

# **DRAFT STATEMENT OF ACCOUNTS 2019 – 2020**



## **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 2019/20. 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 2019/20 (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 2019/20 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 2019/20 financial outturn, the overall financial position of the Council and to place the Council's finances in the context of the Council Plan, priorities and achievements. The Council through strong financial management was able to deliver all its planned savings of over £7 million and implemented demand management responses in Children's Social Care to prevent an increase in in-year budget pressures identified at the end of June 2019.

The Accounts are prepared at the end of March 2020. Towards the end of 2019/20 the Council had to react very quickly to the 2019/20 financial crisis. It effectively reprioritised staff and resources to meet community need, support the vulnerable and to work with partners. Due to the timing of the pandemic, only part of the impact is reported in the 2019/20 Accounts.

These Accounts have been prepared during a challenging time and were provided to the Auditor at the end of May for the Audit to commence. I wish to thank all Council Members, Officers and especially the finance team for their support and contributions in what is a most challenging period.

A handwritten signature in black ink that reads "S C Riley". The signature is fluid and cursive, with the first letters of the first and last names being capitalized.

**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:

A city with big ambitions - where the focus is on culture, economy, regeneration, skills and transport.

A city of health and happiness - where the focus is on children and adults, health and wellbeing, housing, leisure and neighbourhoods.

A council focussed on the things that matter - where the focus is on delivering for Derby, engaged, modern and efficient and value for money.

## **Operational Model**

The Council has 3 directorates, Corporate Resources, People Services and Communities and Place. In addition there is a Corporate Core section that reports directly to the Chief Executive and supports key strategic work across the Council.

**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 2019/20 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 Holder throughout 2019/20 was Cllr Nicola Roulstone.

There were a number of senior management changes in the year with a new Chief Executive appointed (Paul Simpson) in January 2020 and three post holders of the S151 role during the year, Don McLure, Paul Simpson and Simon Riley.

## **Performance**

An updated Council Plan was approved by Cabinet in June 2019, with a supporting delivery plan and framework approved in July. The plan is centred on the 2019-2023 vision **“Derby – a caring and successful city at the heart of the Midlands, proud of its heritage and ambitious for the future”**. Our three priority themes of ‘a city with big ambitions’, ‘a city of health and happiness’ and ‘a council focused on the things that matter’ are supported by 15 areas of focus and refreshed Council Values.

At the end of March 2020, we delivered or were ‘on track’ to deliver 71% of actions from our 2019/20 Council Delivery Plan. We also improved our performance in priority areas, with 66% of all our measures achieving their 2019/20 targets.

88% of adult social care users and carers reported that the services that they received made them feel safe, above the national average.

At the end of March 2020, there were 98.20 children in care per 10,000 (0-18 year olds), which is a rise from 93.80 in 2019 impacting on our budget.

Over the year, we have helped 94% of children, young people and families to achieve better outcomes supported through our early help services.

86% of environmental protection service requests were responded to within our target response times, 7% more than in 2018/19.

There were over 375,000 attendances at Derby Live performances in 2019/20.

We lost an average of 11.9 working days, per full-time employee, to sickness absence, which is a reduction from March 2019.

More people are accessing our services online, with nearly 85,000 residents now registered for ‘My Account’, 37% more than April 2019.

Our Welfare Reform Team delivered over 1,700 successful interventions, 72% more than our target, supporting more people with issues like money, housing and wellbeing.

Achieved 100% of in year savings (as originally outlined or through alternative mitigation).

There has been considerable improvement activity throughout 2019/20. The Council hosted two formal multi-agency inspections in 2019, and delivered multi-agency actions plans to support improvements across the city (Joint targeted Area inspection of child sexual abuse in the family environment and a local area inspection of services for children and young people with special educational needs and disabilities (SEND)).

In response to the SEND inspection the Council produced a local area SEND ‘Written Statement of Action’ which was judged to be ‘fit for purpose’ by OFSTED in December 2019. In addition to inspections, we hosted peer reviews on SEND, the use of resources and efficiency in children’s services and our corporate communications.

The Council has published its Annual Report (see link below) which provides details of the achievements and in many areas improved outcomes during 2019/20.

<https://democracy.derby.gov.uk/Document>

## **Risk**

The Council continued to embed its' Risk Management framework with the aim of delivering an effective, systematic and proportionate approach that will minimise risk and enable us to optimise its contribution to the achievement of our priority outcomes for Derby. The Council manages risks through a Corporate Risk Management Group, Quarterly Reports to Cabinet and targeted risk surgeries through the Audit and Accounts Committee.

As at 31 March 2020, the strategic risk register currently contains 16 risks with mitigating controls and additional actions in place. Of these 8 of the strategic risks were classified as red risk (see link below) to Accounts and Audit Committee report

<https://democracy.derby.gov.uk/Document>

The Council's key strategic risks include managing demand for Children's Social Care, impact of Covid 19, future arrangements for Waste Disposal and managing through the Medium Term Financial Plan financial sustainability.

## **Financial Performance**

In February 2019, the Council agreed a net revenue budget for 2019/20 of £220.602m.

The table below shows that the Council's actual spending was £230.797m. The final overspend of £6.195m represents 2.8% of the Council's 2019/20 budget requirement. This overspend has been funded from the Council's revenue 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.

### **Actual Net Spending against Budget for 2019/20 (per Revenue Outturn report):**

|                           | <b>Final Approved<br/>Budget<br/>£000</b> | <b>Actual<br/>£000</b> | <b>Final (Under) /<br/>Overspend<br/>£000</b> |
|---------------------------|---|------------------------|---|
| People Services           | 147,510                                   | 155,283                | 7,773   |
| Communities and Place     | 42,215                                    | 43,124                 | 909   |
| Corporate Resources       | 33,979                                    | 33,331                 | (648)   |
| Corporate                 | 898                                       | (941)                  | (1,839)                                       |
| <b>Budget Requirement</b> | <b>224,602</b>                            | <b>230,797</b>         | <b>6,195</b>                                  |

**Summary of key General Fund variances:****£000****Peoples Services**

|   |              |
|---|--------------|
| Looked after children placements                          | 4,388        |
| Increased workforce costs including agency social workers | 1,500        |
| Home to school transport                                  | 1,000        |
| Legal costs relating to Children's care proceedings       | 400          |
| Interpretation costs                                      | 200          |
| Children in need and leaving care                         | 500          |
| Adults - Client numbers and cost of care packages         | (500)        |
| Adults - increased bad debt provision                     | 285          |
|   | <b>7,773</b> |

**Communities and Place**

|  |            |
|--|------------|
| Concessionary Fares                    | (666)      |
| Income shortfalls                      | 1,549      |
| Staffing pressures                     | 147        |
| Business Rates refund - Assembly rooms | (321)      |
| Other net variances                    | 200        |
|  | <b>909</b> |

**Corporate Resources**

|                              |              |
|------------------------------|--------------|
| Recharges to the HRA         | (274)        |
| Court fee income             | (165)        |
| Boiler replacement programme | (185)        |
| Other net variances          | (24)         |
|                              | <b>(648)</b> |

