that 1 of these schemes does not meet the recognition criteria and is therefore not included on the balance sheet. Further details of the Council's PFI schemes are included in the relevant notes to the accounts.

## 3) Componentisation of Property, Plant and Equipment:

The Code of Practice on Local Authority Accounting 2021/22 requires that the Council depreciates separately any part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item.

In order to identify any such significant components, the Council has made a number of assumptions with regards to materiality and the proportion of the cost of the overall asset made up by the individual components. For all relevant asset categories, excluding Council Dwellings, a materiality threshold of £2m for individual property assets, and 20% for significant components were established based on the materiality of potential movement in depreciation. For Council Dwellings, the Council has applied the componentisation breakdown required under HRA Self-Financing regulations introduced for 2013/14. The Council applies multiple component categories to Council Dwellings with a range of Useful Economic Lives (UEL) between 12 and 60 years.

Council Property Officers have applied professional judgement in determining the components which need to be separated, based on estimated cost and asset lives. Where historic component information is not available, professional judgement has also been applied in forming reasonable assumptions for significance and estimated cost.

## 4) Heritage Assets:

The Code of Practice on Local Authority Accounting 2021/22 requires that the Council accounts for its tangible and intangible heritage assets. As a result, values for these assets are recognised in the Council's balance sheet position, except where valuations are not available and the cost of obtaining valuations would be disproportionate to the benefits to the users of the Statement of Accounts.

The Council has identified a number of heritage asset collections where valuations are not available and it is considered the cost of obtaining valuations would be disproportionate. Further details of these collections are provided in the relevant notes to the accounts.

## 5) Group Accounts

An assessment of the Council's interests in other entities has been carried out to establish the group boundary. Inclusion in the group is dependant upon the judgement of the extent of the Council's control over the entity, demonstrated through ownership or influence by representation on the board of directors of the entity.

## 6) Pooled Budgets

The Council has entered into a pooled budget arrangement with Derby & Derbyshire CCG (DDCCG) for the provision of health and social care services. This agreement has been made under section 75 of the National Health Services Act 2006. Within the pooled budget the Council has assessed that it operates as both the host partner and as the lead commissioner. In line with this assessment the Council's accounts include income from the DDCCG and expenditure to providers on a gross basis. Further details of the pool arrangement are included in the Pooled Budget note (note 47).

## 7) Reporting Segments

Due to the changes in reporting requirements in the 2018 Code of Practice the CIES is now presented based on how the authority is organised and funded. The Council has presented its CIES on the basis of how it reports its management accounts during the financial year which is by service directorate. The Council has three service directorates; People's Services, Communities & Place and Corporate Resources along with a separate Housing Revenue Account. The Council also report separately on Corporate services.

## 8) IFRS 15 - Revenue Recognition

Having reviewed the income sources for the Council we have concluded that the majority of this income falls outside the scope of IFRS 15. In addition we consider that amounts remaining, that may fall under IFRS15, are not material enough to warrant any specific disclosure or accounting treatment.

## 9) New Waste Treatment Facility

The Council has considered the accounting treatment for the NWTF and has determined that no asset or liability can be recognised on the balance sheet at 31 March 2022 because the asset has not been brought into service as intended. The Council has incurred capital expenditure of £2.2m during 21/22 (£3.4m during 20/21) securing, managing and preserving the site.

## **6. Assumptions made about the future and other major sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions on amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying of assets and liabilities within the next financial year are:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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Property, Plant and Equipment - Valuation	The Council's portfolio of Other Land and Buildings is revalued as part of a 5 year rolling programme. The value of those assets is based upon calculations and estimation techniques employed by the Council's Valuers following the Royal Institute of Chartered Surveyors (RICS) guidance. Changes in asset values are largely influenced by market forces which can be volatile. Therefore it is uncertain that the Council's assets will not see a significant change in value.	Any revaluation of assets either upward or downward would be reflected in the Council's asset base. It is estimated that a 1% change in asset values would result in a change of £3.423 million.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of 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 assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	Details of the effect of changes in the key actuarial assumptions are included in the Defined Benefit Pension Schemes note (note 38).
Arrears	At 31 March 2022, the Council had a balance of gross short-term debtors of £79.819 million. The Council has applied an impairment of doubtful debts of £28.491 million based on age of debt and historic experience of rates of recovery. However, in the current economic climate it is not certain that such an allowance would be sufficient. COVID-19 may have an impact on the timing of debts recovered but currently we do not anticipate it will affect overall collection.	If collection rates were to deteriorate a 10% increase in the number of bad and doubtful debts would require an additional £2.849 million to be set aside as an allowance. The Council's impairment of doubtful debts include £14.128m in relation to Council Tax and NDR based on assumed collection rates. A 1% reduction in these rates would require an additional impairment of £0.141m to be put aside.

## **Operational Assets**

Operational assets are carried in the Balance Sheet using current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV). Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. (The DRC valued assets account for approximately 73% of the total non-housing portfolio value). Surplus assets are valued at fair value, estimated at highest and best use from a market participant's perspective.

### **Asset valuation Novel Coronavirus (COVID 19) impact**

The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, “lockdowns” have been applied to varying degrees and to reflect further “waves” of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists, supplemented by wider professional property market commentary and indicators, upon which to base opinions of value. Accordingly, and for the avoidance of doubt, the bulk of our valuation is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

As at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. However, in respect of car parks, as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuation of the car park portfolio is therefore reported as being subject to ‘material valuation uncertainty’ as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

For the avoidance of doubt, this explanatory note, including the ‘material valuation uncertainty’ declaration, does not mean that the valuation(s) cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

## **7. Adjustments between accounting basis and funding basis under regulations**

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 the resources that are specified by the statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2020/21 Comparative Figures	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(19,809)	(14,269)	0	0	0	34,078
Revaluation losses on Property Plant and Equipment	(12,707)	905	0	0	0	11,802
Revaluation gains matched to prior years impairments	1,578	755	0	0	0	(2,333)
Movements in the market value of Investment Properties	(363)	0	0	0	0	363
Impairment charges for Assets Held for Sale	0	0	0	0	0	0
Amortisation of intangible assets	(693)	0	0	0	0	693
Capital grants and contributions applied	13,640	0	0	0	0	(13,640)
Revenue expenditure funded from capital under statute	(6,643)	0	0	0	0	6,643
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,568)	(4,937)	0	0	0	12,505
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	7,369	38	0	0	0	(7,407)
Capital expenditure charged against the General Fund and HRA balances	2,389	0	0	0	0	(2,389)

2020/21 Comparative Figures	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	17,039	0	0	0	(17,039)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	7,239	(7,239)
Adjustment primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	271	6,451	(6,722)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	7,368	0	0	(7,368)
Use of Capital Receipts Reserve towards administrative costs of non-current capital receipts pool	(1,241)	0	1,241	0	0	0
Receipt of Capital loan repayments	0	0	(878)	0	0	878
Transfer from deferred capital receipts reserve upon receipt of cash	0	0	(37)	0	0	37
Adjustment primarily involving the Major Repair Reserve:						
Posting of revenue resource to/(from) HRA for Major Repairs Reserve	0	14,269	0	(14,269)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	15,064	0	(15,064)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	11	(16)	0	0	0	5

2020/21 Comparative Figures	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(40,967)	(192)	0	0	0	41,159
Employers pensions contributions and direct payments to pensioners payable in the year	23,709	133	0	0	0	(23,842)
Adjustable primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	(23,035)	0	0	0	0	23,035
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3)	(2)	0	0	0	5
<b>Total Adjustments</b>	<b>(47,023)</b>	<b>3,135</b>	<b>972</b>	<b>795</b>	<b>(9,800)</b>	<b>51,921</b>

2021/22	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(21,259)	(14,882)				36,141
Revaluation losses on Property Plant and Equipment	(15,270)	(326)				15,596
Revaluation gains matched to prior years impairments	4,296	392				(4,688)
Movements in the market value of Investment Properties	1,530					(1,530)
Amortisation of intangible assets	(785)					785
Capital grants and contributions applied	25,604					(25,604)
Revenue expenditure funded from capital under statute	(19,235)					19,235
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(18,658)	(8,836)				27,494
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	8,262	39				(8,301)
Capital expenditure charged against the General Fund and HRA balances	5,766	(7)				(5,759)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	16,188				(16,188)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					15,339	(15,339)

2021/22	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,235	10,665	(16,900)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	15,686	0	0	(15,686)
Use of Capital Receipts Reserve towards administrative costs of non-current capital receipts pool	(1,239)	0	1,239	0	0	0
Receipt of capital loan repayments	0	0	(532)	0	0	532
Transfer from deferred capital receipts reserve upon receipt of cash	0	0	(54)	0	0	54
Adjustment primarily involving the Deferred Capital Receipts Reserve:						
Deferred Sales Proceeds	0	0	0	0	0	0
Adjustment primarily involving the Major Repair Reserve:						
Posting of revenue resource to/(from) HRA for Major Repairs Reserve	0	14,882	0	(14,882)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	15,347	0	(15,347)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	28	0	0	0	0	(28)

2021/22	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(61,289)	(340)	0	0	0	61,629
Employers pensions contributions and direct payments to pensioners payable in the year	24,349	153	0	0	0	(24,502)
Adjustable primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	13,947	0	0	0	0	(13,947)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(663)	(8)	0	0	0	671
Adjustment primarily involving the Dedicated Schools Grant Adjustment Account:						
School budget deficit transferred from General Fund in accordance with statutory requirements	(769)	0	0	0	0	769
<b>Total Adjustments</b>	<b>(32,962)</b>	<b>1,732</b>	<b>(561)</b>	<b>465</b>	<b>(849)</b>	<b>32,175</b>

## 8. Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

	People Services	Communities & Place	Corporate Resources	Corporate	Local Authority Housing (HRA)	Other Income and Expenditure	TOTAL
2020/21	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>							
Employee expenses	115,560	36,344	30,906	1,783	754	0	<b>185,347</b>
Employee expenses for Voluntary Aided and Foundation Schools	14,639	0	0	0	0	0	<b>14,639</b>
Other service expenses	224,278	55,004	88,213	1,783	34,619	0	<b>403,897</b>
Depreciation, amortisation and impairment	7,989	19,965	3,972	0	12,610	69	<b>44,605</b>
Interest payments	0	0	0	0	0	21,121	<b>21,121</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1,241	<b>1,241</b>
Gain or Loss on Disposal of non current assets	0	0	0	0	0	12,522	<b>12,522</b>
Internal Trading	(10,577)	(4,697)	(4,103)	0	0	0	<b>(19,377)</b>
Pension Interest Cost	0	0	0	0	0	26,271	<b>26,271</b>
<b>Total expenditure</b>	<b>351,889</b>	<b>106,616</b>	<b>118,988</b>	<b>3,566</b>	<b>47,983</b>	<b>61,224</b>	<b>690,266</b>
<b>Income</b>							
Fees, charges & other service income	(33,999)	(24,142)	(14,091)	(654)	(58,728)	0	<b>(131,614)</b>
Interest and Investment Income	0	0	0	0	0	(473)	<b>(473)</b>
Income from council tax, non-domestic rates	0	0	0	0	0	(152,276)	<b>(152,276)</b>
Government Grants and Contributions	(180,411)	(10,303)	(68,814)	0	0	(125,280)	<b>(384,808)</b>
PFI Deferred Income	0	0	0	0	0	(423)	<b>(423)</b>
Internal Trading	10,577	4,697	4,103	0	0	0	<b>19,377</b>
Gain or Loss on Disposal of non current assets	0	0	0	0	0	(6,722)	<b>(6,722)</b>
Pension interest income	0	0	0	0	0	(18,948)	<b>(18,948)</b>
<b>Total income</b>	<b>(203,833)</b>	<b>(29,748)</b>	<b>(78,802)</b>	<b>(654)</b>	<b>(58,728)</b>	<b>(304,122)</b>	<b>(675,887)</b>
<b>Surplus or deficit on the provision of services</b>	<b>148,056</b>	<b>76,868</b>	<b>40,186</b>	<b>2,912</b>	<b>(10,745)</b>	<b>(242,898)</b>	<b>14,379</b>

	People Services	Communities & Place	Corporate Resources	Corporate	Local Authority Housing (HRA)	Other Income and Expenditure	TOTAL
	£000	£000	£000	£000	£000	£000	£000
<b>2021/22</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>							
Employee expenses	126,576	43,293	34,918	616	989	0	<b>206,392</b>
Employee expenses for Voluntary Aided and Foundation Schools	14,450	0	0	0	0	0	<b>14,450</b>
Other service expenses*	240,537	73,341	87,747	10,385	34,238	0	<b>446,248</b>
Depreciation, amortisation and impairment	4,435	22,813	4,180	0	14,817	60	<b>46,305</b>
Interest payments	0	0	0	0	0	20,039	<b>20,039</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1,239	<b>1,239</b>
Gain or Loss on Disposal of non current assets	0	0	0	0	0	27,500	<b>27,500</b>
Internal Trading	(9,995)	(6,398)	(3,948)	0	0	0	<b>(20,341)</b>
Pension Interest Cost	0	0	0	0	0	30,130	<b>30,130</b>
<b>Total expenditure</b>	<b>376,003</b>	<b>133,049</b>	<b>122,897</b>	<b>11,001</b>	<b>50,044</b>	<b>78,968</b>	<b>771,962</b>
<b>Income</b>							
Fees, charges & other service income*	(35,472)	(33,968)	(22,423)	(10,972)	(59,812)	0	<b>(162,647)</b>
Interest and Investment Income	0	0	0	0	0	(479)	<b>(479)</b>
Income from council tax, non-domestic rates	0	0	0	0	0	(174,286)	<b>(174,286)</b>
Government Grants and Contributions	(174,266)	(12,704)	(65,985)	(122)	0	(112,905)	<b>(365,982)</b>
PFI Deferred Income	0	0	0	0	0	(428)	<b>(428)</b>
Internal Trading	9,995	6,398	3,948	0	0	0	<b>20,341</b>
Gain or Loss on Disposal of non current assets	0	0	0	0	0	(16,900)	<b>(16,900)</b>
Pension interest income	0	0	0	0	0	(19,878)	<b>(19,878)</b>
<b>Total income</b>	<b>(199,743)</b>	<b>(40,274)</b>	<b>(84,460)</b>	<b>(11,094)</b>	<b>(59,812)</b>	<b>(324,876)</b>	<b>(720,259)</b>
<b>Surplus or deficit on the provision of services</b>	<b>176,260</b>	<b>92,775</b>	<b>38,437</b>	<b>(93)</b>	<b>(9,768)</b>	<b>(245,908)</b>	<b>51,703</b>

\*Fees and charges and other operating expenditure figures in this note reflect the amounts reported by directorates - internal recharges within these lines are deducted on the separate internal trading line below.

## **9. Other operating expenditure**

<b>2020/21 £000</b>		<b>2021/22 £000</b>
1,241	Payments to the Government Housing Capital Receipts Pool	1,239
5,800	(Gains)/losses on the disposal of non-current assets	10,600
<b>7,041</b>	<b>Total</b>	<b>11,839</b>

## **10. Financing and investment income and expenditure**

<b>2020/21 £000</b>		<b>2021/22 £000</b>
21,121	Interest payable and similar charges	20,039
7,323	Net interest on the net defined benefit liability	10,251
(406)	Interest receivable and similar income	(367)
(67)	Income and expenditure in relation to investment properties and changes in their fair value	(111)
69	Financial Instrument Impairments	60
<b>28,040</b>	<b>Total</b>	<b>29,872</b>

## **11. Taxation and Non-Specific Grant Income**

<b>2020/21 £000</b>		<b>2021/22 £000</b>
(423)	PFI Deferred rental income	(428)
(102,552)	Council tax income	(107,597)
25,615	Share of prior year Collection Fund (Surplus)/Deficit*	8,200
(12,728)	Revenue Support Grant	(12,799)
(46,059)	Retained Business Rates	(45,537)
(16,552)	Business Rates Retention (Top Up)	(16,552)
(94,130)	Non-ring-fenced government grants	(71,113)
(31,150)	Capital grants and contributions	(41,792)
<b>(277,979)</b>	<b>Total</b>	<b>(287,618)</b>

\*The Collection Fund in 2020/21 and 2021/22 is reporting significantly higher deficits for Business Rates due to the COVID-19 pandemic and the additional reliefs provided to businesses (extended retail, nursery and newspaper reliefs) as a result of the pandemic. Section 31 grant funding has been provided to offset the impact of these reliefs and Derby City Council have transferred that into reserves to partially mitigate the gross deficit in 2022/23.

## **12. Accounting for Local Government Schools**

The Council has the following maintained schools:

<b>2020/21</b>	<b>Community</b>	<b>Voluntary Aided</b>	<b>Foundation</b>	<b>Special</b>	<b>Total</b>
Number of schools, (including nursery schools and excluding PFI schools)	34	1	3	1	<b>39</b>
Value of land and buildings at 31st March 2021	£79.9m	£0.7m	£48.0m	£3.8m	<b>£132.4m</b>

<b>2021/22</b>	<b>Community</b>	<b>Voluntary Aided</b>	<b>Foundation</b>	<b>Special</b>	<b>Total</b>
Number of schools, (including nursery schools and excluding PFI schools)	32	1	3	1	<b>37</b>
Value of land and buildings at 31st March 2022	£73.8m	£0.7m	£49.7m	£3.8m	<b>£128.0m</b>

The treatment of land and buildings for each type of school is based on the legal framework underlying each type of school. The Council controls the management and running of community, special and voluntary controlled schools and therefore the land and buildings of those schools are shown on the Council's balance sheet. The land and buildings of foundation schools and buildings of voluntary aided (VA) schools are also shown on the balance sheet as the Council funds the school and is responsible for financial reporting. The land of voluntary aided schools are owned and controlled by the trustees of the schools and are therefore not shown on the Council's balance sheet.

The buildings of VA schools with a carrying value of £0.7m (£0.7m in 2020/21), while included in the Council's financial statements due to the control arrangements, are owned by individual diocese. The Council would be unable to use these assets to settle future liabilities.

Capital expenditure on community, special, foundation, voluntary aided and voluntary controlled schools is added to the balances for those schools as reported in Note 16. Academy schools are separate entities not controlled by the Council and so are not included in the financial statements.

Where a school proposes to transfer to Academy Status, the Council will continue to retain any asset subject to transfer on the basis of its last revaluation and maintains both the asset value and the anticipated useful life until the date of transfer. The Council has taken the view that any asset transferring will continue to be used for the provision of education services thus supporting the Council's statutory obligation for the provision of education. On transfer to an Academy, assets are derecognised in the Council's financial statements for nil consideration. During 2021/22 two schools converted to academy status (two in 2020/21) and one new construction opened as an Academy school.

The Council receives Dedicated Schools Grant (DSG) for all its maintained schools and therefore includes both income and expenditure items within the accounts for all schools.

DSG is credited to the Comprehensive Income and Expenditure Statement within Peoples Services based on amounts due from the Department for Education for 2021/22.

The DSG is allocated between central Council Budget and budgets allocated to individual schools (delegated school budgets). Expenditure from central Council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under Peoples Services - Children and Young People. Further details regarding the Council's DSG allocation are provided in the Dedicated Schools Grant note.

Individual schools' balances at 31<sup>st</sup> March 2022. are included in the balance sheet of the Council under the heading Usable Reserves. Where the DSG is in a deficit position, new statutory regulations have been introduced to provide time for government and local authorities to look at budgetary and financial management strategies to reduce the deficits, the regulations are limited to the financial reporting periods 2020/21, 2021/22 and 2022/23. This deficit is included in the balance sheet of the Council under the heading of Unusable Reserves.

### PFI Schemes

The Council previously had 5 schools under the Grouped Schools contract, but one of these converted to Academy status in 2011/12, two converted during 2017/18 and the remaining two converted during 2018/19. The building assets for the school were transferred to the Academy and treated as a disposal within the Council's Statement of Accounts. The Council now have none of the Grouped School PFI assets on its balance sheet.

The PFI liabilities in respect of all 5 PFI Grouped Schools remains on the Council's balance sheet as the Council is the party to the contract with the PFI Operator.

The Council also previously had two schools which were subject to its BSF PFI contract, but one of these converted to Academy status in 2016/17 and the other has converted to Academy status in 2020/21. The building assets for the school were transferred to the Academy and treated as a disposal within the Council's Statement of Accounts. The PFI liabilities in respect of both BSF PFI schools remains on the Council's balance sheet as the Council is the party to the contract with the PFI Operator.

### **13. Dedicated Schools Grant**

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The DSG 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, which is divided into a budget share for each maintained school.

<b>Schools Budget Funded by Dedicated Schools Grant 2020/21</b>			
	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for 2020/21 before Academy recoupment			(252,955)
Academy figure recouped for 2020/21			142,849
Total DSG after Academy recoupment for 2020/21			<b>(110,106)</b>
plus: brought forward from 2019/20			(2,582)
Agreed initial budgeted distribution in 2020/21	(28,247)	(84,441)	<b>(112,688)</b>
In year adjustments	(316)	316	<b>0</b>
Final budget distribution for 2020/21	(28,563)	(84,125)	<b>(112,688)</b>
Actual central expenditure	24,352		<b>24,352</b>
Actual ISB deployed to schools		84,125	<b>84,125</b>
Carried forward to 2021/22	(4,211)	0	<b>(4,211)</b>
<b>Schools Budget Funded by Dedicated Schools Grant 2021/22</b>			
	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for 2021/22 before academy and high needs recoupment			(271,324)
Academy and high needs figure recouped for 2021/22			160,675
Total DSG after academy and high needs recoupment for 2021/22			<b>(110,649)</b>
plus: brought forward from 2020/21			(4,211)
Agreed initial budgeted distribution in 2021/22	(30,834)	(84,025)	<b>(114,859)</b>
In year adjustments	678	(678)	<b>0</b>
Final budget distribution for 2021/22	(30,156)	(84,703)	<b>(114,859)</b>
Actual central expenditure	30,925		<b>30,925</b>
Actual ISB deployed to schools		84,703	<b>84,703</b>
Carried forward to 2022/23*	769	0	<b>769</b>

\*This deficit has been included in the new unusable reserve for the Dedicated Schools Grant.

## 14. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

	2020/21	2021/22
	£000	£000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Non Specific Grants	41,085	44,497
COVID Funding*	23,532	9,333
S31 Grant funding for extended retail and nursery relief*	20,100	8,033
PFI Grant	9,414	9,249
Capital Grants	31,150	41,792
<b>Total</b>	<b>125,281</b>	<b>112,904</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	38,836	36,379
Rent Rebate - Housing Benefit	25,473	23,873
Public Health Grant	19,756	19,889
Housing Benefit Administration	1,061	1,086
COVID-19 LA Support Grant	0	208
COVID-19 Hardship Grant*	2,188	0
COVID-19 Household Support Fund*	0	2,225
COVID-19 Winter Pressures Funding*	1,180	33
COVID Public Health funding*	2,131	1,763
COVID Infection Control Funding*	5,520	7,529
COVID Block Bed and Joint Health Funding from CCG*	4,613	0
COVID Contain Outbreak funding*	6,469	0
COVID Schools funding*	1,205	0
COVID Home to School Transport funding*	1,147	952
Other COVID funding (including new burdens funding)*	2,609	1,982
COVID Grant Funding for Businesses*	5,300	6,246
DfE -ESFA	6,273	3,551
Schools Improvement	8,179	5,470
6th form funding	1,966	2,043
Dedicated Schools Grant	109,538	109,925
Unaccompanied Asylum Seekers	916	2,200
PFI Grants Credited to Service	3,335	3,495
Other Communities and Place	3,017	6,227
Other People's Service - Children and Young People	2,429	9,284
Other People's Service - Adults	6,128	8,015
Other Corporate	0	0
Other Corporate Resources	258	703
<b>Total</b>	<b>259,527</b>	<b>253,078</b>

The DSG figure differs from the figure in note 13 due to adjustments for early years and copyright licenses, the figure quoted in note 14 is the cash received by Derby City Council.

\*The Council received additional funding in 2021/22 due to the COVID-19 pandemic.

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that had not been met at the Balance Sheet date which may require the monies or property to be returned to the giver. The balances at the year-end are:

	2020/21 £000	2021/22 £000
<b>Capital Grants Receipts in Advance</b>		
Children & Young People (CYP) Grants	486	408
CYP Primary Capital Programme Grant	0	0
Housing General Fund (HGF) Grants	396	1,711
HGF Housing Intelligence 4 East Midlands - CLG Grant	33	33
Communities and Place Grants	1,539	422
Communities and Place Contributions	78	26
Football Foundation - Parklife Project	205	31
Environment Agency - Our City Our River	7,476	5,001
D2N2 Our City Our River	5,782	7,941
Transforming Cities	0	28,141
School's Devolved Contributions	39	39
Section 106 contributions	12,665	14,476
Capital Receipts - CPO	893	1,176
Getting Building fund	0	5,971
<b>Total</b>	<b>29,592</b>	<b>65,376</b>

### **15. External Audit Costs**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by Ernst and Young, the Council's external auditors :

	2020/21 £000	2021/22 £000
Fees payable to Ernst and Young with regard to external audit services carried out by the appointed auditor for the year*	169	110
Fees payable to Ernst and Young for the certification of grant claims and returns for the year	32	32
Public Sector Audit Appointments (PSAA) rebate	0	(22)
Funding for implementation of the Redmond Review	0	(57)
<b>Total</b>	<b>201</b>	<b>63</b>

\*The 2020/21 figure contains £59k relating to additional audit fees agreed by the PSAA for out of scope audit work being carried out during 2020-21 (the estimated figure contained in the 2020/21 accounts for this was £28k that had been agreed by management by was subject to confirmation by PSAA).

## 16. Property, Plant and Equipment

### a) Movements on Balances

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Movements in 2020/21</b>									
<b>Cost of Valuation at 1 April 2020</b>	<b>496,488</b>	<b>347,099</b>	<b>31,852</b>	<b>264,001</b>	<b>6,935</b>	<b>16,326</b>	<b>76,405</b>	<b>1,239,106</b>	<b>48,050</b>
Recategorisations	1,009	0	0	59,438	0	360	(61,015)	(208)	0
Additions	18,224	11,432	5,550	19,686	0	2,403	34,206	91,501	133
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,840	5,063	0	0	0	(68)	0	14,835	35
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,654	(10,051)	0	0	0	(3,493)	0	(11,890)	366
Derecognition - disposals	0	0	(1,236)	0	0	0	0	(1,236)	0
Derecognition - other	0	(7,460)	(311)	0	0	0	0	(7,771)	(6,408)
Assets reclassified (to)/from Held for Sale	(4,911)	(1,576)	0	0	0	(125)	0	(6,612)	0
Other reclassifications	14	(14)	(775)	775	0	0	0	0	0
<b>At 31 March 2021</b>	<b>522,318</b>	<b>344,493</b>	<b>35,080</b>	<b>343,900</b>	<b>6,935</b>	<b>15,403</b>	<b>49,596</b>	<b>1,317,725</b>	<b>42,176</b>

<b>Movements in 2020/21</b>	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>	<b>PFI Assets Included in Property, Plant &amp; Equipment £000</b>
<b>Accumulated Depreciation and Impairment at 1 April 2020</b>	0	(3,161)	(17,991)	(64,995)	(4,631)	0	(2)	(90,780)	(6,469)
Depreciation charge	(13,776)	(8,519)	(4,537)	(6,076)	(461)	0	0	(33,369)	(1,071)
Depreciation written out to the Revaluation Reserve	13,717	5,265	0	0	0	0	0	18,982	15
Depreciation written out to the Surplus/Deficit on the Provision of Services	61	1,718	0	0	0	0	0	1,779	157
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Derecognition - disposals	0	0	1,209	0	0	0	0	1,209	0
Derecognition - Other	0	139	216	0	0	0	0	355	139
Other reclassifications	(2)	2	775	(775)	0	0	0	0	0
<b>At 31 March 2021</b>	<b>0</b>	<b>(4,556)</b>	<b>(20,328)</b>	<b>(71,846)</b>	<b>(5,092)</b>	<b>0</b>	<b>(2)</b>	<b>(101,824)</b>	<b>(7,229)</b>
<b>Net Book Value</b>									
<b>At 31 March 2021</b>	<b>522,318</b>	<b>339,937</b>	<b>14,752</b>	<b>272,054</b>	<b>1,843</b>	<b>15,403</b>	<b>49,594</b>	<b>1,215,901</b>	<b>34,947</b>
<b>At 1 April 2020</b>	<b>496,488</b>	<b>343,938</b>	<b>13,861</b>	<b>199,006</b>	<b>2,304</b>	<b>16,326</b>	<b>76,403</b>	<b>1,148,326</b>	<b>41,581</b>

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Movements in 2021/22:</b>									
<b>Cost of Valuation at 1 April 2021</b>	<b>522,318</b>	<b>344,493</b>	<b>35,080</b>	<b>343,900</b>	<b>6,935</b>	<b>15,403</b>	<b>49,596</b>	<b>1,317,725</b>	<b>42,176</b>
Recategorisations	2,571	0	0	3,174	85	0	(5,830)	0	0
Additions	18,200	8,822	2,099	14,816	32	963	48,041	<b>92,973</b>	1,520
Revaluation increases/(decreases) recognised in the Revaluation Reserve	28,563	15,656	0	0	0	448	0	<b>44,667</b>	102
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	24	(14,521)	0	0	0	(430)	(20)	<b>(14,947)</b>	967
Derecognition - disposals	0	0	(462)	0	0	0	0	<b>(462)</b>	0
Derecognition - other	0	(15,722)	(445)	0	0	0	0	<b>(16,167)</b>	0
Assets reclassified (to)/from Held for Sale	(8,791)	(483)	0	0	0	(1,784)	0	<b>(11,058)</b>	0
Other reclassifications	179	6,895	17	(17)	0	(273)	(6,801)	0	0
<b>At 31 March 2022</b>	<b>563,064</b>	<b>345,140</b>	<b>36,289</b>	<b>361,873</b>	<b>7,052</b>	<b>14,327</b>	<b>84,986</b>	<b>1,412,731</b>	<b>44,765</b>

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Movements in 2021/22</b>									
<b>Accumulated Depreciation and Impairment at 1 April 2021</b>	<b>0</b>	<b>(4,556)</b>	<b>(20,328)</b>	<b>(71,846)</b>	<b>(5,092)</b>	<b>0</b>	<b>(2)</b>	<b>(101,824)</b>	<b>(7,229)</b>
Depreciation charge	(14,389)	(8,307)	(4,268)	(8,057)	(442)	0	0	(35,463)	(943)
Depreciation written out to the Revaluation Reserve	14,345	6,520	0	0	0	0	0	20,865	15
Depreciation written out to the Surplus/Deficit on the Provision of Services	61	3,285	0	0	0	5	0	3,351	163
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	6	0	0	0	0	0	6	0
Derecognition - disposals	0	0	458	0	0	0	0	458	0
Derecognition - other	0	208	372	0	0	0	0	580	0
Other reclassifications	(17)	22	(2)	2	0	(5)	0	0	0
<b>At 31 March 2022</b>	<b>0</b>	<b>(2,822)</b>	<b>(23,768)</b>	<b>(79,901)</b>	<b>(5,534)</b>	<b>0</b>	<b>(2)</b>	<b>(112,027)</b>	<b>(7,994)</b>
<b>Net Book Value</b>									
<b>At 31 March 2022</b>	<b>563,064</b>	<b>342,318</b>	<b>12,521</b>	<b>281,972</b>	<b>1,518</b>	<b>14,327</b>	<b>84,984</b>	<b>1,300,704</b>	<b>36,771</b>
<b>At 1 April 2021</b>	<b>522,318</b>	<b>339,937</b>	<b>14,752</b>	<b>272,054</b>	<b>1,843</b>	<b>15,403</b>	<b>49,594</b>	<b>1,215,901</b>	<b>34,947</b>

## b) Depreciation

	Council Dwellings	Council Dwellings - components	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment (including Community Assets Furniture & Equipment)	Infrastructure
Useful lives used in calculation of depreciation	60 years	12 - 60 years	4 years - perpetuity	3-20 years	40 years

## c) Capital Commitments

As at 31 March 2022 the Council had entered into a number of contracts for the enhancement of property, plant and equipment with future costs estimated as £57.684 million. The equivalent figure as at 31 March 2021 was £20.714 million. The major commitments are summarised by directorate:

Strategy Area	Major Schemes	Scheme Commitment £000	Total Commitment £000
Schools			0
Flood Defence			32
Highways & Transport			1,208
Housing			314
Spaces)			647
Regeneration	Our City Our River construction - improved flood defence for city and New Performance Venue at Becketwell	50,259	51,629
ICT			655
VPE	Purchases of Vehicles and Equipment		2,395
HRA			803
<b>Total</b>		<b>50,259</b>	<b>57,683</b>

## d) Revaluation

The Council carries out a rolling programme for its Property, Plant and Equipment assets which are measured at current value and revalued at least every five years. The valuations have been carried out externally by District Valuer Services (DVS). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost.

The significant assumptions applied in estimating the current values are:

- 1) All assets have been valued at Current Value as described in the RICS Guidance Notes. The Property Plant and Equipment assets have been valued at Current Value (Existing Use Value).
- 2) Housing Revenue Account - The assets held in the Housing Revenue Account have been valued using the guidance from DCLG as described in the Guidance for Valuers 2017. The adjustment factor applicable for the East Midlands as contained within this guidance is 42% and this has been applied to the relevant asset valuations.
- 3) De minimus - The de minimus level adopted for the 2021/22 revaluation is £10,000.

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000
<b>Carried at Historical Cost</b>			12,521	281,972	1,429		84,984	380,906	80,944
<b>Valued at Fair Value as at:</b>									
Pre 31/03/2019		13,619			89			13,708	0
31 March 2020		15,191						15,191	0
31 March 2021		29,512						29,512	0
31 March 2022	563,064	283,996				14,327		861,387	0
<b>Total cost or Valuation</b>	<b>563,064</b>	<b>342,318</b>	<b>12,521</b>	<b>281,972</b>	<b>1,518</b>	<b>14,327</b>	<b>84,984</b>	<b>1,300,704</b>	<b>80,944</b>

## 17. Heritage Assets

Heritage Assets consist of the Council's collections of art, decorative art, industrial heritage artefacts, natural history, military artefacts, civic regalia, sculptures/monuments and other minor collections. Smaller individual items with an insurance value of less than £10,000 are considered deminimus and not recognised unless they form part of a larger collection. For further information on Derby City Council's Heritage Assets please see Accounting Policies note.

	Civic Regalia £000	Art Collection £000	Decorative Art Collection £000	Industrial Collection £000	Natural History Collection £000	Other £000	Total £000
<b>Cost or Valuation</b>							
<b>31 March 2020</b>	<b>668</b>	<b>64,969</b>	<b>3,992</b>	<b>1,022</b>	<b>1,237</b>	<b>4,346</b>	<b>76,234</b>
Revaluations recognised in the Revaluation Reserve	102	0	0	15	0	0	117
<b>31 March 2021</b>	<b>770</b>	<b>64,969</b>	<b>3,992</b>	<b>1,037</b>	<b>1,237</b>	<b>4,346</b>	<b>76,351</b>
Revaluations recognised in the Revaluation Reserve	0	5,013	0	0	(420)	0	4,593
<b>31 March 2022</b>	<b>770</b>	<b>69,982</b>	<b>3,992</b>	<b>1,037</b>	<b>817</b>	<b>4,346</b>	<b>80,944</b>

## **18. Investment Properties**

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Rental income from investment property	(67)	(111)
<b>Net (gain)/loss</b>	<b>(67)</b>	<b>(111)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Balance at start of the year	4,073	3,710
Net gain/losses from fair value adjustments	(363)	1,530
<b>Balance at the end of the year</b>	<b>3,710</b>	<b>5,240</b>

### **Fair Value Hierarchy**

All the Council's investment properties have been value assessed as Level 2 (£5.24m) on the fair value hierarchy for valuation purposes (see Accounting Policies for an explanation of the fair value levels).

### **Highest and Best Use**

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

### **Valuation Process for Investment Properties**

The Council's investment property has been valued as at 31 March 2022 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## **19. Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in CFR is analysed in the second part of this note.

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Opening Capital Financing Requirement</b>	<b>(651,290)</b>	<b>(696,395)</b>
Capital Investment:		
Property, Plant and Equipment	(91,501)	(92,973)
Intangible Assets	(68)	0
Revenue Expenditure Funded from Capital Under Statute	(6,643)	(19,235)
LAMS/Long Term Debtors	878	532
Sources of finance:		
Capital Receipts	7,368	15,686
Receipt of capital loan repayments	(878)	(532)
Capital Reserves	15,064	15,347
Government grants and other contributions	20,879	40,943
Sums set aside from revenue:		
Direct revenue contributions	2,389	5,759
Minimum Revenue Provision	7,407	8,301
<b>Closing capital financing requirement</b>	<b>(696,395)</b>	<b>(722,567)</b>

<b>Explanation of movements in year</b>		
Increase/(decrease) in underlying need to borrow (supported by government financial assistance)	751	731
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	48,821	34,548
HRA capital receipts set aside for redemption of debt	(146)	(4,361)
Assets acquired under finance leases	(276)	(162)
Assets acquired under PFI/PPP contracts	(4,045)	(4,584)
<b>Increase/(decrease) in capital financing requirement</b>	<b>45,105</b>	<b>26,172</b>

## 20. Leases

### Authority as Lessee

#### Finance Leases

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet. The net book value (NBV) of these assets and depreciation (Depn) charged for each category of leased assets is shown in the table below.