**Corporate**

|  |                |
|--|----------------|
| Funding adjustment - business rates tariff | (531)          |
| Apprenticeship levy                        | (325)          |
| Corporate Contingency underspend           | (434)          |
| Annual leave purchase                      | (180)          |
| Write back of unused provision             | (250)          |
| write back historical Accounts             | (58)           |
| Other net variances                        | (61)           |
|  | <b>(1,839)</b> |

**Total General Fund Variances****6,195****Summary of HRA Variances**

|  |            |
|--|------------|
| Estimated outturn                          | 4,507      |
| Variances at outturn:                      |            |
| Overachievement of rents / service charges | (2,541)    |
| Reduced provision for bad debts            | (704)      |
| Lower capital financing costs              | (1,189)    |
| Higher than budgeted                       | 385        |
| Other minor variances                      | 224        |
|  | <b>682</b> |

Further details of the Council's financial spend in 2019/20 are detailed in the outturn report presented to Cabinet in July 2020 (see link below)

<https://democracy.derby.gov.uk/Document>

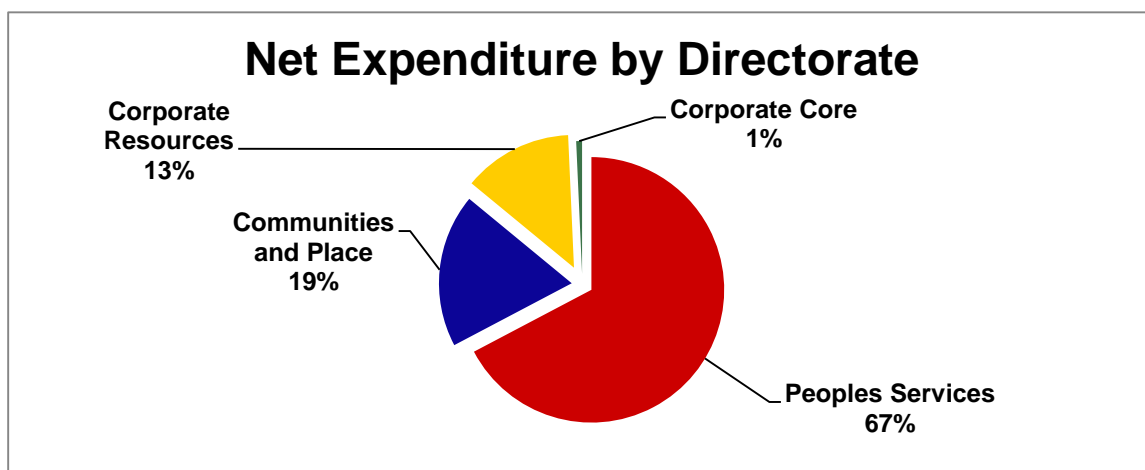
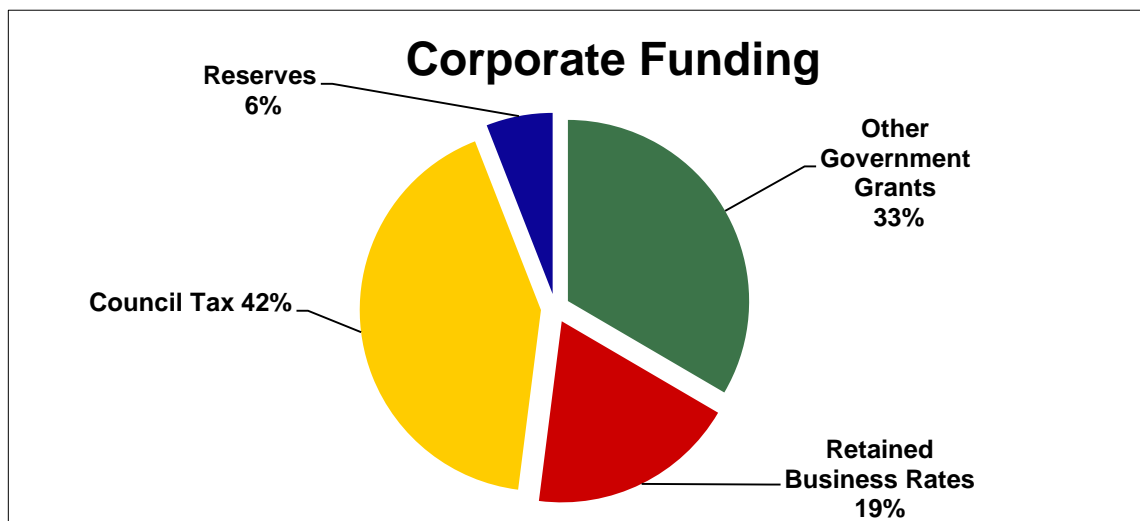


## Reconciliation of Final (Under)/Overspend to Total Comprehensive Income and Expenditure for 2019/20:

|   | £000             |
|---|------------------|
| <b>Breakdown of (Under)/Overspend:</b>  |                  |
| General Fund (Under)/Overspend  | 6,195            |
| HRA (Under)/Overspend   | 682              |
| <b>Overall (Under)/Overspend</b>  | <b>6,877</b>     |
| Less: Appropriations to General Fund reserves                                   | 10,888           |
| Plus: Movements in schools balances   | 2,183            |
| Plus: Adjustment between GF and HRA accounting basis and funding basis          | 74,398           |
| Plus: Remeasurement of the net defined benefit                                  | (241,220)        |
| Less: Surplus or deficit on revaluation of Property, Plant and Equipment assets | (3,818)          |
| <b>Total Comprehensive (Income) and Expenditure</b>                             | <b>(150,692)</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 £0.682m (£0.261m surplus in 2018/19), against a forecasted budget shortfall of £4.507m (£1.895m in 2018/19).

### 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 2019/20 is in excess of the minimum level recommended by the Chief Finance Officer. At 31 March 2020 the Unallocated General Fund Balance stands at £10.933m.

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 2020 revenue earmarked reserves held by the Council total £84.827m.

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 £13.047m at 31 March 2020. 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 drawn upon in funding the in-year overspend.

#### Earmarked Reserves at 31st March 2020

| Reserve   | Balance at 31 March 2019<br>£000 | In year movement £000 | Balance at 31 March 2020<br>£000 |
|---|----------------------------------|-----------------------|----------------------------------|
| Unallocated General Fund Balance                      | (10,933)                         | 0                     | (10,933)                         |
| Balances held by schools under a scheme of delegation | (8,049)                          | 2,183                 | (5,866)                          |
| Budget Risk Reserve                                   | (23,905)                         | 10,858                | (13,047)                         |
| PFI Reserves  | (27,716)                         | (1,313)               | (29,029)                         |
| Other Revenue Earmarked                               | (50,287)                         | 7,536                 | (42,751)                         |
| Capital Reserves                                      | (66,478)                         | (137)                 | (66,615)                         |
| HRA Reserves  | (47,993)                         | 682                   | (47,311)                         |
|   |                                  |                       |                                  |
| <b>TOTAL</b>  | <b>(235,361)</b>                 | <b>19,809</b>         | <b>(215,552)</b>                 |

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

In addition to the general fund reserves a number of ring fenced HRA reserves are also held by the Council. These include £47.311m HRA general balances and £2.885m Major Repairs Reserves which is used to fund HRA capital expenditure.