	2020/21		2021/22	
	NBV £000	Depn £000	NBV £000	Depn £000
Other Land and Buildings	405	(22)	384	(22)
Vehicles, Plant, Furniture and Equipment	1,030	(274)	871	(252)
<b>Total</b>	<b>1,435</b>	<b>(296)</b>	<b>1,255</b>	<b>(274)</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2020/21 £000	2021/22 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	272	296
Non-current	1,024	837
Finance costs payable in future years	261	226
<b>Minimum lease payments</b>	<b>1,557</b>	<b>1,359</b>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/2021 £000	31/03/2022 £000	31/03/2021 £000	31/03/2022 £000
Not later than one year	314	332	272	296
Later than one year and not later than five years	841	655	758	596
Later than five years	403	372	266	241
	<b>1,558</b>	<b>1,359</b>	<b>1,296</b>	<b>1,133</b>

## Operating Leases

The total future minimum lease payments due under non-cancellable leases in future years are:

	31/03/2021 £000	31/03/2022 £000
No later than one year	751	626
Later than one year and not later than five years	1,724	1,896
Later than five years	1,431	1,255
<b>Total</b>	<b>3,906</b>	<b>3,777</b>

The expenditure charged to Cost of Services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31/03/2021 £000	31/03/2022 £000
Minimum lease payments	1,157	990
<b>Total</b>	<b>1,157</b>	<b>990</b>

## **Authority as Lessor**

### Finance Leases

The Council has a gross investment in a number of finance leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the assets when the leases come to an end. The minimum lease payments comprise settlement of the long-term debtors for the interests in the assets acquired by the lessees and finance income that will be earned by the Council in future years whilst the debtors remain outstanding. The gross investment is made up of the following amounts:

	31/03/2021 £000	31/03/2022 £000
Finance lease debtors (net present value of minimum lease payments):		
Current	4	4
Non-current	1,209	1,154
Unearned finance income	1,827	1,734
Unguaranteed residual value of property	(20)	(19)
<b>Gross investment in the lease</b>	<b>3,020</b>	<b>2,873</b>

The gross investment in the leases and the minimum lease payments will be received over the following periods:

	Gross Investment		Minimum Lease	
	31/03/2021 £000	31/03/2022 £000	31/03/2021 £000	31/03/2022 £000
Not later than one year	31	30	4	4
Later than one year and not later	125	121	17	17
Later than five years	2,864	2,722	1,171	1,118
<b>Total</b>	<b>3,020</b>	<b>2,873</b>	<b>1,192</b>	<b>1,139</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. These amounts have proven to be unquantifiable.

#### Operating Leases

The future minimum lease payments receivable under non-cancellable in future years are:

	31/03/2021 £000	31/03/2022 £000
No later than one year	1,312	1,335
Later than one year and not later	3,789	3,691
Later than five years	22,170	19,686
<b>Total</b>	<b>27,271</b>	<b>24,712</b>

The minimum lease payments receivable do not include rents which are contingent on events taking place after the lease was entered into, such as adjustment following rent reviews. These amounts have proven to be unquantifiable.

## **21. Private Finance Initiatives and Similar Contracts**

The Council has assessed the contractual arrangements of its PFI schemes and with the exception of the Housing Inner City Regeneration scheme has concluded all these assets should be included within the Council's accounts. The Housing Inner City Regeneration PFI has not been included as the Council does not control a significant residual interest in the asset or have the option to purchase or receive the asset for nil consideration.

Future PFI charges are subject to partial indexation using RPIx tables. This therefore leads potential uncertainties about future levels of payments.

Future performance related obligations under operational PFI contracts are as follows:

### **Street Lighting**

A 25-year PFI contract was signed in April 2007 with Connect Roads (Derby), to replace all the life expired lighting units within the city, and to maintain the whole of the lighting stock for the period of the contract.

The rentals payable in 2021/22 were £4.867m (2020/21 £4.948m), of which £1.517m related to write down of obligations, £1.307m finance costs and the remainder to service charges/prepayments/contingent rent.

The 2021/22 rental payments included a reduction of £0.01m per month following negotiations with Connect Roads regarding contract performance.

Outstanding obligations to make payments under the Street Lighting PFI finance lease at 31 March 2022, accounted for as part of long-term liabilities, are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2022/23	2,953	984	951	4,888
Payable within two to five years	8,071	6,174	5,309	19,554
Payable within six to ten years	9,111	10,653	4,678	24,442
Payable within eleven to fifteen years	636	288	260	1,184
<b>Total</b>	<b>20,771</b>	<b>18,099</b>	<b>11,198</b>	<b>50,068</b>

The above table reflects costs and income at 2021/22 levels. The amounts are partially subject to indexation (RPIx) and to date cumulative inflation applied to some elements of the scheme is 42%. A 1% variation in RPIx would result in a £0.028m change in payments for 2022/23.

Finance lease obligations are recognised on a stage of completion basis during the Core Investment Period (CIP - 2007/08-2012/13).

Although the payments 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. the balance outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2020/21	2021/22
Balance outstanding at start of year	20,727	19,583
Payments during the year	(1,144)	(1,484)
<b>Balance outstanding at year end</b>	<b>19,583</b>	<b>18,099</b>

At the end of the PFI contract the right to retain the Street Lighting assets will be held by the Council. The Council also has the right to terminate the contract if the contract conditions are not complied with.

### **Affordable Housing**

A 30 year PFI contract, to provide a minimum of 170 affordable houses in the City was signed in September 2012 with The Riverside Group Ltd to provide 104 new build properties in Alvaston, Chaddesden & Spondon area of Derby and 66 refurbished and acquired properties across the City.

The construction of the first properties were completed in 2013/14 in July and payments commenced in August 2013. By 31st March 2016 the construction phase was complete. The scheme purchased two further properties during 2019/20.

Riverside Group Ltd receive both a unitary payment from Derby City Council and rental income from property tenants. Approximately 50% of capital expenditure is funded through the Derby City Council lease liability with the remaining 50% met through rental income.

The total unitary charge payable in 2021/22 was £1.235m (2020/21 £1.246m) of which £0.378m related to the write down of obligations (i.e. repayment of principal), £0.551m interest costs and the remainder to service charges/prepayments.

The total Derby City Council capital repayment to Riverside (to be met through the unitary charge) for the whole of the contract is £12.960m. The table below shows the outstanding obligations to make payments at 31 March 2022.

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2022/23	327	392	531	1,250
Payable within two to five years	1,422	1,663	1,915	5,000
Payable within six to ten years	2,186	2,152	1,911	6,249
Payable within eleven to fifteen years	2,426	2,507	1,315	6,248
Payable within sixteen to twenty years	2,652	3,005	591	6,248
Payable twenty one to twenty five years	969	464	24	1,457
<b>Total</b>	<b>9,982</b>	<b>10,183</b>	<b>6,287</b>	<b>26,452</b>

The above amounts are fixed costs and therefore are not subject to indexation.

Payments made to the contractor are described as unitary payments, they relate to capital expenditure incurred and interest payable. Lifecycle and on-going servicing of the houses and payment for services are made by the tenant direct to Riverside through the rental stream and do not form part of the outstanding obligations between the Council and the provider as part of the Housing PFI contract.

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Balance outstanding at start of year	10,928	10,563
Payments during the year	(365)	(380)
<b>Balance outstanding at year end</b>	<b>10,563</b>	<b>10,183</b>

At the end of the PFI contract the Council has the option to purchase the assets from Riverside. Although this option is not guaranteed there is a guaranteed option of control over the residual interests and control of the infrastructure. The Council also has the right to terminate the contract if the contract conditions are not complied with.

The housing rental deferred liability to meet the liability to the contractor for capital expenditure incurred is as follows:

<b>Housing Rental Deferred Liability</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Balance outstanding at start of year	10,306	9,883
Payments during the year	(423)	(428)
<b>Balance outstanding at year end</b>	<b>9,883</b>	<b>9,455</b>

At the end of the PFI contract the Council has the option to purchase the assets from Riverside. Although this option is not guaranteed there is a guaranteed option of control over the residual interests and control of the infrastructure. The Council also has the right to terminate the contract if the contract conditions are not complied with.

### **Housing Inner City Regeneration**

There is a 30-year contract with Home Housing Association, which commenced in January 2001. Gross service charge payments of £0.5m have been made in 2021/22. Future cash payments between 2022/23 and the end of the contract are expected to be approximately £5.1m.

### **Grouped Schools**

A 27-year PFI Contract was signed in November 2004 with Derby School Solutions (DSS), a private sector consortium, to build, maintain and operate 5 new schools and a Children's Centre with two support units in the City. The first new school became fully operational in October 2005. Ultimately, the value of contract payments depend on the level of performance of DSS, measured against predetermined standards. Amounts include a variation made to the contract in November 2007 to design, build, finance and operate two additional support units and a Children's Centre at Lakeside Primary School. Services commenced during September 2008. They also include a further variation made in April 2013 for additional classrooms at Lakeside Primary School. Services commenced in 2014. The contract end date for the variation finishes in line with the original grouped schools contract agreement.

The rentals payable were £5.078m in 2021/22 (£5.221m in 2020/21) of which £1.449m related to write down of obligations (i.e. repayment of principal), £0.911m interest costs and the remainder to service charges/prepayments/contingent rent.

Outstanding obligations to make payments under the Grouped Schools PFI finance lease at 31 March 2022, accounted for as part of long-term liabilities, are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2022/23	2,548	1,290	1,066	4,904
Payable within two to five years	10,190	5,579	3,073	18,842
Payable within six to ten years	11,445	7,240	2,271	20,956
<b>Total</b>	<b>24,183</b>	<b>14,109</b>	<b>6,410</b>	<b>44,702</b>

The above table reflects costs and income at 2021/22 levels. The amounts are partially subject to indexation (RPIx) and to date cumulative inflation applied to some elements of the scheme is 54%. A 1% variation in RPIx would result in a £0.027m change in payments for services in 2022/23.

Although the payments 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. The balance outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Balance outstanding at start of year	16,859	15,481
Payments during the year	(1,378)	(1,372)
<b>Balance outstanding at year end</b>	<b>15,481</b>	<b>14,109</b>

At the end of the PFI contract the right to retain the school building will be held by the Council, subject to resolution of the on-going discussions regarding the treatment of academy conversions. The Council also has the right to terminate the contract if the contract conditions are not complied with.

## **Building Schools for the Future (BSF)**

A 25 year PFI Contract was signed in December 2010 with Balfour Beatty to build and maintain and operate two new schools in the City and the schools became fully operational in September 2012. Ultimately, the contract payments depend on the level of performance of Balfour Beatty, in relation to facilities management.

The rentals payable were £5.431m in 2021/22 (£5.392m in 2020/21) of which £0.813m related to write down of obligations (i.e. repayment of principal), £2.562m interest costs and the remainder to service charges/prepayments/contingent rent.

Outstanding obligations to make payments under the BSF Schools PFI finance lease at 31 March 2022, accounted for as part of long-term liabilities, are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2022/23	1,889	882	3,503	6,274
Payable within two to five years	7,547	4,424	14,020	25,991
Payable within six to ten years	9,654	8,058	17,304	35,016
Payable within eleven to fifteen years	9,840	12,326	17,119	39,285
Payable within sixteen to twenty years	2,823	1,370	1,482	5,675
<b>Total</b>	<b>31,753</b>	<b>27,060</b>	<b>53,428</b>	<b>112,241</b>

The above table reflects costs and income at 2021/22 levels. The amounts are partially subject to indexation (RPIx) and to date cumulative inflation applied to some elements of the scheme is 32%. A 1% variation in RPIx would result in a £0.025m change in payments for 2022/23.

Although the payments 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. The balance outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Balance outstanding at start of year	28,607	27,872
Payments during the year	(735)	(813)
<b>Balance outstanding at year end</b>	<b>27,872</b>	<b>27,059</b>

## 22. Financial Instruments

### Categories of Financial Instruments

The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management. This code of practice advises local authorities to focus on security and liquidity rather than yield.

Financial instruments include both assets and liabilities. The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised cost, comprising: cash; fixed term deposits; loans provided for service purposes; trade and lease receivables
- Fair value through profit and loss, comprising of money market funds.

The financial liabilities held by the Council during the year are measured at amortised cost and comprise: long-term and short-term loans from the Public Works Loan Board, other local authorities and commercial lenders; lease payables; Private Finance Initiative contracts detailed in note 21 and trade payables for goods and services received.

The Financial assets disclosed in the Balance Sheet are analysed across the following categories:

	Long - term		Current	
	31/03/21 £000	31/03/22 £000	31/03/21 £000	31/03/22 £000
<b>Financial Assets</b>				
At amortised cost:				
Principal	325	315	12,000	7,000
Accrued Interest	0	0	6	14
<b>Total investments</b>	<b>325</b>	<b>315</b>	<b>12,006</b>	<b>7,014</b>
At amortised cost:				
Cash including bank			5,988	2,984
Accrued Interest			1	
At fair value through profit & loss:				
Fair value			16,969	18,268
<b>Total Cash and Cash Equivalents</b>			<b>22,958</b>	<b>21,252</b>
At amortised cost:				
Trade receivables	680	1,209	33,108	30,096
Lease receivables	1,188	1,134	0	0
Loans made for service purposes	1,303	1,058	871	577
Loans to subsidiary	2,917	2,859	0	0
PFI arrangements	5,603	3,916	0	0
Loss Allowance	(293)	(383)	(15,565)	(14,363)
<b>Included in debtors</b>	<b>11,398</b>	<b>9,793</b>	<b>18,414</b>	<b>16,310</b>
<b>Total Financial Assets</b>	<b>11,723</b>	<b>10,108</b>	<b>53,378</b>	<b>44,576</b>
Debtors that are not financial instruments	3,309	1,689	26,592	35,457
<b>Total</b>	<b>15,032</b>	<b>11,797</b>	<b>79,970</b>	<b>80,033</b>

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

	Long - term		Current	
	31/03/21 £000	31/03/22 £000	31/03/21 £000	31/03/22 £000
<b>Financial Liabilities</b>				
Loans at amortised cost:				
Principal	(336,927)	(329,450)	(10,790)	(13,478)
Accrued Interest	0	0	(3,215)	(3,214)
<b>Total Borrowing</b>	<b>(336,927)</b>	<b>(329,450)</b>	<b>(14,005)</b>	<b>(16,692)</b>
Liabilities at amortised cost:				
Finance Leases	(1,024)	(837)	(272)	(296)
PFI arrangements	(78,908)	(74,850)	(4,506)	(3,981)
<b>Total Other Long-term</b>	<b>(79,932)</b>	<b>(75,687)</b>	<b>(4,778)</b>	<b>(4,277)</b>
Liabilities at amortised cost:				
Trade payables	0	0	(45,224)	(48,948)
Pension Liability	(501,243)	(369,057)	0	0
Transferred Debt	(272)	(235)	(38)	(42)
<b>Included in creditors</b>	<b>(501,515)</b>	<b>(369,292)</b>	<b>(45,262)</b>	<b>(48,990)</b>
<b>Total Financial Liabilities</b>	<b>(918,374)</b>	<b>(774,429)</b>	<b>(64,045)</b>	<b>(69,959)</b>
Creditors that are not financial instruments	(517)	(5,800)	(43,898)	(40,740)
<b>Total</b>	<b>(918,891)</b>	<b>(780,229)</b>	<b>(107,943)</b>	<b>(110,699)</b>

## Income, Expense, Gains and Losses

	2020/21			2021/22		
	Financial Liabilities measured at amortised £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	(21,121)	0	(21,121)	(20,039)	0	(20,039)
<b>Total expense</b>	<b>(21,121)</b>	<b>0</b>	<b>(21,121)</b>	<b>(20,039)</b>	<b>0</b>	<b>(20,039)</b>
Interest Income	0	473	473	0	478	478
<b>Total income</b>	<b>0</b>	<b>473</b>	<b>473</b>	<b>0</b>	<b>478</b>	<b>478</b>
<b>Net gain/(loss)</b>	<b>(21,121)</b>	<b>473</b>	<b>(20,648)</b>	<b>(20,039)</b>	<b>478</b>	<b>(19,561)</b>

## Fair Values of Assets and Liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value, which for most assets 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 31st March 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The 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 31st March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:  
The fair values calculated are as follows:

	31 March 2021			31 March 2022		
	Fair Value Level	Carrying amount	Fair value	Fair Value Level	Carrying amount	Fair value
		£000	£000		£000	£000
<b>Financial Liabilities at amortised cost:</b>						
Long Term loans from PWLB	2	(290,838)	(430,573)	2	(283,752)	(368,354)
Other Long term loans	2	(46,090)	(61,550)	2	(45,697)	(55,102)
Short Term Loans	N/A	(14,005)	(13,911)	N/A	(16,692)	(20,597)
PFI	2	(84,710)	(109,010)	2	(78,831)	(93,477)
Short-term creditors	N/A	(45,262)	(45,262)	N/A	(48,990)	(48,990)
<b>Total</b>		<b>(480,905)</b>	<b>(660,306)</b>		<b>(473,962)</b>	<b>(586,520)</b>

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

	31 March 2021			31 March 2022		
	Fair Value Level	Carrying amount	Fair value	Fair Value Level	Carrying amount	Fair value
	£000	£000	£000	£000	£000	£000
<b>Assets</b>						
<b>Financial Assets at amortised cost:</b>						
Short Term Cash Deposits	N/A	17,995	17,995	N/A	9,998	9,998
Short Term Debtors	N/A	18,414	18,414	N/A	16,310	16,310
<b>Financial Assets at fair value:</b>						
Money Market Funds	N/A	16,969	16,969	N/A	18,268	18,268
<b>Total</b>		<b>53,378</b>	<b>53,378</b>		<b>44,576</b>	<b>44,576</b>

## **23. Nature and Extent of Risks arising from Financial Instruments**

The Council has adopted CIPFA's Code of Practice on Treasury Management. As part of the adoption of the Treasury Management Code the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments.

The Council activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public services Code of Practice and Investment Guidance issued through the Act. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and the investment of surplus cash. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice
- its maximum and minimum exposures to fixed and variable rates
- its maximum and minimum exposures to maturity structure of its debt.
- its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These are required to be reported and approved at or before the Council sets its annual Council Tax. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by the central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

## Credit Risk

### Credit Risk: Treasury Management

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £7m was placed on the amount of money that can be invested with a single counterparty in 2021/22. A group of banks under the same ownership are treated as a single organisation for limit purposes. During 2021/22, no investments were made for a period of more than one year.

The table below summaries the credit risk exposures of the Council's investment portfolio by credit rating and remaining time to maturity:

<b>Deposits with money market funds, banks and institutions</b>	<b>Amount at 31 March 2021 £000</b>	<b>Amount at 31 March 2022 £000</b>
	Short Term	Short Term
AAA rated	16,969	18,268
AA rated	0	0
A rated	3,690	2,591
Local Authorities	10,000	7,000
UK Government	6,500	4,000
<b>Total</b>	<b>37,159</b>	<b>31,859</b>

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2021/22, approved by Council Cabinet on 10th February 2021.

The table below summarises the nominal value of the Council's investment portfolio at 31st March 2022, including cash equivalent and confirms that all investments were made in line with the Council's approved credit rating criteria:

Counterparty	Credit Rating Criteria Met When Investment Placed?	Credit Rating Criteria Met on 31 March 2022	Balance Invested as at 31 March 2022		Total
			Up to 1 month	Over 1 month	
			£000	£000	£000
Other Local Authorities and Public Sector Organisations	Yes	Yes	4,000	7,000	11,000
Money Market Funds	Yes	Yes	18,268	0	18,268
Call Accounts	Yes	Yes	2,591	0	2,591
<b>Total</b>			<b>24,859</b>	<b>7,000</b>	<b>31,859</b>

The Council does not generally allow credit for its trade debtors, such that £8.337m of the £19.395m balance, as at 31 March 2022, is past its due date for payment. The past due amount can be analysed by age as follows:

	2020/21 £000	2021/22 £000
Less than 3 months	1,626	2,744
Three to six months	457	870
Six months to one year	1,132	523
More than one year	5,118	4,200
	<b>8,333</b>	<b>8,337</b>

## Credit Risk: Loans provided by the Council

In furtherance of its service objectives to support economic regeneration and new employment opportunity outcomes in the area, the Council has provided loans for capital purposes to a number of small and medium sized businesses, at commercial interest rates. The Council identifies and manages any credit risk inherent in these loans through the due diligence process prior to approval, and ongoing reviews to identify any significant increased credit risk or default for which a lifetime credit loss allowance is required, whilst steps are still being taken to collect sums owing.

The assessment of credit loss allowances is based on information about past events, current conditions and also future forecasts based on reasonable and supportable information that is available without undue cost or effort at the reporting date. These assessments have included consideration of any potential ongoing impact of the COVID-19 pandemic on the risk of default and exposure to credit losses, where reasonably possible.

The total expected credit loss (ECL) allowance at 31 March 2022 was £0.439m. A reconciliation of the movement on the total credit loss allowance held for service loans in 2021/22 is shown below.

Service Loans at amortised cost	Loss Allowance				
	12-month expected credit losses	Lifetime expected credit losses			Total loss allowance
		Credit risk has increased significantly	Credit Risk in default	In default - written off	
	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Opening Balance 01/04/21</b>	6.7	286.6	100.1	-84.1	309.3
New loans made	6.9	0	0	0	6.9
Less expected credit loss for loans written-off in year	0	0	0	0	0
Less expected credit loss removed for loans derecognised as fully repaid	0	0	0	0	0
+/- Change in expected risk in year	(3.9)	127	0	0	124
<b>Closing balance 31/03/22</b>	9.7	414.0	100.1	(84.1)	439.7

## Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from bank and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its own commitments. The council will need to refinance a significant proportion of its borrowing in future years so would be exposed to some interest rate risk should rates rise beyond our current loan portfolio average. This risk is managed by maintaining a spread of fixed rate loans.

The maturity analysis of financial liabilities is as follows:

	2020/21 £000	2021/22 £000
Less than one year	14,005	16,692
Between one and two years	11,132	14,081
Between two and five years	14,154	4,678
Between five and ten years	29,281	45,885
More than ten years	282,360	264,806
	<b>350,932</b>	<b>346,142</b>

All trade and other payables are due to be paid in less than one year.

## Market Risk

### Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing investment periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates, the interest expense charged to the Income and Expenditure Account will rise.
- borrowings at fixed rates, the fair value of the borrowing liability will fall.
- investments at variable rates, the interest income credited to the Income and Expenditure Account will rise.
- investments at fixed rates, the fair value of the assets will fall.

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Council monitor market and forecast interest rates within the year to adjust exposures accordingly. For instance, 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.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	(362)
<b>Impact on (Surplus) of Deficit on the Provision of Services</b>	<b>(362)</b>

## **24. Assets Held for Sale**

	Current	
	2020/21 £000	2021/22 £000
<b>Balance outstanding at start of year</b>	905	2,455
Assets newly classified as held for sale:		
Property, plant and equipment	6,612	11,052
Revaluation gains recognised in the surplus/deficit on the provision of services	0	69
Assets sold	(5,062)	(11,902)
<b>Balance outstanding at year-end</b>	<b>2,455</b>	<b>1,674</b>

## **Fair Value Hierarchy**

	2020/21 £000	2021/22 £000
Value Assessed as Level 2	1,305	1,674
Value Assessed as Level 2 and 3	1,150	0
<b>Balance outstanding at year-end</b>	<b>2,455</b>	<b>1,674</b>

The Council's £1.674m assets held for sale properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Accounting Policies for an explanation of the fair value levels).

## 25. Debtors

### 25a. Current Debtors

	31 March 2021		31 March 2022	
	£000		£000	
Central government bodies	9,895		13,208	
<b>Central government bodies</b>		<b>9,895</b>		<b>13,208</b>
Other local authorities	4,904		4,167	
<b>Other local authorities</b>		<b>4,904</b>		<b>4,167</b>
NHS Bodies	3,043		2,328	
<b>NHS Bodies</b>		<b>3,043</b>		<b>2,328</b>
Council Taxpayers	21,558		24,744	
Less Impairment Allowance	(10,384)		(12,326)	
<b>Council Taxpayers</b>		<b>11,174</b>		<b>12,418</b>
NNDR	4,930		3,098	
Less Impairment Allowance	(2,673)		(1,802)	
<b>NNDR</b>		<b>2,257</b>		<b>1,296</b>
Housing Rents	5,211		4,353	
Less Impairment Allowance	(4,854)		(3,950)	
<b>Housing Rents</b>		<b>357</b>		<b>403</b>
Sundry Debtors	20,822		19,825	
Prepayments	3,266		8,535	
Less Impairment Allowance	(10,711)		(10,413)	
<b>Sundry Debtors</b>		<b>13,377</b>		<b>17,947</b>
<b>Total</b>		<b>45,007</b>		<b>51,767</b>

### 25b. Long Term Debtors

	31 March 2021 £000	31 March 2022 £000
Loans to Derby Homes	2,917	2,859
Regeneration Loans	1,303	1,058
Other Long Term Receivables	680	1,209
Long Term Prepayments	406	238
PFI Prepayments	5,603	3,916
Finance Lease Receivables	1,188	1,134
Long Term element of preceptors share of Collection Fund deficit*	2,903	1,451
Less Impairment Allowance	(293)	(383)
<b>Total</b>	<b>14,707</b>	<b>11,482</b>

\*As a result of the COVID-19 pandemic Billing Authorities are required to spread the collection fund deficit relating to 2020/21 over three financial years. The element in long term debtors is therefore the Central Government and preceptors share of the deficit which will impact 2022/23 and 2023/24.

## **26. Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

	<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
Cash held by the Council	58	24
Bank current accounts	(2,258)	(3,631)
Short-term deposits	25,158	24,859
<b>Total</b>	<b>22,958</b>	<b>21,252</b>

## **27. Creditors**

	<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
Central government bodies	(16,933)	(9,551)
Other local authorities	(11,382)	(5,231)
NHS Bodies	(341)	(221)
Council Taxpayers	(2,258)	(2,049)
Short-term Employee Benefits	(2,291)	(2,962)
Sundry Creditors	(55,955)	(69,716)
<b>Total</b>	<b>(89,160)</b>	<b>(89,730)</b>

## **28. Other Long Term Liabilities**

	<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
Share of liability for a proportion of the County Council's debt charges on becoming a Unitary Authority on 1 April 1997	(38)	(36)
Loans transferred from neighbouring authorities in 1968	(234)	(199)
Long Term Sundry Receipts in Advance*	(517)	(5,800)
Net Pensions Liability (Defined Benefit Pension Scheme Note)	(501,243)	(369,057)
<b>Total Long Term Liabilities</b>	<b>(502,032)</b>	<b>(375,092)</b>

\*The 2021/22 long-term receipts in advance balance includes £5.501m of unspent COVID-19 Additional Relief funding. Any unspent funding will be repayable to Central Government in 2023/24.

## **29. Provisions**

The Council is carrying a significant provision of £4.849m (£6.023m in 2020/21) for the repayment of any successful NDR appeals upheld by the VOA. Prior to the introduction of the Retained Business Rate Scheme the cost of these appeals were met by the national pool administered by central government, but now the council is liable for 49% of the cost of appeals. The timing of these appeals is uncertain and outside the control of the Council as they are dependant upon reviews of cases conducted by the VOA.

The Council also holds £0.437m of other provisions. Included in these provisions are a provision for historic pension liabilities with Derbyshire County Council and an insurance provision.

	Non Domestic Rates		Other		Total	
	Current £000	Non-Current £000	Current £000	Non-Current £000	Current £000	Non-Current £000
<b>Balance at 1 April 2021</b>	<b>6,023</b>	<b>0</b>	<b>370</b>	<b>70</b>	<b>6,393</b>	<b>70</b>
Additional provisions made in 2021/22	557	0	639	0	1,196	0
Amounts used in 2021/22	(1,731)	0	(642)	0	(2,373)	0
<b>Balance at 31 March 2022</b>	<b>4,849</b>	<b>0</b>	<b>367</b>	<b>70</b>	<b>5,216</b>	<b>70</b>

### 30. Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2021/22

	Balance at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Movement between earmarked reserves 2020/21	Balance at 31 March 2021	Transfers Out 2021/22	Transfers In 2021/22	Movement between earmarked reserves 2021/22	Balance at 31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>General Fund</b>									
Unallocated General Fund Balance	(10,933)	0	0	2,000	(8,933)	0	0	0	(8,933)
Balances held by schools under a scheme of delegation	(5,866)	5,792	(8,794)	0	(8,868)	8,795	(8,504)	0	(8,577)
Budget Risk Reserve	(13,047)	1,128	(2,517)	(3,833)	(18,269)	215	(2,469)	0	(20,523)
<b>TOTAL</b>	<b>(29,846)</b>	<b>6,920</b>	<b>(11,311)</b>	<b>(1,833)</b>	<b>(36,070)</b>	<b>9,010</b>	<b>(10,973)</b>	<b>0</b>	<b>(38,033)</b>
<b>Revenue Earmarked Reserves</b>									
COVID19 Impact Reserve	(7,142)	3,101	0	0	(4,041)	6,116	(4,340)	0	(2,265)
Central Schools Budget Reserve	(2,583)	0	(651)	0	(3,234)	3,233	0	0	(1)
General Insurance Reserve	(2,667)	12	0	0	(2,655)	0	(3)	0	(2,658)
Trading Services Reserve	(116)	0	(39)	0	(155)	117	0	0	(38)
Year end grants with restrictions Reserve	(3,873)	915	(8,071)	376	(10,653)	7,066	(647)	0	(4,234)
Regeneration Fund Reserve	(1,494)	358	0	0	(1,136)	218	0	0	(918)
DEGF Interest Reserve	(717)	288	(54)	0	(483)	431	(156)	0	(208)
Adult Social Care Reserve	(265)	0	(746)	0	(1,011)	702	(2,127)	0	(2,436)
Assembly Rooms Reserve	(2,030)	0	0	0	(2,030)	60	(120)	0	(2,090)
Achieving Change Reserve	(2,036)	533	0	429	(1,074)	133	0	0	(941)
Public Health Reserve	(540)	0	(794)	0	(1,334)	0	(2,535)	0	(3,869)
Better Care Fund Reserve	(939)	0	0	939	0	0	0	0	0
PFI Reserves	(29,029)	402	(1,549)	0	(30,176)	1,845	(1,436)	0	(29,767)
Business Rate Pilot Reserve	(2,906)	2,864	0	(92)	(134)	51	0	0	(83)
Business Rates Smoothing Reserve	(1,552)	701	0	92	(759)	759	0	0	0
Collection Fund Deficit Smoothing Reserve*	0	0	(21,444)	0	(21,444)	21,444	(8,208)	0	(8,208)
Ravensdale Insurance Reserve	0	814	(1,012)	0	(198)	4,198	(4,000)	0	0
Other Service Reserves	(11,637)	1,416	(3,665)	89	(13,797)	2,504	(2,912)	0	(14,205)
Earmarked Reserves to support the capital programme	(2,254)	3,612	(3,269)	0	(1,911)	207	(356)	0	(2,060)
<b>TOTAL</b>	<b>(71,780)</b>	<b>15,016</b>	<b>(41,294)</b>	<b>1,833</b>	<b>(96,225)</b>	<b>49,084</b>	<b>(26,840)</b>	<b>0</b>	<b>(73,981)</b>

	Balance at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Movement between earmarked reserves 2020/21	Balance at 31 March 2021	Transfers Out 2021/22	Transfers In 2021/22	Movement between earmarked reserves 2021/22	Balance at 31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>General Fund</b>									
<b>RESERVES</b>	<b>(101,626)</b>	<b>21,936</b>	<b>(52,605)</b>	<b>0</b>	<b>(132,295)</b>	<b>58,094</b>	<b>(37,813)</b>	<b>0</b>	<b>(112,014)</b>
<b>CAPITAL RESERVES</b>									
Usable Capital Receipts	(32,276)	8,609	(7,638)	0	(31,305)	16,925	(17,486)	0	(31,866)
Capital Grants Unapplied	(31,454)	20,878	(30,677)	0	(41,253)	40,943	(41,792)	0	(42,102)
Major Repairs Reserve (HRA)	(2,885)	15,064	(14,269)	0	(2,090)	15,347	(14,882)	0	(1,625)
<b>TOTAL CAPITAL RESERVES</b>	<b>(66,615)</b>	<b>44,551</b>	<b>(52,584)</b>	<b>0</b>	<b>(74,648)</b>	<b>73,215</b>	<b>(74,160)</b>	<b>0</b>	<b>(75,593)</b>
<b>HRA</b>									
Housing Revenue Account	(47,311)	1,160	0	0	(46,151)	192	0	0	(45,959)
<b>TOTAL HRA RESERVES</b>	<b>(47,311)</b>	<b>1,160</b>	<b>0</b>	<b>0</b>	<b>(46,151)</b>	<b>192</b>	<b>0</b>	<b>0</b>	<b>(45,959)</b>
<b>TOTAL USABLE RESERVES</b>	<b>(215,552)</b>	<b>67,647</b>	<b>(105,189)</b>	<b>0</b>	<b>(253,094)</b>	<b>131,501</b>	<b>(111,973)</b>	<b>0</b>	<b>(233,566)</b>

\*The Collection Fund deficit smoothing reserve has been created to hold additional funding received for Council Tax and Business Rates as a result of the COVID-19 pandemic. This funding will be used to offset the large deficits in the collection fund over the next three years (as due to changes in regulations the Council is obliged to spread the 2020/21 exceptional element of the deficit over the next three financial years).

### **31. Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 7.

Details of the major usable reserves are set out below:

Unallocated General Fund Balance - general contingency against adverse future events and emergencies.

Budget Risk Reserve - reserve held to support future budget planning and unforeseen in-year pressures.

COVID19 Impact Reserve - reserve held for funding received for COVID-19 pressures that will continue to impact into the new financial year.

Business Rates Reserves - reserves established to hold gains/losses relating to the business rates pilot and variations to the National Non-Domestic Rates forecast.

Collection Fund Deficit Smoothing Reserve - reserve established to hold section 31 grant funding received for extended retail, nursery and newspaper relief awarded as a result of the COVID-19 pandemic and funding received for 75% of the loss of income in Council Tax and Business Rates. This will be used to smooth the impact of the Collection Fund deficit across the three years of the MTFP.

Achieving Change Reserve - reserve held to support the delivery of savings required in the Medium Term Financial Plan (MTFP).

PFI Reserves - accumulated government PFI credits held to support the PFI business models and contractual commitments over the next 22 years.

Other Ring-Fenced Reserves - reserves set aside to support future years service delivery. The reserves cover a wide range of areas including regeneration projects and priority families.

Housing Revenue Account - the HRA is a statutory account, ring-fenced from the rest of Council funds, so that rents charged to tenants in respect of dwellings cannot be subsidised from Council Tax. The balances on the HRA reflect the accumulated surpluses of income over expenditure.

Major Repairs Reserve - the Council is required by The Accounts and Audit Regulations 2015 to maintain the Major Repairs Reserve. The reserve controls an element of the capital resources required to be used on HRA assets or for capital financing purposes.

Capital Grants Unapplied - this reflects the unused element of capital grants or capital contributions awarded to the Council, for which the conditions of the grant support are expected to be met or for which there are no conditions. The reserve will be used to meet future years' capital expenditure.