### **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 2019/20 the Council spent **£88.530m on capital schemes.**

#### **Major Areas of Capital Spend in 2019/20:**

| <b>Section</b>   | <b>£000</b>   |
|--|---------------|
| Children & Young People - New build, extensions and modernisation of schools and education centres. Devolved capital school grants | 9,731         |
| Highways & Transport - Highways and transportation   | 21,711        |
| Property Improvements - Improvements to council buildings including the council house, museums, libraries and cemeteries           | 7,417         |
| Regeneration - Regeneration of the public realm areas of the city, regeneration of buildings to create managed workspace and jobs  | 15,481        |
| Housing General Fund - Grant aid for private sector tenants for disabled adaptations and improvements                              | 3,330         |
| HRA - Maintenance to the decent homes standard on all council dwelling stock as well as new build sites                            | 22,593        |
| Vehicles, Plant and Equipment - Refuse vehicles, street cleaning and grounds plant and equipment                                   | 5,565         |
| Flood Defence - Improvements to the Councils flood defences and culverts   | 222           |
| ICT - Information and communication technology   | 2,480         |
| <b>Total</b>   | <b>88,530</b> |

### **Future investment**

Over the next 3 years the Council will continue to invest in the major projects above. These are detailed in the MTFP agreed by Council in February. (see link below to 2020 Budget Report)

<https://democracy.derby.gov.uk/Document>

### **Financing**

Capital expenditure is financed from the following sources:

- Supported borrowing (where the interest costs for the debt are funded by central government grant - this only relates to borrowing pre-2008)
- 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

The Council's financial statement includes Unapplied capital resources (excluding capital receipts), stand at £34.627m at 31 March 2020. These consist of £31.454m unapplied capital grants and £3.173m earmarked capital reserves. The unapplied capital receipts reserve stands at £32.279m at 31 March 2020.

### **Borrowing Facilities**

In 2019/20 the Council had an authorised limit for external debt of £833m that compares to the actual level of debts outstanding at 31 March 2020 of £448.2m.

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

|  | <b>2018/19</b> | <b>2019/20</b> |
|--|----------------|----------------|
|  | <b>£m</b>      | <b>£m</b>      |
| Short-Term Borrowing (i.e. due within 1 year)* | 11.9           | 21.2           |
| Long-Term Borrowing                            | 340.1          | 337.7          |
| Long-Term PFI and finance leases               | 87.4           | 84.7           |
| Short-Term PFI and finance leases              | 4.0            | 4.3            |
| Debt managed by Erewash Borough Council        | 0.3            | 0.3            |
| <b>Total</b>                                   | <b>443.7</b>   | <b>448.2</b>   |

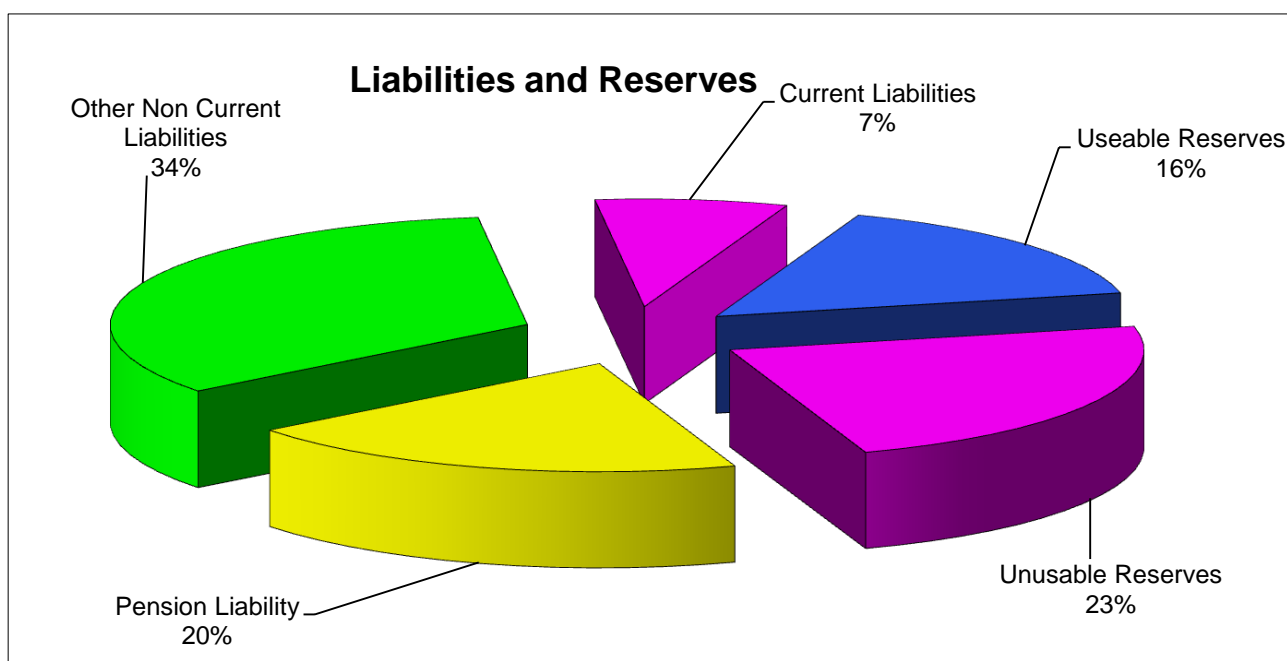
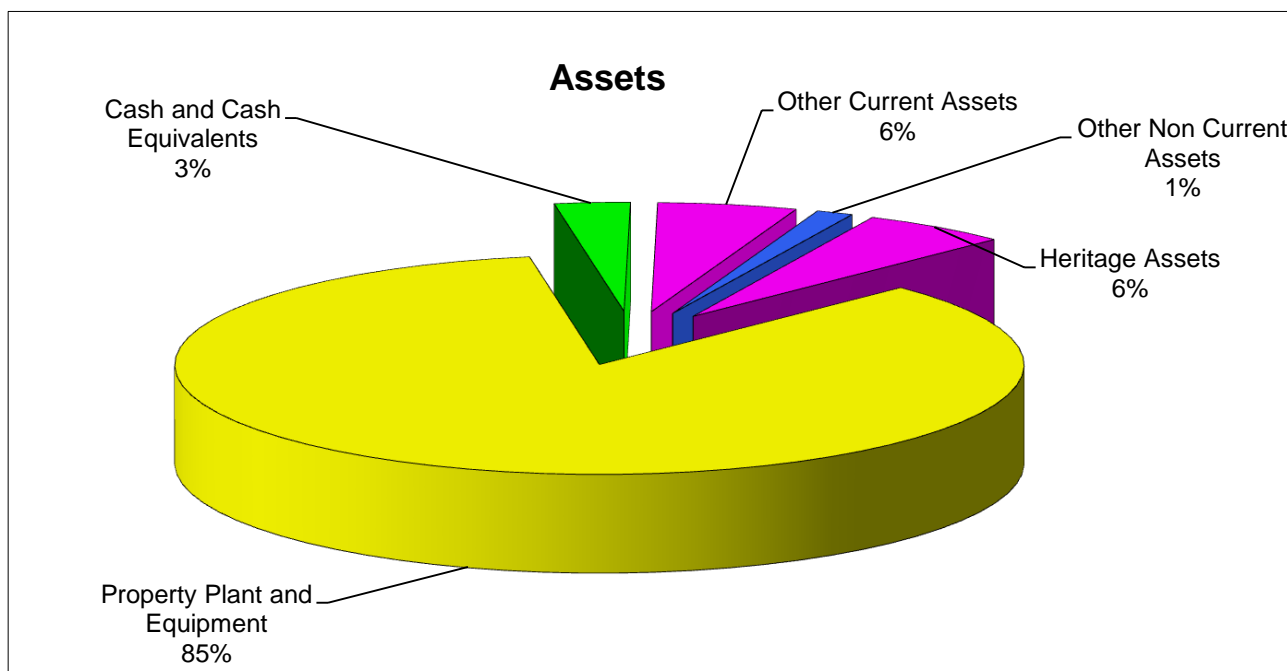
\* this table has been amended to remove accrued interest

### **Explanation of the Statements**

The following core financial statements summarise the Council's finances for 2019/20 (1 April 2019 to 31 March 2020) 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. These include unrealised gains and losses (for example the Revaluation Reserve) and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.