### **32. Unusable Reserves**

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
(417,464)	Revaluation Reserve (note 32a)	(473,770)
(190,761)	Capital Adjustment Account (note 32b)	(197,051)
(74)	Financial Instruments Adjustment Account	(102)
501,243	Pensions Reserve (note 32c)	369,057
(1,173)	Deferred Capital Receipts Reserve	(1,119)
26,229	Collection Fund Adjustment Account (note 32d)	12,282
0	Dedicated Schools Grant Adjustment Account	769
2,291	Accumulated Absences Account	2,962
<b>(79,709)</b>	<b>Total Unusable Reserves</b>	<b>(286,972)</b>

#### **32a. Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

<b>2020/21 £000</b>		<b>2021/22 £000</b>
<b>(397,775)</b>	<b>Balance at 1 April</b>	<b>(417,464)</b>
(81,350)	Upward revaluation of assets	(82,859)
47,416	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	12,734
(33,934)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(70,125)
8,694	Difference between fair value depreciation and historical cost depreciation	9,145
5,551	Accumulated gains on assets sold or scrapped	4,674
14,245	Amount written off to the Capital Adjustment Account	13,819
<b>(417,464)</b>	<b>Balance at 31 March</b>	<b>(473,770)</b>

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

### **32b. Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement with reconciling postings from the Revaluation Reserve. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account also contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

<b>2020/21 £000</b>		<b>2021/22 £000</b>
<b>(188,039)</b>	<b>Balance at 1 April</b>	<b>(190,761)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
33,369	Charges for depreciation of non-current assets	35,463
710	Charges for impairment of non-current assets	679
11,802	Revaluation losses on Property, Plant and Equipment	15,596
(2,333)	Revaluation gains matched to prior year impairments	(4,688)
363	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,530)
0	Charges for impairment of Assets Held for Sale	0
693	Amortisation of intangible assets	785
6,643	Revenue expenditure funded from capital under statute	19,235
12,505	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	27,493
(14,245)	Adjusting amounts written off of the Revaluation Reserve	(13,819)
<b>49,507</b>	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	<b>79,214</b>

2020/21 £000		2021/22 £000
Capital financing applied in the year:		
(7,368)	Use of the capital receipts reserve to finance new capital expenditure	(15,686)
878	Receipt of capital loan repayments	532
(15,064)	Use of the Major Repairs Reserve to finance new capital expenditure	(15,347)
(13,640)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(25,604)
(7,239)	Application of grants to capital financing from the Capital Grants Unapplied Account	(15,339)
(7,407)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(8,301)
(2,389)	Capital expenditure charged against the General Fund and HRA balances	(5,759)
<b>(52,229)</b>	<b>Capital financing applied in the year</b>	<b>(85,504)</b>
<b>(190,761)</b>	<b>Capital Adjustment Account Balance at 31 March</b>	<b>(197,051)</b>

### **32c. Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside.

2020/21 £000		2021/22 £000
<b>313,817</b>	<b>Balance at 1 April</b>	<b>501,243</b>
170,109	Remeasurement of the net defined benefit liability	(169,313)
41,159	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	61,629
(23,842)	Employer's pensions contributions and direct payments to pensioners payable in the year	(24,502)
<b>501,243</b>	<b>Balance at 31 March</b>	<b>369,057</b>

### **32d. Collection Fund Adjustment Account**

The Collection Fund Adjustment manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. Due to changes in regulations as a result of the COVID-19 pandemic the Council is obliged to spread the 2020/21 element of the deficit over the next three financial years.

<b>2020/21 £000</b>		<b>2021/22 £000</b>
<b>3,194</b>	<b>Balance at 1 April</b>	<b>26,229</b>
23,035	Amount by which collection fund income credited to the Comprehensive Income and Expenditure Statement is different from collection fund income calculated for the year in accordance with statutory requirements	(13,947)
<b>26,229</b>	<b>Balance at 31 March</b>	<b>12,282</b>

### **33. Related Parties**

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. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### **UK Government**

UK Government has effective control 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 parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in the reporting for resources allocation decisions note.

### **Members and Chief Officers**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in the members' allowances note. Council members make disclosures of their pecuniary and non-pecuniary interests to the Council's Monitoring Officer and have to make declarations on individual committee agenda items in accordance with section 117 of the Local Government Act 1972. In addition, where members are nominated by the Council to sit on outside bodies, this is reported to the Council.

During 2021/22 services to the value of £12.585m were commissioned from companies in which 12 members had interests (this includes £10.880m for Derbyshire Healthcare NHS Foundation trust where one member is a governor) . These relationship had no bearing on any decision made. Contracts were entered into following full compliance with the Council's procedure rules. In addition, the Council paid grants totalling £0.364m to organisations in which 3 members have an interest. These grants were made with proper consideration of declarations of interest. For 2021/22 additional Covid related grants of £0.174m were given to organisations for 4 members have an interest.

### **Other Public Bodies (subject to common control by central government)**

The Council has a pooled budget arrangement with NHS Derby City for the provision of an integrated disabled children's service. The Council's contribution to this service in 2021/22 was £1.302m.

The Council has entered into a pooled budget arrangement with Derby & Derbyshire CCG for the provision of health and social care services. This agreement has been made under section 75 of the National Health Services Act 2006. Both parties contribute to the fund which total £33.7m in 2021/22. The pooled budget is then used to procure health and social care services. Further details of the pool arrangement are included in the Pooled budget note.

The Council has outstanding borrowing with four Local Authorities totalling £31m this consists of £15m with Staffordshire County Council, £10m with Lancashire County Council, £3m with Blaenau Gwent County Borough Council and £3m with Gwynedd Council.

of ground floor office space at the Council House for which it received £0.905m (20/21 £0.857m).

### **Subsidiary Companies**

The Council has included £0.656m income (£0.645m in 2020/21) from Derby Homes Limited for the provision of support services, paid out of the management fee Derby Homes received from the Housing Revenue Account. This income is included in the Income and Expenditure Statement. Derby Homes is treated as a Subsidiary Company within the group accounts.

At the 31st March 2022 the Council had four on-going loan agreements in operation with Derby Homes totalling £2.859m.

The Council had no other subsidiary or associated companies during the financial year.

### **Contribution to Joint Committees and Joint Bodies**

The City Council contributes to Derbyshire County Council for a number of services. In 2021/22 the Council contributed £1.139m towards the cost of the Coroners service (£0.758m in 2020/21), £0.152m towards Emergency planning (£0.150m in 2020/21) and £5.086m towards the Concessionary Fare Service (£1.440m in 2020/21).

### **34. Members' Allowances**

The Council paid the following amounts to Members of the Council during the year:

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Allowances	812	909
Expenses	0	2
<b>Total</b>	<b>812</b>	<b>911</b>

### **35a. Officers' Remuneration**

The remuneration paid to the Council senior employees is as follows:

		<b>Salary, Fees and Allowances £</b>	<b>Pension Contribution £</b>	<b>Loss of Employment £</b>	<b>Total £</b>
Director of Public Health	2021/22	110,934	15,873	0	<b>126,807</b>
	2020/21	112,364	15,783	0	<b>128,147</b>
Director of Public Health - left 31/05/20	2021/22	0	0	0	<b>0</b>
	2020/21	17,019	4,540	56,491	<b>78,050</b>
Strategic Director for People Services	2021/22	144,133	30,941	0	<b>175,074</b>
	2020/21	141,897	29,249	0	<b>171,145</b>
Strategic Director for Communities and Place	2021/22	135,111	29,004	0	<b>164,115</b>
	2020/21	130,045	26,704	0	<b>156,749</b>
Paul Simpson - Chief Executive Officer	2021/22	177,984	38,200	0	<b>216,184</b>
	2020/21	175,352	37,641	0	<b>212,993</b>
Strategic Director of Corporate Resources - Start 01/09/2020	2021/22	123,238	26,455	0	<b>149,693</b>
	2020/21	69,099	14,833	0	<b>83,932</b>
Director of Financial Services (Section 151 officer) (Started role 23/01/20 ended role 31/08/20) - S151 responsibility has now reverted back to the Strategic Director of Corporate Resources	2021/22	0	0	0	<b>0</b>
	2020/21	37,255	7,997	0	<b>45,252</b>
<b>TOTAL</b>	<b>2021/22</b>	<b>691,400</b>	<b>140,473</b>	<b>0</b>	<b>831,872</b>
	<b>2020/21</b>	<b>683,030</b>	<b>136,747</b>	<b>56,491</b>	<b>876,268</b>

**35b. Number of Employees by Remuneration Band (excluding senior officers)**

Remuneration Band	2020/21 Number of employees	2021/22 Number of employees
£50,000 - £54,999	138	155
£55,000 - £59,999	38	37
£60,000 - £64,999	33	30
£65,000 - £69,999	41	24
£70,000 - £74,999	11	30
£75,000 - £79,999	5	7
£80,000 - £84,999	4	4
£85,000 - £89,999	12	6
£90,000 - £94,999	0	8
£95,000 - £99,999	0	0
£100,000 - £104,999	1	0
£105,000 - £109,999	1	1
£110,000 - £114,999	1	1
<b>Total</b>	<b>285</b>	<b>303</b>

**35c. Exit Costs**

Exit package cost band (including special payments)	Head count number of compulsory redundancies		Head count number of other departures agreed		Total head count by cost band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£	£	£	£	£	£	£	£
£0-£20,000	13	8	13	34	26	42	221,797	296,785
£20,001-£40,000	1	0	4	6	5	6	134,001	157,400
£40,001-£100,000	0	0	2	0	0	0	137,891	0
<b>Total</b>	<b>14</b>	<b>8</b>	<b>19</b>	<b>40</b>	<b>31</b>	<b>48</b>	<b>493,689</b>	<b>454,185</b>

**36. Termination Benefits**

During 2021/22 the Council continued with the on-going voluntary redundancy programme to meet the reduced Council funding. This exercise resulted in 34 employees leaving the organisation during 2021/22.

The associated costs of this redundancy programme consisted of £0.348m redundancy payments (£0.122m in 2020/21) and £0.170m pension shortfall costs (£0.002m in 2020/21). The Council has funded these costs through a combination of contingencies, use of specific reserves set aside for this purpose and the use of in year budget savings.

### **37. Pensions Schemes Accounted for as Defined Contribution 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 technically a defined benefit scheme. However, the Scheme 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 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 2021/22 the Council paid £6.673m to Teachers' Pensions in respect of teachers' retirement benefits representing 23.68% of pensionable pay, the figures for 2020/21 were £6.975m and 23.68%. Contributions for 2022/23 are expected to be £6.686m.

There were no contributions remaining payable at the year-end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in the Defined Benefit Pension Scheme note.

#### **NHS Pension Scheme**

Under the new arrangements for public health, staff performing public health functions who were compulsorily transferred from the PCT's to Derby City Council and who had access to the NHS pension scheme on 31st March 2013 retained access to that scheme on transfer at 1st April 2013.

The scheme is technically a defined benefit plan however as the NHS bodies account for the scheme as a defined contribution plan, it would be extremely unlikely that local authorities would be able to identify the underlying scheme assets and liabilities for NHS staff who have transferred across. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2021/22 the Council paid £0.087m to the NHS in respect of retirement benefit's for those public health staff who transferred across on 1st April 2014 representing on average 14.38% of pensionable pay. The figures for 2020/21 were £0.091m and 14.38%. The Council expects to pay £0.095m to the NHS in 2022/23 in pension contributions.

## **38. Defined Benefit Pension Schemes**

### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, 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 need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

1) The Local Government Pension Scheme, administered locally by Derbyshire County Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The contribution rate paid by the Council is a combination of two elements:

future service rate – the estimated cost of future benefits being built up year on year and  
past service rate – an adjustment for the difference between the value of assets built up to date and the estimated value of past benefits earned by employees

Employer contributions are credited to the pension fund which in turn funds the benefits paid to employees. The fund must have assets available to meet the cost of retirement and death benefits that employees are entitled to and so a prudent contribution rate is calculated. However the Fund Actuary (Hymans Robertson LLP) and the Administering body (Derbyshire County Council) are aware that the employer rate set will have a direct impact on the level of council services and council tax charged. The administering body will risk assess the employer to understand their financial standing and ability to meet long term financial commitments. It will then use appropriate methodology when setting a contribution rate for the council including:

stabilisation - capping rate increases to predetermined ranges,  
deficit recovery - allowing a past service rate to be applied over an extended period of time phasing in of contribution increases.

This achieves the balance of setting a stable, affordable rate with the requirement for a prudent long term view ensuring a solvent fund.

2) 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 pensions liability, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The Pension scheme is operated under the regulatory framework for the Local Government Pension Scheme.

## Transactions Relating to Post-Employment Benefits

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 which is required to be made against council tax is based on the cash payable in the year, so the real cost of post employment retirement is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves during the year.

### Comprehensive Income and Expenditure Statement

	2020/21	2021/22
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	34,341	54,430
Past service cost	1	147
Settlements and Curtailments	(506)	(3,199)
<b>Financing and Investment Income and Expenditure:</b>		
Net interest expense	7,323	10,251
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	41,159	61,629
<b>Remeasurement of the net defined benefit liability:</b>		
Return on plan assets (excluding the amounts included in net interest)	(153,456)	(55,130)
Actuarial gain and losses arising on changes in demographic assumptions	20,195	(9,476)
Actuarial gain and losses arising on changes in financial assumptions	314,892	(105,724)
Actuarial gain and losses arising from other experience	(11,522)	1,017
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>211,268</b>	<b>(107,684)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(17,823)	(40,326)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contributions payable to scheme	23,842	24,502

The amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2021 is a loss of £169.313m.

## Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	2020/21 £000	2021/22 £000
<b>Present value of the defined benefit obligation</b>		
Local Government Pension Scheme	(1,466,924)	(1,411,108)
Discretionary Benefits	(32,370)	(28,830)
Fair value of assets in the Local Government Pension Scheme	998,051	1,070,881
<b>Net liability arising from defined benefit obligation</b>		
Local Government Pension Scheme	(468,873)	(340,227)
Discretionary Benefits	(32,370)	(28,830)
<b>Total</b>	<b>(501,243)</b>	<b>(369,057)</b>

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

	2020/21 £000	2021/22 £000
<b>Opening balance at 1 April</b>	<b>(1,138,038)</b>	<b>(1,499,294)</b>
Current service cost	(34,341)	(54,430)
Settlements and Curtailments	1,742	7,723
Interest cost	(26,271)	(30,129)
Contributions from scheme participants	(6,710)	(6,882)
<b>Remeasurement gains or losses:</b>		
Actuarial gains or losses arising from changes in demographic assumptions	(20,195)	9,476
Actuarial gains or losses arising from changes in financial assumptions	(314,892)	105,724
Actuarial gains or losses arising from other experience	11,522	(1,017)
Benefits paid	27,890	29,038
Past services costs	(1)	(147)
<b>Closing balance at 31 March</b>	<b>(1,499,294)</b>	<b>(1,439,938)</b>

## Reconciliation of fair value of the scheme (plan) assets

	2020/21 £000	2021/22 £000
<b>Opening fair value of scheme assets at 1 April</b>	<b>824,221</b>	<b>998,051</b>
Interest income	18,948	19,878
The return on plan assets excluding the amount included in the net interest expense	153,456	55,130
Contributions from employer	23,842	24,502
Contributions from employees into the scheme	6,710	6,882
Settlements and Curtailments	(1,236)	(4,524)
Unfunded Benefits paid	(1,894)	(1,813)
Benefits paid	(25,996)	(27,225)
<b>Closing balance at 31 March</b>	<b>998,051</b>	<b>1,070,881</b>

The expected return on scheme 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.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year 2021/22 was £75.008m. This is based on an actual gain of £55.130m and interest of £19.878m. The return for 2020/21 was £172.404m.

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £1,440m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net pensions deficit balance of £369.057m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

(i) The deficit on the local government scheme will be made good by increased contributions over the remaining working life of benefits (i.e. before payments fall due), as assessed by the scheme actuary. The actuary reviews past and future service rates and the deficit recovery period to achieve a long term solvent fund.

(ii) Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

## Pension Scheme Assets

	2020/21		2021/22	
	£000	%	£000	%
Equity Investments				
Consumer	16,906	2%	4,239	0.4%
Manufacturing	9,834	1%	2,725	0.3%
Energy	3,589	0%	1,348	0.1%
Financial Institutions	7,546	1%	2,040	0.2%
Health	8,850	1%	2,809	0.3%
ICT	13,697	1%	3,836	0.4%
Other	200,685	20%	37,484	3.5%
Government Bonds	84,141	8%	89,869	8.4%
Other Bonds	17,859	2%	19,012	1.8%
Private Equity	37,067	4%	51,405	4.8%
Investment Funds - Equities	266,926	27%	495,967	46.3%
Infrastructure	61,895	6%	88,239	8.2%
Corporate Bonds	129,825	13%	139,374	13.0%
Property	75,792	8%	84,413	7.9%
Cash	63,439	6%	48,122	4.5%
<b>Total</b>	<b>998,051</b>	<b>100%</b>	<b>1,070,881</b>	<b>100%</b>

## Basis for Estimating Assets and Liabilities

The principal risks to the Council of the scheme are:

- longevity assumptions
- statutory changes to the scheme
- structural changes to the scheme (for example large sale withdrawal from the scheme)
- changes in inflation
- performance of bonds and investments of the scheme.

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council being based on the latest full valuation at 31 March 2019 (conducted every 3 years) of the scheme updated as at 31 March 2022.

For 2021/22 the actuary calculated a discount rate to value the scheme liabilities by using high quality corporate bonds and government yield curves by adopting the "Hymans Robertson" corporate bond yield curve approach which is constructed based on the constituents of the iBoxx AA corporate bond index.

The principal assumptions used by the actuary have been:

	2020/21	2021/22
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.3	21.1
Women	23.9	23.8
Longevity at 65 for future pensioners:		
Men	22.5	22.2
Women	25.8	25.6
Rate of increase in salaries	3.6%	3.90%
Rate of increase in pensions (CPI)	2.9%	3.20%
Rate of discounting scheme liabilities	2.0%	2.7%

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males and females.

RPI assumption allows for an Inflation Risk Premium (IRP) of 0bps pre-2030 and a post-2030 IRP of 30bps, giving an average IRP of 15bps over short durations; and 20bps over medium and long durations.

CPI assumption allows for a wedge of 100bps pre-2030 and a wedge of 10bps post-2030 relative to RPI. The former reflects differences between RPI and CPI and the latter reflects differences between CPI and CPIH. The resulting average RPI/CPI gap is 0.55% over short durations, 0.45% over medium durations and 0.40% over long durations

## Sensitivity

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. These assumptions are largely prescribed at any point and reflect market conditions at the reporting date. However changes in market conditions that result in changes in the net discount rate can have a significant effect on the value of the liabilities reported. There is also uncertainty around life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment. The table below shows the impact of variations in the key assumptions.

Change in assumptions at 31 March 2022	Approximate % increase to employer liability	Approximate Monetary Amount £000
0.1% decrease in real discount rate	2%	28,827
1% increased in members life	4%	57,598
0.1% increase in Salary Increase Rate	0%	2,474
0.1% increase in the Pension Increase Rate	2%	26,133

The estimations in the sensitivity analysis have followed the accounting policies of the scheme, that is, on an actuarial basis using the projected credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

### **Asset and Liability Matching Strategy**

The Fund does not have a formal Asset and Liability Matching Strategy, but it does select investments that are expected to meet the payment liabilities over the long term.

The fund's primary long term risk is that the Fund's assets do not meet its liabilities i.e. the benefits payable to members. Therefore, the aim of the Fund's investment management is to achieve the long term expected rate of return with an acceptable level of risk. The Fund achieves this by setting a strategic asset allocation on a triennial basis which is expected to achieve the target return over the long term. The tactical asset allocation is determined by the Pensions Committee, administered by Derbyshire County Council, on a quarterly basis.

### **Defined Benefit Obligation**

The figures below apply only to funded obligations and do not include any unfunded pensioner liabilities. The durations are as they stood at the previous formal valuation as at 31 March 2022.

	<b>Liability Split</b>
Active members	45.2%
Deferred members	23.7%
Pensioner members	31.1%
<b>Total</b>	<b>100.0%</b>

The total employer contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2023 are £22.1m.

### **39. Contingent Liabilities**

As at 31 March 2022, the Council has two material contingent liabilities.

The Council has one wholly owned subsidiary, Derby Homes Ltd. The Council continues to underwrite the pension liability relating to Derby Homes membership of the Local Government Pension Scheme. In the event of Derby Homes ceasing to trade this liability would transfer to the City Council. The value of Derby Homes' reported pension deficit was £30.857m as at 31 March 2022.

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

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

Work had been progressing on the facility to determine its condition and capability, however due to the measures introduced by the UK Government to counter the Covid-19 pandemic, work on site has been affected. This work is also being managed and carried out by Renewi UK Services Ltd and will allow the councils to ascertain what measures need to be in place for the facility to become fully operational. Work continues to resolve the “estimated fair value” (EFV) of the contract, which is a complex and time consuming process.

If an agreed EFV cannot be reached through negotiation, it would need to be resolved through formal dispute resolution processes, which have commenced. At the time of publication of the accounts, an agreed EFV has not been reached. In the event of either a negotiated position, or a Court decision, the payment required from the Council may be for a material amount.

#### **40. Contingent Assets**

The Council does not have any contingent assets in 2021/22 (nil in 2020/21).

#### **41. Cash Flow Statement - Adjustments for Non-Cash Movements**

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
(34,062)	Depreciation and amortisation	(36,248)
(10,543)	Impairment and downward valuations	(10,057)
(2,091)	(Increase)/decrease in impairment for provision for bad debt	42
(26,396)	(Increase)/decrease in creditors	(2,051)
8,196	Increase/(decrease) in debtors	3,114
(8)	Increase/(decrease) in stock	250
1,139	(Increase)/decrease in provisions	1,176
(17,317)	Pension liability	(37,127)
(12,505)	Carrying amount of PP&E, investment property and intangible assets sold	(27,493)
12,315	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	16,754
<b>(81,272)</b>	<b>Total Non-Cash Movements</b>	<b>(91,640)</b>

#### **42. Adjustments for items that are investing or financing activities**

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
6,722	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	16,900
17,278	Capital grants credited to surplus or deficit on provision of services	48,621
<b>24,000</b>	<b>Total adjustments for items that are investing and financing activities</b>	<b>65,521</b>

#### **43. Operating Activities**

The cash flows for operating activities include the following items:

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
(394)	Interest Received	(341)
21,121	Interest Paid	20,039
<b>20,727</b>		<b>19,698</b>

#### **44. Cash Flow Statement - Investing Activities**

<b>2020/21 £000</b>		<b>2021/22 £000</b>
92,994	Purchase of property, plant and equipment, investment property and intangible assets	93,259
(17,050)	Proceeds from the sale of short and long term investments	(5,002)
(6,722)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(16,900)
(25,745)	Capital grants (cash) received	(101,160)
<b>43,477</b>	<b>Net Cash Flows from Investing activities</b>	<b>(29,803)</b>

#### **45. Cash Flow Statement - Financing Activities**

<b>2020/21 £000</b>		<b>2021/22 £000</b>
(10,000)	Cash receipts of short and long-term borrowing	(6,000)
4,455	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	6,380
21,334	Repayments of short- and long-term borrowing	5,545
<b>15,789</b>	<b>Net cash flows from financing activities</b>	<b>5,925</b>

#### **46. Transport Act 2000**

The Council participates in schemes covered by the Transport Act 2000. The most significant of these are shown below.

<b>Service Description</b>	<b>Exp £000</b>	<b>Inc £000</b>	<b>Net £000</b>
Concessionary fares for public transport – English National Concessionary Travel Scheme for older and disabled people (and b-line scheme for young people) administrated by Derbyshire County Council.	5,174	(3)	5,171

## **47. Pooled Budgets**

### **Better Care Fund (BCF)**

The Council has entered into a pooled budget arrangement with Derby & Derbyshire CCG to continue to support integration of health and care services to benefit the people of Derby. The BCF pooled budget operates under Section 75 of the National Health Service Act. The 2020 BCF comprises a Pooled Budget made up of contributions from Derby & Derbyshire CCG, and Derby City Council. The total pooled budget for 2021-22 was £33.799m which includes the Winter pressures grant (£32.840m for 2020-21). Within the Pooled Budget, provision has to be made to ensure that funding has been allocated and agreed for use against a number of specific components, namely concerning Care Act duties, Carers, Reablement, Disabled Facilities Grant, Winter Pressures Grant and the Improved Better Care Fund.

<b>2020/21 £000</b>		<b>2021/22 £000</b>
	<b>Funding provided to the pooled budget:</b>	
14,284	Derby City Council	19,515
18,556	Derby and Derbyshire CCG	14,284
<b>32,840</b>		<b>33,799</b>
	<b>Expenditure met from the pooled budget:</b>	
29,065	Derby City Council	5,957
3,775	Derby and Derbyshire CCG	27,842
<b>32,840</b>		<b>33,799</b>
<b>0</b>	Net surplus / (deficit) arising from pooled budget:	<b>0</b>
<b>0</b>	Derby City Council share net surplus / (deficit) arising from pooled budget:	<b>0</b>

## **48. Intangible Assets**

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets relate to purchased software licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Authority are all 3 years.

The movement on Intangible Asset balances during the year is as follows:

<b>2020/21 £000</b>		<b>2021/22 £000</b>
	Balance at start of year:	
7,162	Gross Carrying Amounts	7,438
(5,762)	Accumulated Amortisation	(6,455)
<b>1,400</b>	<b>Net Carrying Amount at Start of Year</b>	<b>983</b>
208	Recategorisations	0
68	Additions - Purchases	0
(693)	Amortisation for the Year	(785)
	Balance at end of year:	
7,438	Gross Carrying Amounts	7,438
(6,455)	Accumulated Amortisation	(7,240)
<b>983</b>	<b>Net Carrying Amount at end of year</b>	<b>198</b>

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £785k charged to revenue in 2021/22 was charged as an overhead across the relevant service headings:

<b>2020/21 £000</b>		<b>2021/22 £000</b>
0	Cultural, Environmental, Regulatory and Planning Service	23
693	Corporate Resources	762
<b>693</b>	<b>Total Amortisation for the Year</b>	<b>785</b>

## **49. Trust Funds**

made up of donations or bequests made to the Council, where the benefactors have specified the use to which the fund is to be put - for example the provision of educational prizes. The Council also holds, as Trustee, funds granted to children in care. The funds are invested externally in accordance with the provisions of the Trustee Investments Act 1961, or held with the Council.

These funds are not part of the Council's accounts and have therefore been excluded from the Balance Sheet.

<b>2020/21 £000</b>	<b>Aggregate Revenue Account</b>	<b>2021/22 £000</b>
4,953	Opening balance 1 April	5,739
3,118	Income during the year	2,785
<b>8,071</b>	<b>Total Funds available in the year</b>	<b>8,524</b>
(2,332)	Expenditure during the year	(2,547)
<b>5,739</b>	<b>Closing balance 31 March</b>	<b>5,977</b>

<b>2020/21 £000</b>	<b>The funds are represented by:</b>	<b>2021/22 £000</b>
	<b>Investments</b>	
334	COIF Charity Funds	362
73	Building Society Deposits	41
5,332	Cash	5,574
<b>5,739</b>	<b>Total Assets</b>	<b>5,977</b>
<b>25</b>	<b>Number of Funds</b>	<b>24</b>

## **HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT**

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

<b>HRA Income and Expenditure Statement</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>		
Repairs and Maintenance	16,793	16,807
Supervision and Management	16,068	16,390
Special Services	1,996	1,800
Depreciation and impairments of non-current assets	12,609	14,824
Debt Management costs	62	65
Movement in allowance for bad debts	337	41
<b>Total Expenditure</b>	<b>47,865</b>	<b>49,927</b>
<b>Income</b>		
Dwelling rents	(52,369)	(53,511)
Non dwelling rents	(535)	(580)
Charges for Services and facilities	(5,698)	(5,681)
Contributions towards expenditure	(126)	(40)
<b>Total Income</b>	<b>(58,728)</b>	<b>(59,812)</b>
<b>Net cost/(income) of HRA Services as included in the Comprehensive Income and Expenditure account</b>	<b>(10,863)</b>	<b>(9,885)</b>
HRA services share of Corporate and Democratic Core	118	117
<b>Net (Income)/Expenditure for HRA Services</b>	<b>(10,745)</b>	<b>(9,768)</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
Gain or loss on sale of HRA non-current assets	(1,514)	(1,829)
Interest payable and similar charges	10,296	10,083
Interest and Investment income	(13)	(26)
<b>(Surplus) / Deficit for the year on HRA services</b>	<b>(1,976)</b>	<b>(1,540)</b>

## **MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT**

<b>Movement on the Housing Revenue Account Balance Statement</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Balance on the HRA at the end of the previous year</b>	<b>(47,311)</b>	<b>(46,151)</b>
(Surplus) or deficit for the year on the HRA income and expenditure statement	(1,976)	(1,540)
<b>Adjustments between accounting basis and funding basis under Statute:</b>		
Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with Statute	22	39
Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with Statute	(2)	(8)
Gain or loss on sale of HRA non-current assets	1,514	1,829
HRA share of contributions to or from the Pensions Reserve	(58)	(187)
<b>Net (Increase) or decrease before transfers to/from reserves</b>	<b>(500)</b>	<b>133</b>
<b>Transfers (to) or from reserves:</b>		
Transfers (to)/from the Capital Adjustment Account	1,660	59
Transfers (to)/from other Earmarked Reserves	0	0
<b>(Increase) or decrease in year on the HRA</b>	<b>1,160</b>	<b>192</b>
<b>Balance on the HRA at the end of the current year</b>	<b>(46,151)</b>	<b>(45,959)</b>

## **NOTES TO HOUSING REVENUE ACCOUNT**

### **1 The Number and Types of Dwellings in the Authority's Housing Stock**

Dwelling Type	31 March 2021	31 March 2022
Houses	7,029	6,908
Flats	4,241	4,231
Bungalows	1,389	1,400
<b>Total</b>	<b>12,659</b>	<b>12,539</b>

### **Operational/ Non Operational Assets**

The value of assets held by the HRA at 31 March was:

#### **a. Operational Assets**

	31 March 2021 £000	31 March 2022 £000
Dwellings	522,318	563,064
Other Land and Buildings	19,076	21,751
Infrastructure	1,453	1,404
Community Assets	17	0
	<b>542,864</b>	<b>586,219</b>

Valuations are calculated starting with an actual valuation obtained at 1 April then uplifting this amount for market changes throughout the year to give a 31 March value. The regional adjusting factor for Existing Use Value for Social Housing (EUVSH) has remained at 42% (42% for 2020/21).

#### **b. Non Operational Assets**

	31 March 2021 £000	31 March 2022 £000
Surplus properties	4,738	5,543
Construction & Work in progress	5,473	4,074
	<b>10,211</b>	<b>9,617</b>

## **2. Council Dwellings Vacant Possession Value**

In accordance with the Department for Communities and Local Government guidance, council house valuations are reduced from an open market value by a regional adjustment factor in recognition of their status as social housing. The adjustment factor for the East Midlands for 2021/22 is 42% (42% for the East Midlands in 2020/21). At 1st April 2021, applying a 42% regional multiplier, the council recognises council dwellings at a value of £522.3m (£497m at 1st April 2020) on the balance sheet. The vacant possession value of council dwellings at the 1st April 2021 was £1.24bn (£1.18bn as 1st April 2020).

The difference between vacant possession value and balance sheet value of dwellings shows the economic cost to government of providing council housing at less than open market rents.

## **3. Major Repairs Reserve**

The movements on the Major Repairs Reserve are shown below:

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Balance at beginning of the year	(2,885)	(2,090)
Posting of revenue resource to/(from) HRA for Major Repairs Reserve	(14,269)	(14,882)
	<b>(17,154)</b>	<b>(16,972)</b>
Debit to MRA in respect of capital expenditure on properties within the HRA	15,064	15,347
<b>Balance at end of Year</b>	<b>(2,090)</b>	<b>(1,625)</b>

#### **4a. Summary of Capital Expenditure and Financing**

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Expenditure</b>		
Council Dwellings	18,174	18,200
Other Land and Buildings	0	16
Assets Under Construction*	779	1,172
Surplus	64	120
Other	0	7
<b>Total Capital Expenditure</b>	<b>19,017</b>	<b>19,515</b>
<b>Sources of Funding</b>		
Capital Receipts	2,962	3,199
Other Contributions and Grants	999	969
Major Repairs Reserve	15,056	15,347
<b>Balance at end of Year</b>	<b>19,017</b>	<b>19,515</b>

#### **4b. Summary of Capital Receipts**

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Dwellings	6,585	10,894
<b>Total Receipts</b>	<b>6,585</b>	<b>10,894</b>

The Capital receipts figure in this note is gross and is prior to the allowable deduction of £0.228m capital pooling administration expenditure.

#### **5. Depreciation**

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Operational</b>		
Council Dwellings	13,776	14,389
Other operational land and buildings	427	427
Infrastructure	48	48
Community Assets	18	18
<b>Total Depreciation HRA</b>	<b>14,269</b>	<b>14,882</b>
<b>Net Charge to HRA</b>	<b>14,269</b>	<b>14,882</b>

## **6. Impairment and Revaluation Losses**

The HRA impairment charges are summarised below:

	Asset Category		
	Council Dwellings £000	Other Land and Buildings £000	Surplus Assets £000
<b>HRA Impairment Charges 2020/21</b>			
Impairment charge recognised against Cost/ Valuation	40,448	228	64
<b>Total HRA Impairment charges</b>	<b>40,448</b>	<b>228</b>	<b>64</b>
Impairments charged directly to Revaluation Reserve	41,423	222	0
Impairments and revaluation losses charged to HRA Income & Expenditure Account	(975)	6	64
	<b>40,448</b>	<b>228</b>	<b>64</b>

	Asset Category		
	Council Dwellings £000	Other Land and Buildings £000	Surplus Assets £000
<b>HRA Impairment Charges 2021/22</b>			
Impairments and Revaluation Losses charge recognised against Cost/ Valuation	16,512	16	374
<b>Total HRA Impairment charges</b>	<b>16,512</b>	<b>16</b>	<b>374</b>
Impairments and Revaluation Losses charged directly to Revaluation Reserve	16,512	11	53
Impairments and Revaluation Losses charged to HRA Income & Expenditure Account	0	5	321
	<b>16,512</b>	<b>16</b>	<b>374</b>

*NB: Note details impairment and revaluation losses only & does not include revaluation increases.*

## **7. Revenue Expenditure Funded from Capital under Statute**

There has been no Revenue Expenditure Funded from Capital under Statute attributable to the HRA for 2021/22 (nil in 2020/21).

## **8. Amount of Rent Arrears and the Balance Sheet Provision in Respect of Uncollectible Debts**

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Amount of rent arrears	<b>3,678</b>	<b>4,353</b>
Balance sheet provision in respect of uncollectable debts	<b>3,305</b>	<b>3,925</b>

## **9. Analysis of HRA Share of Contributions to/from the Pensions Reserve**

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Current Service Cost	191	340
Reversal of net charges made to the Surplus or Deficit for the Provision of services for post employment benefits in accordance with the Code	(133)	(153)
<b>HRA share of Contributions to/from the Pensions Reserve</b>	<b>58</b>	<b>187</b>

## THE COLLECTION FUND

Business Rates* £000	Council Tax £000	Total 2020/21 £000	INCOME AND EXPENDITURE	Business Rates £000	Council Tax £000	Total 2021/22 £000
			<b>Income:</b>			
0	(123,494)	(123,494)	Council Tax	0	(132,693)	(132,693)
0	(2,166)	(2,166)	Transfers from General Fund	0	(256)	(256)
(46,651)	0	(46,651)	Business Rates	(75,442)	0	(75,442)
<b>(46,651)</b>	<b>(125,660)</b>	<b>(172,311)</b>	<b>Total Income</b>	<b>(75,442)</b>	<b>(132,949)</b>	<b>(208,391)</b>
			<b>Expenditure:</b>			
			<b>Precepts and Demands</b>			
46,243	0	46,243	Payment to National Pool	45,711	0	45,711
45,318	102,552	147,870	Derby City Council	44,797	107,597	152,394
0	15,770	15,770	Derbyshire Police Precept	0	16,802	16,802
925	5,409	6,334	Fire Precept	914	5,513	6,427
			<b>Charges to the Collection Fund:</b>			
341	0	341	Costs of Collection	338	0	338
(66)	1,035	969	Write offs	1,895	1,786	3,681
2,250	2,651	4,901	Increase / (Decrease) in bad debt provision	(1,776)	2,353	577
156	0	156	Increase / (Decrease) in appeals provision	(2,396)	0	(2,396)
788	0	788	Disregarded Amounts	834	0	834
			<b>Transfer of previous years estimated surplus/(deficit)</b>			
(1,909)	0	(1,909)	Central Government	(22,110)	0	(22,110)
(1,639)	(941)	(2,580)	Derby City Council	(21,668)	(479)	(22,147)
0	(144)	(144)	Derbyshire Police & Crime Commissioner	0	(73)	(73)
(36)	(51)	(87)	Derbyshire Fire Authority	(442)	(26)	(468)
<b>92,371</b>	<b>126,281</b>	<b>218,652</b>	<b>Total Expenditure</b>	<b>46,097</b>	<b>133,473</b>	<b>179,570</b>
45,720	621	46,341	(Surplus) / Deficit for the year	(29,345)	524	(28,821)
4,259	1,476	5,735	(Surplus) / Deficit brought forward	49,979	2,097	52,076
<b>49,979</b>	<b>2,097</b>	<b>52,076</b>	<b>(Surplus) / Deficit at the end of the year</b>	<b>20,634</b>	<b>2,621</b>	<b>23,255</b>
			<b>Share of Collection Fund</b>			
24,989	0	24,989	Central Government	10,317	0	10,317
24,490	1,738	26,228	Derby City Council	10,111	2,171	12,282
0	267	267	Derbyshire Police & Crime Commissioner	0	339	339
500	92	592	Derbyshire Fire Authority	206	111	317
<b>49,979</b>	<b>2,097</b>	<b>52,076</b>	<b>(Surplus) / Deficit at the end of the year</b>	<b>20,634</b>	<b>2,621</b>	<b>23,255</b>

The Collection Fund in 2021/22 is reporting significantly higher deficits for Business Rates due to the COVID-19 pandemic and the additional reliefs provided to businesses (extended retail, nursery and newspaper reliefs) as a result of the pandemic. Section 31 grant funding has been provided in 2021/22 to offset the impact of these reliefs and Derby City Council have transferred £8.2m into reserves to partially mitigate the gross deficit in 2022/23.