## 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 6 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**

This statement shows the movement in the year on the different reserves held by the Council, 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 2019/20. 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 2019/20. 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 £5.946m (£7.616m in 2018/19) 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. In 2018/19 the council was in a 99% retention pilot scheme, this ended on 31/03/19 and the council have reverted back to retaining 49% of its business rates.

#### **(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 £3.8m (which has affected the revaluation reserve) on a total Long Term Asset base of £1.2bn. Impairments and revaluation movements of £3.3m have been charged to the CIES in 2019/20. A gain of £241.220m has been recognised on the net pension liability of £267.422m 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 - [www.derby.gov.uk/council-and-democracy/open-data-transparency/trade-union](http://www.derby.gov.uk/council-and-democracy/open-data-transparency/trade-union).

#### **(f) Waste Disposal**

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

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

Work had been progressing on the facility to determine its condition and capability as at the 2nd August 2019. Due to the measures introduced by the UK Government to counter the Covid-19 pandemic, work on site has been affected. This work is also being carried out by Renewi UK Services Ltd and will allow the councils to ascertain the Estimated Fair Value of the plant.

### **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 2020 agreed a MTFS for the financial years 2020/21 to 2022/23 (see link below). This evidenced a balanced budget for 2020/21 with small budget gaps for 2021/22 and 2022/23.

<https://democracy.derby.gov.uk/Document>



| <b>12th February Cabinet Report</b> | <b>2020/21<br/>£m</b> | <b>2021/22<br/>£m</b> | <b>2022/23<br/>£m</b> |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
| Net Budget Requirement              | 238.200               | 247.690               | 253.081               |
| Total Resources Available (funding) | 238.200               | 244.626               | 250.127               |
| <b>Budget Gap</b>                   | <b>-</b>              | <b>3.064</b>          | <b>2.954</b>          |

The MTFS provided additional resources for priority areas such as Children's Social Care along with planning for additional savings through the transformation of services, income generation and partnership working. Early indications in 2020/21 indicate increased demand for Children's Social Care that will need to be addressed through robust financial management and planning.

A full assessment of the robustness of the estimates used in the MTFS and level of reserves is detailed in the detailed Section 25 statement by the Chief Finance Officer in the Annual Budget Report.

### **Covid-19 Pandemic**

The nature and scale of the COVID-19 emergency is unprecedented. Local Government is critical to the effective leadership, co-ordination and implementation of the response. The Council has moved swiftly to establish plans and arrangements that are making sure that vulnerable people get the health and care that they need, supporting our communities, helping business to stay resilient, maintaining essential services and keeping people informed about what to do and where to go for help. Council resources have been prioritised on dealing with the crisis and planning ahead for the recovery and staff have displayed remarkable flexibility and resourcefulness, using local knowledge and intelligence to deliver action on the ground.

### **Supporting Vulnerable People to get the health and care they need**

The Council's existing commissioning and delivery arrangements for Adult Social Care allowed the Council to respond quickly to working with Health colleagues to support hospital discharges and provide effective services in the community. The focus has been:

Managing the hospital discharge and re-ablement process to ensure that there is a streamlined process including all stakeholders and that people are supported in residential/nursing home settings. This includes commissioning extra capacity with Agincare with funding secured from the CCG very early on, thereby providing additional and high quality and sufficient provision within the City;

Introduction of the discharge lounge at the Hospital facilitating multi-disciplinary input and effective transfer into community settings;

Supporting providers across the City through prompt payments and payments in advance, uplift in fees where financial impact of Covid could be proven, co-ordination of PPE availability etc.;

Access to Testing.

The Government has provided £2.8 million of targeted funding for infection control in care homes, of which 75% is being passed directly to care homes to mitigate risks of care home cases and transmission between homes.

The Covid Pandemic has had a major impact on ways of working for Children's Social Care including a reduction in front door referrals, for example as referrals for schools have reduced due to schools being shut. Access by social workers has also changed to take into account limitations in access during lockdown. The Council has adopted a variety of approaches during the period to safeguard children including virtual contact alongside more traditional approaches. Nationally, there is a worry that there will be a major spike in safeguarding referrals as lockdown is lifted with the likelihood of further increases in looked after children supported by the Council.

### **Support for Communities**

Providing effective support to the community has been at the heart of the Council's response. This is truly a partnership with the community and our partners and has included the following:

To coordinate the local response to the Government 'ask' to support those on the shielding list including distribution of food parcels;

To ensure a volunteer co-ordination that responds to the non-essential and non-critical need;

To provide a central hub for access to information, support, reassurance and engagement. This has been delivered through the Derby Community Hub which operates 7 days a week and is run jointly with Community Action Derby and Derby Direct;

To support communities and manage any tensions through locality working.

### **Support for Rough Sleepers/Homelessness**

The Government quickly identified rough sleepers as one of the most vulnerable groups at risk from Covid 19 and requested local authorities to secure accommodation that would provide them with a safe and secure place with appropriate support services. This approach built on the Council's rough sleeping approach prior to the Covid 19 pandemic.

The Council quickly secured the sole use of the Holiday Inn Express on Pride Park to provide the necessary accommodation. This alongside Milestone House has allowed the Council to offer accommodation meaning that no person needed to be on the streets and appropriate accommodation for self-isolation if required.

The centralised provision has been a success with over 87 unique guests who have stayed at the hotel since it opened. Occupancy has normally been between 40 – 50 residents a night.

The response has been a truly multi-agency approach with staff from Derby Homes, Derby City Mission, NHS colleagues all working out of the hotel providing targeted and effective support services. This has helped some of the initial problems to be addressed and increased stability for this vulnerable group.

The Government has recently announced further funding with the aim to reduce and eventually eliminate the need for rough sleeping.

## **Operational Services**

The Covid 19 pandemic and subsequent lockdown has had a major impact on the Council's key operational services such as waste collection, crematoria etc. where availability of staff, demand pressures and the need for social distancing and PPE have created unique and complex challenges.

Early in the lockdown it was not possible to provide a full service due to staff availability or the need to secure alternative and additional capacity. It was necessary for a short time to cease the brown bin services and the recycling centre at Raynesway. There were also difficulties in completing recycling collections. In response the Council:

- (a) Secured up to 8 additional refuse collection vehicles and crews from the private sector
- (b) Restarted the brown bin service in early May
- (c) Reopened Raynesway on the 16th May in a manner that is now being held up as a national exemplar
- (d) Introduced additional capacity in the Crematorium and Cemetery Service including working with faith communities and investing in an additional cremator
- (e) Secured additional mortuary capacity jointly with Derbyshire County Council.

There are many operational challenges of providing operational services with the requirements for social distancing and keeping our staff and communities safe. These will need to be factored into risk assessments, equality impact assessments and operational practices going forward with consequential cost impacts not in the Council's MTFP.

## **PPE**

During the Covid 19 pandemic there has been many iterations of Government guidance alongside difficulties in securing PPE equipment.

The Council responded through setting up a cross Council PPE group, undertaking risk assessments and training and procuring direct PPE equipment alongside that secured from Central Government.

A centralised PPE hub/store was set up at London Road which has operated efficiently meeting the needs of the Council and providers across the City.

## **Business Support**

The Covid 19 pandemic has had a major impact on the National Economy and the financial viability and sustainability of large and small businesses within the City. Recent announcements by companies such as Rolls Royce illustrate the longer-term impact of what was originally viewed as a sharp economic hit. The Council has set up the Economic Recovery task group involving a variety of businesses, business groups and partners to co-ordinate the response.

The Council has been able to directly support businesses through business grant and reliefs totalling £81.2 million. Over 4,000 businesses in the City have benefited from this support:

| Support to Businesses      | £m   |
|----------------------------|------|
| Business Rate Grant        | 45.9 |
| Retail and Nursery Reliefs | 35.3 |
| Total                      | 81.2 |

### **Hardship Fund**

The Government has allocated £2.1 million of a hardship fund providing for a £150 rebate for those people of working age in receipt of Council Tax support. This is expected to benefit approximately 14,000 people and provide direct financial support at this difficult time. The Council continue to support households through Single Discretionary Awards, Welfare Reform Activity and access to trusts for support.

Alongside this there has been a significant increase in the Universal Credit claimants in the City with consequential impacts on the need for support. The Council is working with partners to enhance money advice services within the City.

### **Public Buildings/Commercial Properties/Traded Income**

The Council closed the majority of public buildings in accordance with Government guidelines. This included leisure centres, libraries, markets, commercial buildings. This has had a significant impact on income levels in the short term where income has ceased and its likely to have an impact in the medium term as usage remains suppressed.

Alongside the reduction in commercial income the Council has experienced significant income losses in respect of car parking income, public protection fines etc.

The impact of income losses outweighs the additional costs in responding to the Covid 19 pandemic and across the Country is impacting on the financial sustainability of Councils in the medium term. Representations are being made by the LGA for additional funding to allow Council's to navigate their financial sustainability during these difficult times.

### **Procurement**

The Government issued procurement guidance PPN/02 encouraging Councils to support their suppliers and maintain provision of services. The Council in response has:

- (a) Moved to immediate payment of invoices
- (b) Supported suppliers through guaranteeing payments to the end of June, even if there were changes in services provided due to lockdown restrictions
- (c) Worked with providers to ensure sustainability of the Market, for example care providers
- (d) Flexed current contracts to meet service demands, for example residential care provision with Agincare.

## Governance

The Council very quickly put in robust arrangements including:

- LRF Strategic Coordination Group (SCG)
- Council SCG comprising of the Chief Executive and Strategic Directors
- Tactical Coordination Group (TCG), comprising the Directors Network
- Task and Finish Groups, for example PPE.

The Council has also led or taken active roles in sectoral or regional groups such as Health and Social Care, Human Resources redeployment, Community Resilience groups etc. Partners recognise the response and value add of the City's response to the Pandemic.

The Governance arrangements have worked well and allowed the Council's response to be responsive and agile. The Council's teams have worked cross departmentally to develop policies, risk assessments and capacity and skills where required.

The Council's workforce has moved quickly to digital working supported by ICT with minimal officers being required to physically be in Council buildings. More recently democracy commenced with an urgent leaders meeting followed by an Executive Scrutiny and Cabinet meeting.

Nearly 200 employees have been redeployed during the first stage of the pandemic response to support priority areas. This has greatly helped with the capacity and response in pressured front-line service areas.

## Government Funding for COVID

The Government has at the point of publishing these accounts provided three tranches of un-ring-fenced funding to support the Local Authority response to Covid 19:

| Funding       | £m   |
|---------------|------|
| Grant 1       | 7.7  |
| Grant 2       | 7.2  |
| Grant 3       | 2.5  |
| Total Funding | 17.4 |

The level of funding is insufficient to meet the costs incurred and impact on income on the Council as a direct result of the Covid 19 pandemic. The Council is submitting monthly returns and continue to lobby for additional resources from Central Government as this shortfall is being experienced by all Councils in the country.

## 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 Council is continuously assessing the likely impact of COVID-19 on its financial position and performance during 2019/20, 2020/21 and beyond. These are summarised in monthly returns to MHCLG.

The Council has modelled consideration of the following:-

Loss of income on a service by service basis, due to temporary closures, reduction in demand, and increased collection losses.

Additional expenditure on a service by service basis, e.g. provision of new and expanded services in response to the crisis (such as additional costs relating to temporary accommodation for the homeless), and additional costs associated with changes to working practices (such as remote working).

Changes to government policy, e.g. changes to business rate reliefs, guidance on supplier relief, additional funding for local authorities, and additional responsibilities which sit alongside this.

The impact on the Council's capital programme, e.g. delays caused by government restrictions, and whether there is a need to rephase work for other reasons.

The impact on the Council's subsidiaries and joint ventures.

The impact of all of the above on the Council's cash flow and treasury management, including availability of liquid cash (as at June 2020 the Council has around £107m short term investments), impact on investment returns, and availability of external borrowing if required.

The estimated overall impact on the Council's General Fund and Housing Revenue Account reserves.

This review has highlighted that COVID-19 poses a significant financial challenge for the Council, both in 2020/21 (for which future Government funding is anticipated) and for the medium term that will be informed by the Government Spending Review. The Council will publish an update to its Medium Term Financial Strategy in September 2020 and is expected to be able to balance its budget in 2020/21 through additional Government funding and reserves without recourse to a Section 114 statement. If further funding is not provided by MHCLG to respond to the Covid 19 pandemic the Council would need to undertake a fundamental review of spending plans and priorities for 2020/21 onwards.

The Accounts evidence that the level of reserves and the liquidity of its Treasury Management investments means there is sufficient headroom within the General Fund to absorb the immediate financial impact of COVID-19 in the short term. 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 for the foreseeable future.

### **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 2019/20 present a true and fair financial position of Derby City Council for the financial year ending 31st March 2020. 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 Director of Financial Services.
- (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 Accounts Committee on **TBC** 2020.

Signed:

### The Director of Financial Services Responsibilities

The Director of Financial Services 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 Director of Financial Services 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 it's group at 31st March 2020.