## **NOTES TO THE COLLECTION FUND**

### **1. Council Tax**

The Council's tax base for 2021/22 was 69,545.77, (69,592.06 in 2020/21). This is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings. Details are as follows:

<b>Band</b>	<b>Ratio</b>	<b>Band D Equivalent Dwellings</b>
A	6/9	26,946.19
B	7/9	14,017.91
C	8/9	12,952.45
D	9/9	7,867.58
E	11/9	5,299.80
F	13/9	3,174.70
G	15/9	1,023.36
H	18/9	47.00
		<b>71,328.99</b>
Less adjustment for non-collection		(1,783.22)
<b>Council Tax Base</b>		<b>69,545.77</b>

The Council collects council tax on behalf of the preceptors. The Council's local share is 83% and the remainder is distributed to Derbyshire Fire and Rescue Service (4%) and the Police and Crime Commissioner (13%).

### **2. Income from Business Ratepayers**

The Council collect Non Domestic Rates (NDR) for its local businesses. NDR is based on the individual rateable property values set by the Valuation Office Agency (VOA) multiplied by a national multiplier set by Central Government.

Under the Business Rate Retention scheme the Councils local share is 49% and the remainder is distributed to the preceptors, Central Government (50%) and Derbyshire Fire and Rescue Service (1%).

The non-domestic rateable value at 31 March 2022 was £226.659m (£226.995m in 2020/21).

The national non-domestic multiplier for 2021/22 was 51.2p (51.2p in 2020/21).

## **GROUP ACCOUNTS**

To provide a full picture of the activities of the Council, Group Accounts have been prepared. The accounts of Derby Homes Ltd, a wholly owned subsidiary, have been combined with the Council's single entity accounts on a line by line basis. Derby Homes produce financial statements to 31 March in line with the Council's own financial reporting, there are no material differences in accounting policies between the two entities. Derby Homes is the only entity consolidated into the Council's group accounts.

Along with the consolidated core financial statements, notes to the accounts for the group have been included where there is a significant difference between the group and the entity accounts.

## **GROUP BALANCE SHEET**

The Balance Sheet summarises the group's financial position at 31 March each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. As local authorities do not have equity, the bottom half is comprised of reserves that show the disposition of the group's net worth, falling into two categories; Usable Reserves and Unusable Reserves.

<b>31 March 2021 £000</b>		<b>31 March 2022 £000</b>
1,223,777	Property, Plant & Equipment	1,308,906
76,351	Heritage Assets	80,944
3,710	Investment Property	5,240
983	Intangible Assets	198
325	Long Term Investments	315
11,849	Long Term Debtors	8,685
<b>1,316,995</b>	<b>Long Terms Assets</b>	<b>1,404,288</b>
12,006	Short Term Investments	7,014
2,455	Assets Held for Sale	1,674
2,537	Inventories	3,202
46,218	Short Term Debtors	52,339
41,029	Cash and Cash Equivalents	31,845
<b>104,245</b>	<b>Current Assets</b>	<b>96,074</b>
(14,005)	Short Term Borrowing	(16,692)
(4,778)	Short Term Finance Lease Liabilities	(4,277)
(92,467)	Short Term Creditors	(83,762)
(6,392)	Provisions	(5,216)
<b>(117,642)</b>	<b>Current Liabilities</b>	<b>(109,947)</b>
(79,932)	Long Term Finance Lease Liabilities	(75,687)
(70)	Provisions	(70)
(339,123)	Long Term Borrowing	(331,617)
(542,230)	Other Long Term Liabilities	(405,949)
(29,592)	Capital Grants Receipts in Advance	(65,376)
<b>(990,947)</b>	<b>Long Term Liabilities</b>	<b>(878,699)</b>
<b>312,651</b>	<b>Net Assets</b>	<b>511,716</b>
(273,139)	Usable Reserves	(247,588)
(39,512)	Unusable Reserves	(264,128)
<b>(312,651)</b>	<b>Total Reserves</b>	<b>(511,716)</b>

## **GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

A detailed explanation of the purpose of this statement is included in the Narrative Statement.

<b>2020/21</b>				<b>2021/22</b>		
<b>Gross Expenditure £000</b>	<b>Gross Income £000</b>	<b>Net £000</b>		<b>Gross Expenditure £000</b>	<b>Gross Income £000</b>	<b>Net £000</b>
351,889	(203,833)	148,056	People Services	376,003	(199,743)	176,260
106,616	(29,748)	76,868	Communities and Place	133,049	(40,274)	92,775
118,988	(78,802)	40,186	Corporate Resources	122,897	(84,461)	38,436
3,566	(654)	2,912	Corporate	11,001	(11,094)	(93)
47,983	(58,728)	(10,745)	Local authority housing (HRA)	50,044	(59,812)	(9,768)
(5,271)	5,452	181	Derby Homes	(1,732)	7,516	5,784
<b>623,771</b>	<b>(366,313)</b>	<b>257,458</b>	<b>Cost of Services</b>	<b>691,262</b>	<b>(387,868)</b>	<b>303,394</b>
13,763	(6,722)	7,041	Other operating expenditure	28,739	(16,900)	11,839
48,058	(19,421)	28,637	Financing and investment income and expenditure	51,287	(20,357)	30,930
28	(277,979)	(277,951)	Taxation and non-specific grant income	28	(287,618)	(287,590)
<b>685,620</b>	<b>(670,435)</b>	<b>15,185</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>771,316</b>	<b>(712,743)</b>	<b>58,573</b>
		(34,281)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(70,234)
		347	Impairment losses on non-current assets charged to the Revaluation Reserve			109
		190,545	Remeasurement of the net defined benefit liability			(187,513)
		<b>156,611</b>	<b>* Other Comprehensive (Income) and Expenditure</b>			<b>(257,638)</b>
		<b>171,796</b>	<b>Total</b>			<b>(199,065)</b>

The analysis in the Comprehensive Income and Expenditure Statement (CIES) is now based on the Council's management reporting structure rather than the Service Reporting Code of Practice. The CIES no longer includes the transactions in relation to the apportionment of support services and other overheads.

\* The Group does not have any material items of Other Comprehensive Income and Expenditure which would subsequently be reclassified to the Surplus or Deficit on the Provision of Services when specific conditions are met.

### Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, and its subsidiary Derby Homes, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

2020/21

	General Fund Balance restated	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves restated	Total Council Reserves	Council's share of Reserves of subsidiary	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2020 brought forward</b>	(101,627)	(47,310)	(32,277)	(2,885)	(31,453)	(215,552)	(267,805)	(483,357)	(1,089)	(484,446)
<b>Movement in Reserves during 2020/21</b>										
Total Comprehensive Income and Expenditure	16,355	(1,976)	0	0	0	14,379	136,175	150,554	21,241	171,795
Adjustments between accounting basis & funding basis under regulations (Note 7)	(47,023)	3,135	972	795	(9,800)	(51,921)	51,921	0	0	0
<b>(Increase)/ Decrease in 2020/21</b>	<b>(30,668)</b>	<b>1,159</b>	<b>972</b>	<b>795</b>	<b>(9,800)</b>	<b>(37,542)</b>	<b>188,096</b>	<b>150,554</b>	<b>21,241</b>	<b>171,795</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>(132,295)</b>	<b>(46,151)</b>	<b>(31,305)</b>	<b>(2,090)</b>	<b>(41,253)</b>	<b>(253,094)</b>	<b>(79,709)</b>	<b>(332,803)</b>	<b>20,152</b>	<b>(312,651)</b>

2021/22

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's share of Reserves of subsidiary	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021 brought forward	(132,295)	(46,151)	(31,305)	(2,090)	(41,253)	(253,094)	(79,709)	(332,803)	20,152	(312,651)
<b>Movement in Reserves during 2021/22</b>										
Total Comprehensive Income and Expenditure	53,243	(1,540)	0	0	0	51,703	(239,438)	(187,735)	(11,330)	(199,065)
Adjustments between accounting basis & funding basis under regulations (Note 7)	(32,962)	1,732	(561)	465	(849)	(32,175)	32,175	0		0
<b>(Increase)/ Decrease in 2021/22</b>	<b>20,281</b>	<b>192</b>	<b>(561)</b>	<b>465</b>	<b>(849)</b>	<b>19,528</b>	<b>(207,263)</b>	<b>(187,735)</b>	<b>(11,330)</b>	<b>(199,065)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(112,014)</b>	<b>(45,959)</b>	<b>(31,866)</b>	<b>(1,625)</b>	<b>(42,102)</b>	<b>(233,566)</b>	<b>(286,972)</b>	<b>(520,538)</b>	<b>8,822</b>	<b>(511,716)</b>

## **GROUP CASH FLOW STATEMENT**

The Cash Flow Statement shows the changes in cash and cash equivalents of the group during the reporting period. The statement shows how the group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the group are funded by way of taxation and grant income or from the recipients of services provided by the group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council and its subsidiary Derby Homes.

<b>2020/21 £000</b>		<b>2021/22 £000</b>
15,185	Net (surplus) or deficit on the provision of services	58,573
(81,897)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(91,935)
20,886	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	65,521
<b>(45,826)</b>	<b>Net cash flows from Operating Activities</b>	<b>32,159</b>
44,032	Investing Activities	(29,112)
16,002	Financing Activities	6,137
<b>14,208</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>9,184</b>
55,237	Cash and cash equivalents at the beginning of the reporting period	41,029
<b>41,029</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>31,845</b>

## **NOTES TO THE GROUP ACCOUNTS**

Notes to the Group Accounts have been presented where figures are materially different from those of the Council's entity accounts. Where there are not material differences, the Notes to the Council entity accounts provide the required disclosures for the Group.

### **1. Group Defined Benefit Pension Schemes**

#### **Participation in Pension Schemes**

Derby City Council and Derby Homes both participate the Local Government Pension Scheme, administered locally by Derbyshire County Council. As such the methodologically and assumptions used by the pension actuary are consistent for each entity. The following tables show the valuations and transactions for the group participation in the LGPS scheme which are materially different to the single entity accounts.

#### **Comprehensive Income and Expenditure Statement**

	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	39,471	62,324
Past service cost	34	254
Settlements and curtailments	(506)	(3,199)
<b>Financing and Investment Income and Expenditure:</b>		
Net interest expense	7,763	11,155
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	46,762	70,534
<b>Remeasurement of the net defined benefit liability:</b>		
Return on plan assets (excluding the amounts included in net interest)	(168,765)	(60,699)
Actuarial gain and losses arising on changes in demographic assumptions	22,105	(10,324)
Actuarial gain and losses arising on changes in financial assumptions	349,552	(117,787)
Actuarial gain and losses arising from other experience	(10,697)	737
<b>Total Post Employment Benefit Charged to the Comprehensive and Expenditure Statement</b>	<b>238,957</b>	<b>(117,539)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(17,495)	(49,186)
<b>Actual amount charged against the General Fund Balance for</b>		
Employers' contributions payable to scheme	28,639	24,547

## Pension Assets and Liabilities Recognised in the Balance Sheet

	2020/21 £000	2021/22 £000
<b>Present value of the defined benefit obligation</b>		
Local Government Pension Scheme	(1,608,807)	(1,550,658)
Discretionary Benefits	(32,370)	(28,830)
Fair value of assets in the Local Government Pension Scheme	1,099,737	1,179,574
<b>Net liability arising from defined benefit obligation</b>		
Local Government Pension Scheme	(509,070)	(371,084)
Discretionary Benefits	(32,370)	(28,830)
<b>Total</b>	<b>(541,440)</b>	<b>(399,914)</b>

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

	2020/21 £000	2021/22 £000
<b>Opening balance at 1 April</b>	<b>(1,237,266)</b>	<b>(1,641,177)</b>
Current service cost	(39,471)	(62,324)
Settlements and curtailments	1,742	7,723
Interest cost	(28,604)	(33,110)
Contributions from scheme participants	(7,684)	(7,883)
<b>Remeasurement gains or losses:</b>		
Actuarial gains or losses arising from changes in demographic assumptions	(22,105)	10,324
Actuarial gains or losses arising from changes in financial assumptions	(349,552)	117,787
Actuarial gains or losses arising from other experience	12,347	(1,297)
Benefits paid	29,450	30,723
Past services costs	(34)	(254)
<b>Closing balance at 31 March</b>	<b>(1,641,177)</b>	<b>(1,579,488)</b>

## Reconciliation of fair value of the scheme (plan) assets

	2020/21 £000	2021/22 £000
<b>Opening fair value of scheme assets at 1 April</b>	<b>904,494</b>	<b>1,099,737</b>
Interest income	20,841	21,955
The return on plan assets excluding the amount included in the net interest expense	168,765	60,699
Contributions from employer	28,639	24,547
Contributions from employees into the scheme	7,684	7,883
Settlements and curtailments	(1,236)	(4,524)
Unfunded benefits paid	(1,894)	(1,813)
Benefits paid	(27,556)	(28,910)
<b>Closing balance at 31 March</b>	<b>1,099,737</b>	<b>1,179,574</b>

The total employer contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2023 are £24.602m.

## Pension Scheme Assets

	2020/21		2021/22	
	£000	%	£000	%
Equity Investments				
Consumer	18,629	3%	4,669	0.4%
Manufacturing	10,836	2%	3,002	0.3%
Energy	3,955	1%	1,485	0.1%
Financial Institutions	8,315	1%	2,247	0.2%
Health	9,751	1%	3,094	0.3%
ICT	15,093	2%	4,225	0.4%
Other	221,131	8%	41,288	3.5%
Government Bonds	92,714	10%	98,990	8.4%
Other Bonds	19,678	2%	20,942	1.8%
Private Equity	40,844	3%	56,623	4.8%
Investment Funds - Equities	294,122	31%	546,307	46.3%
Infrastructure	68,201	8%	97,196	8.2%
Corporate Bonds	143,052	13%	153,520	13.0%
Property	83,514	9%	92,981	7.9%
Cash	69,902	6%	53,006	4.5%
<b>Total</b>	<b>1,099,737</b>	<b>100%</b>	<b>1,179,574</b>	<b>100%</b>

Change in assumptions at 31 March 2022	Approximate % increase to employer liability		Approximate Monetary Amount £000	
	DCC	DH	DCC	DH
0.1% decrease in real discount rate	2%	2%	28,827	3,286
1% increase in members life expectancy	4%	4%	57,598	5,582
0.1% increase in Salary Increase Rate	0%	0%	2,474	441
0.1% increase in the Pension Increase Rate	2%	2%	26,133	2,819

### Defined Benefit Obligation

	Liability Split
Active members	47.8%
Deferred members	22.5%
Pensioner members	29.7%
<b>Total</b>	<b>100.0%</b>

## Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

	People Services	Communities & Place	Corporate Governance	Corporate	Local Authority Housing (HRA)	Other Income and Expenditure	Derby City Council Total	Derby Homes	TOTAL
2020/21	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>									
Employee expenses	115,560	36,344	30,906	1,783	754	0	185,347	18,404	203,751
Employee expenses for Voluntary Aided and Foundation Schools	14,639	0	0	0	0	0	14,639	0	14,639
Other service expenses	224,278	55,004	88,213	1,783	34,619	0	403,897	26,650	430,547
Depreciation, amortisation and impairment	7,989	19,965	3,972	0	12,610	69	44,605	330	44,935
Interest payments	0	0	0	0	0	21,121	21,121	157	21,278
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1,241	1,241	0	1,241
Gain or Loss on Disposal of non current assets	0	0	0	0	0	12,522	12,522	0	12,522
Internal Trading	(10,577)	(4,697)	(4,103)	0	0	0	(19,377)	(50,627)	(70,004)
Pension Interest Cost	0	0	0	0	0	26,271	26,271	440	26,711
<b>Total expenditure</b>	<b>351,889</b>	<b>106,616</b>	<b>118,988</b>	<b>3,566</b>	<b>47,983</b>	<b>61,224</b>	<b>690,266</b>	<b>(4,646)</b>	<b>685,620</b>
<b>Income</b>									
Fees, charges & other service income	(33,999)	(24,142)	(14,091)	(654)	(58,728)	0	(131,614)	(45,175)	(176,789)
Interest and Investment Income	0	0	0	0	0	(473)	(473)	0	(473)
Income from council tax, non-domestic rates	0	0	0	0	0	(152,276)	(152,276)	0	(152,276)
Government Grants and Contributions	(180,411)	(10,303)	(68,814)	0	0	(125,280)	(384,808)	0	(384,808)
PFI Deferred Income	0	0	0	0	0	(423)	(423)	0	(423)
Internal Trading	10,577	4,697	4,103	0	0	0	19,377	50,627	70,004
Gain or Loss on Disposal of non current assets	0	0	0	0	0	(6,722)	(6,722)	0	(6,722)
Pension interest income	0	0	0	0	0	(18,948)	(18,948)	0	(18,948)
<b>Total income</b>	<b>(203,833)</b>	<b>(29,748)</b>	<b>(78,802)</b>	<b>(654)</b>	<b>(58,728)</b>	<b>(304,122)</b>	<b>(675,887)</b>	<b>5,452</b>	<b>(670,435)</b>
<b>Surplus or deficit on the provision of services</b>	<b>148,056</b>	<b>76,868</b>	<b>40,186</b>	<b>2,912</b>	<b>(10,745)</b>	<b>(242,898)</b>	<b>14,379</b>	<b>806</b>	<b>15,185</b>