The Director of Financial Services 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

Date: 30th July 2020

## Balance Sheet

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

| 31 March<br>2019<br>£000 |                                      | Notes | 31 March<br>2020<br>£000 |
|--------------------------|--------------------------------------|-------|--------------------------|
| 1,162,107                | Property, Plant & Equipment          | 16    | 1,149,356                |
| 76,200                   | Heritage Assets                      | 17    | 76,234                   |
| 4,140                    | Investment Property                  | 18    | 4,073                    |
| 2,116                    | Intangible Assets                    | 48    | 1,400                    |
| 325                      | Long Term Investments                | 22    | 325                      |
| 14,899                   | Long Term Debtors                    | 25    | 12,833                   |
| <b>1,259,787</b>         | <b>Long Term Assets</b>              |       | <b>1,244,221</b>         |
| 2,525                    | Assets Held for Sale                 | 24    | 905                      |
| 20,070                   | Short Term Investments               | 22    | 29,056                   |
| 1,297                    | Inventories                          |       | 1,296                    |
| 56,403                   | Short Term Debtors                   | 25    | 40,845                   |
| 45,038                   | Cash and Cash Equivalents            | 26    | 39,331                   |
| <b>125,333</b>           | <b>Current Assets</b>                |       | <b>111,433</b>           |
| (15,232)                 | Short Term Borrowing                 | 22    | (24,450)                 |
| (3,899)                  | Short Term Finance Lease Liabilities | 22    | (4,321)                  |
| (50,336)                 | Short Term Creditors                 | 27    | (64,892)                 |
| (8,000)                  | Provisions                           | 29    | (7,531)                  |
| <b>(77,467)</b>          | <b>Current Liabilities</b>           |       | <b>(101,194)</b>         |
| (87,436)                 | Long Term Finance Lease Liabilities  | 22    | (84,711)                 |
| (1,609)                  | Provisions                           | 29    | (70)                     |
| (340,070)                | Long Term Borrowing                  | 22    | (337,718)                |
| (466,911)                | Other Long Term Liabilities          | 28    | (267,740)                |
| (31,537)                 | Capital Grants Receipts in Advance   | 14    | (33,439)                 |
| <b>(927,563)</b>         | <b>Long Term Liabilities</b>         |       | <b>(723,678)</b>         |
| <b>380,090</b>           | <b>Net Assets</b>                    |       | <b>530,782</b>           |
| (235,361)                | Usable Reserves                      | 30    | (215,552)                |
| (144,729)                | Unusable Reserves                    | 32    | (315,230)                |
| <b>(380,090)</b>         | <b>Total Reserves</b>                |       | <b>(530,782)</b>         |

The draft financial statements were approved for issue on 30th July 2020 by the Director of Financial Services.



## Comprehensive Income and Expenditure Statement

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

| 2018/19           |                   |                |  | 2019/20           |                   |                  |
|-------------------|-------------------|----------------|--|-------------------|-------------------|------------------|
| Gross Exp<br>£000 | Gross Inc<br>£000 | Net<br>£000    |  | Gross Exp<br>£000 | Gross Inc<br>£000 | Net<br>£000      |
|                   |                   |                | <b>Directorate</b>   |                   |                   |                  |
| 354,739           | (216,315)         | 138,424        | People Services  | 359,485           | (186,113)         | 173,372          |
| 99,069            | (34,874)          | 64,195         | Communities and Place  | 112,996           | (36,610)          | 76,386           |
| 127,071           | (93,448)          | 33,623         | Corporate Resources  | 114,683           | (82,668)          | 32,015           |
| 987               | (908)             | 79             | Corporate  | 1,293             | (9,681)           | (8,388)          |
| 53,484            | (58,654)          | (5,170)        | Local authority housing (HRA)  | 44,278            | (58,974)          | (14,696)         |
| <b>635,350</b>    | <b>(404,199)</b>  | <b>231,151</b> | <b>Cost of Services</b>  | <b>632,735</b>    | <b>(374,046)</b>  | <b>258,689</b>   |
| 75,225            | (10,078)          | 65,147         | Other operating expenditure (Note 9)   | 63,565            | (12,991)          | 50,574           |
| 53,797            | (23,494)          | 30,303         | Financing and investment income and expenditure (Note 10)                                      | 53,586            | (21,708)          | 31,878           |
| 0                 | (257,806)         | (257,806)      | Taxation and non-specific grant income (Note 11)   | 0                 | (246,795)         | (246,795)        |
| <b>764,372</b>    | <b>(695,577)</b>  | <b>68,795</b>  | <b>(Surplus) or Deficit on Provision of Services</b>   | <b>749,886</b>    | <b>(655,540)</b>  | <b>94,346</b>    |
|                   |                   | (16,095)       | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 32)          |                   |                   | (4,131)          |
|                   |                   | 249            | Impairment losses on non-current assets charged to the Revaluation Reserve (Note 32)           |                   |                   | 313              |
|                   |                   | 9              | Gains and losses arising from the derecognition of financial assets measured at amortised cost |                   |                   | 0                |
|                   |                   | 84,183         | Remeasurement of the net defined benefit liability (Note 38)                                   |                   |                   | (241,220)        |
|                   |                   | <b>68,346</b>  | <b>* Other Comprehensive (Income) and Expenditure</b>  |                   |                   | <b>(245,038)</b> |
|                   |                   | <b>137,141</b> | <b>Total Comprehensive (Income) &amp; Expenditure</b>  |                   |                   | <b>(150,692)</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<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Total Usable Reserves<br>£000 | Unusable Reserves<br>£000 | Total Council Reserves<br>£000 |
|---|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|-------------------------------|---------------------------|--------------------------------|
| <b>Balance at 31 March 2018 brought forward</b>                                 | <b>(121,075)</b>             | <b>(47,734)</b>                 | <b>(30,988)</b>                  | <b>(6,279)</b>                | <b>(33,208)</b>                  | <b>(239,284)</b>              | <b>(277,947)</b>          | <b>(517,231)</b>               |
| <b>Movement in Reserves during 2018/19</b>                                      |                              |                                 |                                  |                               |                                  |                               |                           |                                |
| Total Comprehensive Income and Expenditure                                      | 64,945                       | 3,850                           | 0                                | 0                             | 0                                | <b>68,795</b>                 | 68,346                    | 137,141                        |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | (64,753)                     | (4,117)                         | 1,560                            | (309)                         | 2,747                            | <b>(64,872)</b>               | 64,872                    | <b>0</b>                       |
| <b>(Increase)/ Decrease in 2018/19</b>  | <b>192</b>                   | <b>(267)</b>                    | <b>1,560</b>                     | <b>(309)</b>                  | <b>2,747</b>                     | <b>3,923</b>                  | <b>133,218</b>            | <b>137,141</b>                 |
| <b>Balance at 31 March 2019 carried forward</b>                                 | <b>(120,883)</b>             | <b>(48,001)</b>                 | <b>(29,428)</b>                  | <b>(6,588)</b>                | <b>(30,461)</b>                  | <b>(235,361)</b>              | <b>(144,729)</b>          | <b>(380,090)</b>               |
| <b>2019/20</b>  |                              |                                 |                                  |                               |                                  |                               |                           |                                |
| <b>Movement in Reserves during 2019/20</b>                                      |                              |                                 |                                  |                               |                                  |                               |                           |                                |
| Total Comprehensive Income and Expenditure                                      | 101,236                      | (6,890)                         | 0                                | 0                             | 0                                | <b>94,346</b>                 | (245,038)                 | (150,692)                      |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | (81,971)                     | 7,573                           | (2,849)                          | 3,704                         | (994)                            | <b>(74,537)</b>               | 74,537                    | <b>0</b>                       |
| <b>(Increase)/ Decrease in 2019/20</b>  | <b>19,265</b>                | <b>683</b>                      | <b>(2,849)</b>                   | <b>3,704</b>                  | <b>(994)</b>                     | <b>19,809</b>                 | <b>(170,501)</b>          | <b>(150,692)</b>               |
| <b>Balance at 31 March 2020 carried forward</b>                                 | <b>(101,618)</b>             | <b>(47,318)</b>                 | <b>(32,277)</b>                  | <b>(2,884)</b>                | <b>(31,455)</b>                  | <b>(215,552)</b>              | <b>(315,230)</b>          | <b>(530,782)</b>               |

## Cash Flow Statement

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

| 2018/19<br>£000 |   | 2019/20<br>£000 |
|-----------------|---|-----------------|
| 68,795          | Net (surplus) or deficit on the provision of services   | 94,346          |
| (87,764)        | Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 41)   | (154,864)       |
| 34,710          | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 42) | 36,224          |
| <b>15,741</b>   | <b>Net cash flows from Operating Activities</b>   | <b>(24,294)</b> |
| (10,912)        | Investing Activities (Note 44)  | 32,898          |
| 15,339          | Financing Activities (Note 45)  | (2,897)         |
| <b>20,168</b>   | <b>Net (increase) or decrease in cash and cash equivalents</b>  | <b>5,707</b>    |
| 65,206          | Cash and cash equivalents at the beginning of the reporting period  | 45,038          |
| <b>45,038</b>   | <b>Cash and cash equivalents at the end of the reporting period (Note 26)</b>   | <b>39,331</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.

|  | 2018/19  |  |   |  |                              |
|--|--|--|---|--|------------------------------|
|  | 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  | 152,529  | (16,797)   | 135,732   | 2,692  | 138,424                      |
| Communities and Place  | 39,907   | 1,509  | 41,416  | 22,779   | 64,195                       |
| Corporate Resources  | 33,197   | (54)   | 33,143  | 480  | 33,623                       |
| Corporate  | 6,632  | (3,747)  | 2,885   | (2,806)  | 79                           |
| Local authority housing (HRA)  | (11,117)   | 0  | (11,117)  | 5,947  | (5,170)                      |
| <b>Cost of Services</b>  | <b>221,148</b>   | <b>(19,089)</b>  | <b>202,059</b>  | <b>29,092</b>  | <b>231,151</b>               |
| Other income and expenditure   | (202,135)  | 0  | (202,135)   | 39,779   | (162,356)                    |
| <b>(Surplus) or Deficit on Provision of Services</b>                   | <b>19,013</b>  | <b>(19,089)</b>  | <b>(76)</b>   | <b>68,871</b>  | <b>68,795</b>                |
| Opening General Fund and HRA Balance                                   |  |  | (168,809)   |  |                              |
| Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year |  |  | (76)  |  |                              |
| <b>Closing General Fund and HRA Balance at 31 March*</b>               |  |  | <b>(168,885)</b>  |  |                              |

|  | 2019/20  |  |   |  |                              |
|--|--|--|---|--|------------------------------|
|  | 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  | 157,720  | (16,526)   | 141,194   | 32,178   | 173,372                      |
| Communities and Place  | 43,125   | 937  | 44,062  | 32,324   | 76,386                       |
| Corporate Resources  | 33,331   | (22)   | 33,309  | (1,294)  | 32,015                       |
| Corporate  | (941)  | (4,314)  | (5,255)   | (3,133)  | (8,388)                      |
| Local authority housing (HRA)  | (9,207)  | 0  | (9,207)   | (5,489)  | (14,696)                     |
| <b>Cost of Services</b>  | <b>224,028</b>   | <b>(19,925)</b>  | <b>204,103</b>  | <b>54,586</b>  | <b>258,689</b>               |
| Other income and expenditure   | (184,156)  | 0  | (184,156)   | 19,813   | (164,343)                    |
| <b>(Surplus) or Deficit on Provision of Services</b>                   | <b>39,872</b>  | <b>(19,925)</b>  | <b>19,947</b>   | <b>74,399</b>  | <b>94,346</b>                |
| Opening General Fund and HRA Balance                                   |  |  | (168,884)   |  |                              |
| Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year |  |  | 19,947  |  |                              |
| <b>Closing General Fund and HRA Balance at 31 March*</b>               |  |  | <b>(148,937)</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.

| <b>2018/19</b>  |  |   |                                   |                          |
|---|--|---|-----------------------------------|--------------------------|
| <b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>  | <b>Adjustments for Capital Purposes (note 1)</b> | <b>Net change for the Pensions Adjustments (note 2)</b> | <b>Other Differences (note 3)</b> | <b>Total Adjustments</b> |
|   | <b>£000</b>                                      | <b>£000</b>   | <b>£000</b>                       | <b>£000</b>              |
| People Services   | 4,680  | (2,314)   | 326                               | 2,692                    |
| Communities and Place   | 23,639   | (812)   | (48)                              | 22,779                   |
| Corporate Resources   | 1,861  | (1,463)   | 82                                | 480                      |
| Corporate   | (2,806)  | 0   | 0                                 | (2,806)                  |
| Local authority housing (HRA)   | 5,882  | (9)   | 74                                | 5,947                    |
| <b>Net Cost of Services</b>   | <b>33,256</b>                                    | <b>(4,598)</b>  | <b>434</b>                        | <b>29,092</b>            |
| Other income and expenditure  | 25,225   | 10,031  | 4,523                             | 39,779                   |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Service</b> | <b>58,481</b>                                    | <b>5,433</b>  | <b>4,957</b>                      | <b>68,871</b>            |
| <b>2019/20</b>  |  |   |                                   |                          |
| <b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>  | <b>Adjustments for Capital Purposes (note 1)</b> | <b>Net change for the Pensions Adjustments (note 2)</b> | <b>Other Differences (note 3)</b> | <b>Total Adjustments</b> |
|   | <b>£000</b>                                      | <b>£000</b>   | <b>£000</b>                       | <b>£000</b>              |
| People Services   | 7,889  | 24,305  | (15)                              | 32,179                   |
| Communities and Place   | 22,393   | 10,184  | (253)                             | 32,324                   |
| Corporate Resources   | 2,790  | (4,083)   | (1)                               | (1,294)                  |
| Corporate   | (3,134)  | 0   | 0                                 | (3,134)                  |
| Local authority housing (HRA)   | (5,682)  | 144   | 49                                | (5,489)                  |
| <b>Net Cost of Services</b>   | <b>24,256</b>                                    | <b>30,550</b>   | <b>(220)</b>                      | <b>54,586</b>            |
| Other income and expenditure  | 11,451   | 11,540  | (3,178)                           | 19,813                   |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Service</b> | <b>35,707</b>                                    | <b>42,090</b>   | <b>(3,398)</b>                    | <b>74,399</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 removal of the equal pay provision 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>2018/19</b>                       | <b>Recharge<br/>Income</b> | <b>Interest<br/>Revenue</b> | <b>External<br/>Income</b> | <b>Total<br/>Income</b> | <b>Interest<br/>Expense</b> | <b>Other<br/>Expenditure</b> | <b>Total<br/>Expenditure</b> | <b>Net<br/>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                      | (4,729)                    | 0                           | (197,691)                  | (202,420)               | 0                           | 354,949                      | 354,949                      | 152,529                    |
| Communities and Place                | (7,084)                    | 0                           | (34,961)                   | (42,045)                | 0                           | 81,952                       | 81,952                       | 39,907                     |
| Corporate Resources                  | (5,382)                    | (1,376)                     | (92,986)                   | (99,744)                | 21,400                      | 111,541                      | 132,941                      | 33,197                     |
| Corporate                            | 0                          | 0                           | (2,007)                    | (2,007)                 | 0                           | 8,639                        | 8,639                        | 6,632                      |
| Local authority housing (HRA)        | 0                          | 0                           | (58,655)                   | (58,655)                | 0                           | 47,538                       | 47,538                       | (11,117)                   |
| <b>Reported net cost of Services</b> | <b>(17,195)</b>            | <b>(1,376)</b>              | <b>(386,300)</b>           | <b>(404,871)</b>        | <b>21,400</b>               | <b>604,619</b>               | <b>626,019</b>               | <b>221,148</b>             |
|                                      |                            |                             |                            |                         |                             |                              |                              |                            |