	People Services	Communities & Place	Corporate Governance	Corporate	Local Authority Housing (HRA)	Other Income and Expenditure	Derby City Council Total	Derby Homes	TOTAL
2021/22	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>									
Employee expenses	126,576	43,293	34,918	616	989	0	206,392	28,425	234,817
Employee expenses for Voluntary Aided and Foundation Schools	14,450	0	0	0	0	0	14,450	0	14,450
Other service expenses	240,537	73,341	87,747	10,385	34,238	0	446,248	24,931	471,179
Depreciation, amortisation and impairment	4,435	22,813	4,180	0	14,817	60	46,305	356	46,661
Interest payments	0	0	0	0	0	20,039	20,039	154	20,193
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1,239	1,239	0	1,239
Gain or Loss on Disposal of non current assets	0	0	0	0	0	27,500	27,500	0	27,500
Internal Trading	(9,995)	(6,398)	(3,948)	0	0	0	(20,341)	(55,416)	(75,757)
Pension Interest Cost	0	0	0	0	0	30,130	30,130	904	31,034
<b>Total expenditure</b>	<b>376,003</b>	<b>133,049</b>	<b>122,897</b>	<b>11,001</b>	<b>50,044</b>	<b>78,968</b>	<b>771,962</b>	<b>(646)</b>	<b>771,316</b>
<b>Income</b>									
Fees, charges & other service income	(35,472)	(33,968)	(22,423)	(10,972)	(59,812)	0	(162,647)	(47,900)	(210,547)
Interest and Investment Income	0	0	0	0	0	(479)	(479)	0	(479)
Income from council tax, non-domestic rates	0	0	0	0	0	(174,286)	(174,286)	0	(174,286)
Government Grants and Contributions	(174,266)	(12,704)	(65,985)	(122)	0	(112,905)	(365,982)	0	(365,982)
PFI Deferred Income	0	0	0	0	0	(428)	(428)	0	(428)
Internal Trading	9,995	6,398	3,948	0	0	0	20,341	55,416	75,757
Gain or Loss on Disposal of non current assets	0	0	0	0	0	(16,900)	(16,900)	0	(16,900)
Pension interest income	0	0	0	0	0	(19,878)	(19,878)	0	(19,878)
<b>Total income</b>	<b>(199,743)</b>	<b>(40,274)</b>	<b>(84,460)</b>	<b>(11,094)</b>	<b>(59,812)</b>	<b>(324,876)</b>	<b>(720,259)</b>	<b>7,516</b>	<b>(712,743)</b>
<b>Surplus or deficit on the provision of services</b>	<b>176,260</b>	<b>92,775</b>	<b>38,437</b>	<b>(93)</b>	<b>(9,768)</b>	<b>(245,908)</b>	<b>51,703</b>	<b>6,870</b>	<b>58,573</b>

## Group Property, Plant and Equipment

### a) Movements on Balances

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Movements in 2020/2021</b>								
<b>Cost of Valuation at 1 April 2020</b>	<b>504,194</b>	<b>347,082</b>	<b>34,630</b>	<b>264,001</b>	<b>6,934</b>	<b>16,326</b>	<b>76,406</b>	<b>1,249,573</b>
Recategorisations	1,009	0	0	59,438	0	360	(61,015)	(208)
Additions	18,730	11,432	5,599	19,686	0	2,403	34,206	92,056
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,840	5,063	0	0	0	(68)	0	14,835
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,654	(10,051)	0	0	0	(3,493)	0	(11,890)
Derecognition - disposals	0	0	(1,327)	0	0	0	0	(1,327)
Derecognition - other	0	(7,460)	(311)	0	0	0	0	(7,771)
Assets reclassified (to)/from Held for Sale	(4,911)	(1,576)	0	0	0	(125)	0	(6,612)
Other movements in cost or valuation	14	(14)	(775)	775	0	0	0	0
<b>At 31 March 2021</b>	<b>530,530</b>	<b>344,476</b>	<b>37,816</b>	<b>343,900</b>	<b>6,934</b>	<b>15,403</b>	<b>49,597</b>	<b>1,328,656</b>

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Movements in 2020/21</b>								
<b>Accumulated Depreciation and Impairment at 1 April 2020</b>	<b>(807)</b>	<b>(3,145)</b>	<b>(19,963)</b>	<b>(64,995)</b>	<b>(4,629)</b>	<b>0</b>	<b>0</b>	<b>(93,539)</b>
Depreciation charge	(13,917)	(8,519)	(4,761)	(6,076)	(461)	0	0	(33,734)
Depreciation written out to the Revaluation Reserve	13,717	5,265	0	0	0	0	0	18,982
Depreciation written out to the Surplus/Deficit on the Provision of Services	61	1,718	0	0	0	0	0	1,779
Derecognition - disposals	0	0	1,278	0	0	0	0	1,278
Derecognition - other	0	139	216	0	0	0	0	355
Other reclassification	(2)	2	775	(775)	0	0	0	0
<b>At 31 March 2021</b>	<b>(948)</b>	<b>(4,540)</b>	<b>(22,455)</b>	<b>(71,846)</b>	<b>(5,090)</b>	<b>0</b>	<b>0</b>	<b>(104,879)</b>
<b>Net Book Value</b>								
<b>At 31 March 2021</b>	<b>529,582</b>	<b>339,936</b>	<b>15,361</b>	<b>272,054</b>	<b>1,844</b>	<b>15,403</b>	<b>49,597</b>	<b>1,223,777</b>
<b>At 1 April 2020</b>	<b>503,387</b>	<b>343,937</b>	<b>14,667</b>	<b>199,006</b>	<b>2,305</b>	<b>16,326</b>	<b>76,406</b>	<b>1,156,034</b>

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Movements in 2021/22:</b>								
<b>Cost of Valuation at 1 April 2021</b>	<b>530,530</b>	<b>344,476</b>	<b>37,816</b>	<b>343,900</b>	<b>6,934</b>	<b>15,403</b>	<b>49,597</b>	<b>1,328,656</b>
Recategorisations	2,571	0	0	3,174	85	0	(5,830)	0
Additions	18,971	8,822	2,118	14,816	32	963	48,041	93,763
Revaluation increases/(decreases) recognised in the Revaluation Reserve	28,563	15,656	0	0	0	448	0	44,667
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	24	(14,521)	0	0	0	(430)	(20)	(14,947)
Derecognition - disposals	(110)	0	(462)	0	0	0	0	(572)
Derecognition - other	0	(15,722)	(445)	0	0	0	0	(16,167)
Assets reclassified (to)/from Held for Sale	(8,791)	(483)	0	0	0	(1,784)	0	(11,058)
Other reclassifications	179	6,895	17	(17)	0	(273)	(6,801)	0
<b>At 31 March 2022</b>	<b>571,937</b>	<b>345,123</b>	<b>39,044</b>	<b>361,873</b>	<b>7,051</b>	<b>14,327</b>	<b>84,987</b>	<b>1,424,342</b>

<b>Movements in 2021/22</b>	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>Accumulated Depreciation and Impairment at 1 April 2021</b>	<b>(948)</b>	<b>(4,540)</b>	<b>(22,455)</b>	<b>(71,846)</b>	<b>(5,090)</b>	<b>0</b>	<b>0</b>	<b>(104,879)</b>
Depreciation charge	(14,542)	(8,307)	(4,471)	(8,057)	(442)	0	0	(35,819)
Depreciation written out to the Revaluation Reserve	14,345	6,520	0	0	0	0	0	20,865
Depreciation written out to the Surplus/Deficit on the Provision of Services	61	3,285	0	0	0	5	0	3,351
Derecognition - disposals	0		460	0	0	0	0	460
Derecognition - other	0	208	372	0	0	0	0	580
Other reclassifications	(17)	22	(2)	2	0	(5)	0	0
<b>At 31 March 2022</b>	<b>(1,101)</b>	<b>(2,806)</b>	<b>(26,096)</b>	<b>(79,901)</b>	<b>(5,532)</b>	<b>0</b>	<b>0</b>	<b>(115,436)</b>
<b>Net Book Value</b>								
<b>At 31 March 2022</b>	<b>570,836</b>	<b>342,317</b>	<b>12,948</b>	<b>281,972</b>	<b>1,519</b>	<b>14,327</b>	<b>84,987</b>	<b>1,308,906</b>
<b>At 1 April 2021</b>	<b>529,582</b>	<b>339,936</b>	<b>15,361</b>	<b>272,054</b>	<b>1,844</b>	<b>15,403</b>	<b>49,597</b>	<b>1,223,777</b>

## **GLOSSARY**

This Glossary explains terms that may be encountered in discussion of Local Government finance. Definitions are intended to assist a general audience, rather than reflecting exactly the technical sense in which the terms are used.

**Accounting Period:** The period of time covered by the accounts, normally twelve months commencing on 1 April to 31 March this being the Balance Sheet date.

**Accounting Policies:** Within the range of possible methods of accounting, a statement of the accruals method chosen locally and used to prepare these accounts.

**Account and Audit Regulations:** The current sets of regulations which detail the accounts needed, how they should be published, the right of electors, and the conduct of the annual statutory audit.

**Accruals:** Concept that items of income and expenditure are recognised as they are earned or incurred not as money is received or paid.

**Agency Work:** When an organisation provides services on the Council's behalf, which the Council pays for.

**AGS:** Annual Governance Statement.

**Amortised:** The reduction in an amount carried on the Balance Sheet by the regular debiting or crediting to an Income and Expenditure Account.

**Apportionment:** A way of sharing the cost of management and administration to services using an appropriate method (for example, the amount of floor space taken up by accommodation-related support services).

**Appropriation:** An account in the Comprehensive Income and Expenditure Account used to transfer an amount between specific reserves on the balance sheet.

**Asset:** Something of value which is measurable in monetary terms owned by the Council and is convertible in to cash.

**Assets held for sale:** Assets are held for sale if their value will be recovered through a sale transition rather than continuing use, within one year.

**Associate:** An organisation or company other than a subsidiary or joint venture in which the Council has an interest and over whose operating and financial policies it has some influence.

**Balances:** The reserves of the Council, both revenue and capital, which represent the accumulated surplus of income and expenditure on any of its funds.

**Balance Sheet:** A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

**Billing Authority:** Derby City Council is the authority responsible for the collection and redistribution of council tax and non-domestic rates.

**Budget:** A statement of the Council's expected level of service expressed as an amount of spending over a set period, usually one year.

**Capital Adjustment Account:** The financing of capital expenditure passes through this account.

**Capital Charges:** Charges the Council makes to services for using non-current assets when providing the service.

**Capital Contributions and grants:** Money the Council receives towards paying for capital spending on a particular service or scheme.

**Capital Expenditure:** Spending on buying or creating a non-current asset or spending that adds to and does not just maintain the value of an existing asset, for example, land, buildings, roads, new furniture, vehicles and equipment.

**Capital Financing:** The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.

**Capital Financing Requirement:** Reflects the Council's level of debt relating to capital expenditure.

**Capital Programme:** The capital schemes the Council intends to carry out over a specified time period.

**Capital Receipts:** Money the Council receives from selling non-current assets (buildings, land etc.). Capital receipts from sales of housing assets cannot be used entirely to fund new capital expenditure; a proportion must be paid to Government.

**Capitalisation:** Capitalisation of an asset takes place when its cost is written off bit by bit, over its useful life, instead of writing off the cost in the year the asset was bought.

**Carry-forwards:** Revenue budgets not spent, which services can use in future years.

**Cash and cash equivalents:** This comprises cash in hand, overdrafts and short term investments which are readily convertible into known amounts of cash.

**Cash Flow:** Movement in money received and paid by the Council in the accounting period. The change in Cash is recorded within the cash flow statement. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as being from operating, investing and financing activities.

**Central Government Grants:** There are different types of grant;

- Revenue Support Grant - the main government grant to support Local Authority services.
- Specific Service Grants - payments from the Government to cover Local Authority spending on a particular service or project (for example, Standards Fund for schools). Specific grants are often a fixed percentage of the costs of a service or project.
- Supplementary Grants - grants towards capital spending for highway schemes.

**CIPFA (Chartered Institute of Public Finance and Accountancy):** This is the professional institute governing how public money is used and how it has to be reported.

**Comprehensive Income and Expenditure Statement (CI&ES):** This Statement shows the accounting cost in the year of providing services rather than the amount to be funded from taxation.

**Collection Fund:** An account administered by the Council which records receipts of Council Tax and NNDR. The collection fund is redistributed to the council general fund and preceptors, the Fire and Police authorities and central government.

**Community Assets:** Assets that the Council plans to hold forever, have no set useful life, and may have restrictions on how the Council sells or otherwise disposes of them. Examples of community assets are parks, historic buildings and various conservation works.

**Consistency:** This is the application of consistent accounting treatment from one accounting period to another.

**Consolidated:** Added together with adjustments to avoid double counting of income, expenditure, creditors and debtors as a result of trading between services within the Council which are reported as a whole in the consolidated financial accounts.

**Contingent Assets/Liabilities:** An asset or liability that is not recognised in the accounts due to the level of uncertainty surrounding it but is disclosed as it is possible that it may result in a future inflow or outflow of resources.

**Contributions paid to the pension fund:** Cash paid as employer's contribution to the pension fund.

**Council Tax:** This is a tax which is levied on the broad capital value of domestic properties, and charged to the resident or owner of the property.

**Corporate and Democratic Core:** Spending relating to the Council's need to co-ordinate and account for the many services provided to the public.

**Creditors:** Amounts owed by the Council for goods or services received but for which payment has not been made by the year end.

**Current Service Cost:** The increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Account to the revenue account of services for which the employees work.

**Debtors:** Sums owed to the Council for work done or services rendered but for which payment has not been received by the year end.

**Deferred Capital Receipts:** Income that is still owed to the Council following the disposal of an asset.

**Deferred Consideration:** A prepaid amount paid to the contractor in advance of services, written off over the life of the contract in equal instalments to the revenue account, in order to reduce the overall cost to the contract.

**Depreciation:** The reduction in the value of assets, for example, through wear and tear, charged over the useful life of the asset.

**Discretionary Benefits:** Awards of retirement benefits in the event of early retirement accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

**Earmarked Reserves:** These reserves represent the monies set aside that can only be used for a specific usage or purpose.

**Employee Benefits:** All forms of consideration given by the Council in exchange for service rendered by employees.

**Employment Costs:** The salaries and wages of staff and spending on training as well as the costs of the redundancy.

**EUVSH:** Existing Use Value for Social Housing. The estimated value a property would be exchanged for with a willing buyer, disregarding potential alternative uses and any other characteristics of the property that would cause its value to differ from that needed to retain the current service potential.

**Expenditure Funded From Capital Under Statute:** These are charges resulting from capital expenditure that does not result in the creation of a non-current asset and therefore has no continuing value to the Council.

**Fair Value:** The price at which the Council could buy or sell an asset or loan in a transaction with another organisation, less any grants received towards buying or using that asset.

**Fees and Charges:** Money raised by charging for the use of facilities or services.

**Financial Instrument:** Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**General Fund:** The main revenue account of the Council, which brings together all income and expenditure other than recorded in the Housing Revenue Account and the Collection Fund.

**Government Support / Grants:** Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**Gross Book Value:** This is the original or revalued cost of an asset before any depreciation is taken off it. (See also Net Book Value).

**Heritage Assets:** These are assets with historic, artistic, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

**Historical Cost:** What a non-current asset cost the Council to buy originally, plus the costs of bringing the asset into use.

**Housing Benefits:** A system of financial assistance to individuals towards certain housing costs administered by Local Authorities and subsidised by Central Government.

**Housing Revenue Account (HRA):** A separate account to the General Fund, which includes the expenditure and income arising from the provision of housing accommodation by the Council. The HRA is ring-fenced: no cross subsidy is allowed between the HRA and the General Fund.

**Impairment Loss:** Where an asset's value has been reduced by physical deterioration or other factors beyond usual wear and tear. The asset's value in the accounts is reduced to reflect this impairment.

**Income:** The amount the Council receives, or expects to receive, from any source. Service revenue income includes grants, sales, rents, fees and charges.

**Infrastructure Assets:** A non-current asset that cannot be taken away or transferred, and which the Council can only continue to benefit from by actually using it. Examples of infrastructure assets are roads, bridges and footpaths.

**Intangible Assets:** Non physical items that do not exist physically but that the Council owns or has a right to use.

**Inventories:** These are goods purchased by the Council that will be used at a later date to provide services to the public. For example, the quantity of grit in storage for bad weather.

**Investment Properties:** Property (land or a building-or part of a building-or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- Use in the production or supply of goods or services or for administration purposes;
- sale in the ordinary course of business.

**Liabilities:** Amounts due to individuals or organisations which will have to be paid at some time in the future.

**Long Term Borrowing:** Loans raised to finance capital spending which have to be repaid over a period longer than 1 year from the date of the accounts.

**Long Term Investments:** Those investments which the Council plans to hold on a continuous basis (for example, money held with a bank or building society for more than 12 months).

**Material:** The concept that an omission or non disclosure of an item in the accounts would not distort the view given by the financial statements.

**Major Repairs Reserve (MRR):** The MRR represents the capital cost of keeping the HRA dwellings stock in its current condition.

**Minimum Revenue Provision (MRP):** The minimum amount which must be charged to the General Fund each year and set aside as provision for repaying external loans and meeting other credit liabilities.

**National Non-Domestic Rates (NNDR):** Represents the rate of taxation on business properties.

**Net Book Value:** The value of an asset as recorded in the accounts. The current value or historic cost less any depreciation charged.

**Net current replacement cost:** The cost of replacing an asset in its existing condition and use.

**Non-distributed costs:** Specific overheads relating to unused assets and certain pension costs for employees' service in previous years. These are not allocated to service departments because they do not relate to the current year's cost of providing the service.

**Operating Activities:** are the principal revenue-producing activities of the Council and other activities that are not investing or financing activities.

**Pooled Budget:** An aggregation of balances that belong to the pooled budget partners rather than the Council in its own right.

**Precept:** The demand from the collection fund maintained by the Council.

**Private Finance Initiative (PFI):** This is an initiative for utilising private sector funding to provide public sector assets.

**Prior Year Adjustment:** Material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring correction or adjustments of accounting estimates made in prior years.

**Property Plant & Equipment:** Items such as land, buildings, vehicles and major items of equipment, which benefit the Council over more than one year.

**Provision:** An amount of money set aside to meet liabilities or losses that are likely or certain to arise in the future, but where the amounts or dates on which they will arise are uncertain.

**Related Parties:** Under accounting rules, the Council has to show transactions between itself and other organisations which are also funded by the Government. This includes transactions between the Council and the immediate families of Councillors or Chief Officers, and any companies or organisations that they have a controlling interest in.

**Reserves:** The amount of set aside for future purposes. Earmarked reserves are those established for a specific purpose.

**Reserves - unusable:** This is money held by the Council that can not be used to support revenue expenditure across the whole authority. It will have restrictions in place that mean it can only be spent in relation to certain things.

**Reserves - usable:** This is money held by the Council that can be used to support one off projects within the council. It has no restrictions in terms of what it is spent on as long as it has been approved via the relevant channels.

**Work-in-progress:** The value of work on an unfinished project at the end of the year which the Council has yet to recover from the client.

**Write down:** To reduce the value of an asset in a set of accounts.

**Write off:** To reduce the value of an asset to nothing in a set of accounts.

Audit Opinion is a separate document on the website.