| <b>2019/20</b>                       | <b>Recharge<br/>Income</b> | <b>Interest<br/>Revenue</b> | <b>External<br/>Income</b> | <b>Total<br/>Income</b> | <b>Interest<br/>Expense</b> | <b>Other<br/>Expenditure</b> | <b>Total<br/>Expenditure</b> | <b>Net<br/>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                      | (9,727)                    | 0                           | (167,761)                  | (177,488)               | 0                           | 335,208                      | 335,208                      | 157,720                    |
| Communities and Place                | (5,694)                    | 0                           | (36,228)                   | (41,922)                | 0                           | 85,047                       | 85,047                       | 43,125                     |
| Corporate Resources                  | (4,211)                    | (1,000)                     | (82,396)                   | (87,607)                | 21,306                      | 99,630                       | 120,936                      | 33,329                     |
| Corporate                            | 0                          | 0                           | (10,641)                   | (10,641)                | 0                           | 9,701                        | 9,701                        | (940)                      |
| Local authority housing (HRA)        | 0                          | 0                           | (58,974)                   | (58,974)                | 0                           | 49,767                       | 49,767                       | (9,207)                    |
| <b>Reported net cost of Services</b> | <b>(19,632)</b>            | <b>(1,000)</b>              | <b>(356,000)</b>           | <b>(376,632)</b>        | <b>21,306</b>               | <b>579,353</b>               | <b>600,659</b>               | <b>224,027</b>             |
|                                      |                            |                             |                            |                         |                             |                              |                              |                            |



## **2. Accounting Policies 2019/20**

### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20 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 2018/19.

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 2019/20 will not be subject to a MRP charge until 2020/21.

## **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 2019/20 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 2019/20, 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 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 2020 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.

### **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 2019/20. There are 3 Accounting Standards that have been issued and not yet applied in the preparation of the accounts these are:

#### **Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures Property**

In October 2017, the Board issued Long-term interests in Associates and Joint Ventures (Amendments to IAS 28). The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

#### **Annual Improvements to IFRS Standards 2015–2017 Cycle**

The IASB's annual improvements project provides a streamlined process for dealing efficiently with a collection of amendments to IFRSs. The primary objective of the process is to enhance the quality of standards, by amending existing IFRSs to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts or oversights. Amendments are made through the annual improvements process when the amendment is considered non-urgent but necessary.

#### **Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement**

The Code prescribes the accounting treatment and disclosures for all normal transactions of a local authority, and is based on EU-adopted IFRS. LAAP wishes to clarify the position on adoption of amendments to IAS 19 Employee Benefits relating to plan amendment, curtailment or settlement.

This amendment to IAS 19 was included in the consultation for the 2019/20 Code. However, formal EU endorsement did not take place until March 2019. This was too late for the amendment to be included in the final 2019/20 Code. This amendment has been adopted in the 2020/21 Code and will therefore be applicable to authorities for the 2020/21 financial year reporting (and not for 2019/20).

#### **Adoption of IFRS 16 - Leases**

CIPFA have confirmed that the implementation of IFRS 16 has been delayed by a further year and will now not come into effect until April 2021

The Council does not believe the above standards will have a material impact and therefore have not been adopted for the 2019/20 financial statements.



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

The Statement of Accounts was authorised for issue by the Director of Financial Services on x 2020. Events taking place after this date are not reflected in the financial statements or notes.

Events after 31 March 2020:

The council has received the following grants from central government to help mitigate the financial impacts of Covid19:

£2.2m - Council Tax Hardship fund to support those experiencing financial difficulty during the crisis

£26.7m - Small business grant fund (ring-fenced and to be passported to local businesses)

£19.2m - Retail, Hospitality and Leisure business rates relief grant (ring-fenced for local businesses)

£17.4m - Grant to the Council to support additional costs of the coronavirus (for example - loss of income due to closure of facilities)

£3m - Grant to improve infection control in care homes

The Council does not consider the above items as adjusting events but given the significant scale of the financial support, does consider the need to disclose their existence

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 2019/20 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 2019/20 requires that the Council accounts for its tangible and intangible heritage assets. As a result, values for these assets are now 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 the Southern Derbyshire CCG (SDCCG) 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 SDCCG and expenditure to providers on a gross basis. Further details of the pool arrangement are included in the Pooled Budget note.

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

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

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

## **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   |
|---|--|--|
| 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 £3.439 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 2020, the Council had a balance of gross short-term debtors of £67.358 million. The Council has applied an impairment of doubtful debts of £26.513 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 £2.651 million to be set aside as an allowance. The Council's impairment of doubtful debts include £9.757m in relation to Council Tax and NDR based on assumed collection rates. A 1% reduction in these rates would require an additional impairment of £0.098m to be put aside. |

## **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.

| 2018/19 Comparative Figures  | Usable                       |                                 |                                  |                               |                                  | Unusable                              |
|--|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|---------------------------------------|
|  | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable Reserves<br>£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  | (18,748)                     | (14,766)                        | 0                                | 0                             | 0                                | 33,514                                |
| Revaluation losses on Property Plant and Equipment   | (10,396)                     | (7,123)                         | 0                                | 0                             | 0                                | 17,519                                |
| Revaluation gains matched to prior years impairments   | 4,752                        | 1,194                           | 0                                | 0                             | 0                                | (5,946)                               |
| Movements in the market value of Investment Properties   | 11                           | 0                               | 0                                | 0                             | 0                                | (11)                                  |
| Amortisation of intangible assets  | (158)                        | 0                               | 0                                | 0                             | 0                                | 158                                   |
| Capital grants and contributions applied   | 16,495                       | 0                               | 0                                | 0                             | 0                                | (16,495)                              |
| Revenue expenditure funded from capital under statute  | (9,937)                      | 0                               | 0                                | 0                             | 0                                | 9,937                                 |
| 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 | (66,268)                     | (7,615)                         | 0                                | 0                             | 0                                | 73,883                                |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:  |                              |                                 |                                  |                               |                                  |                                       |
| Statutory provision for the financing of capital investment  | 6,856                        | 47                              | 0                                | 0                             | 0                                | (6,903)                               |
| Capital expenditure charged against the General Fund and HRA balances  | 451                          | 0                               | 0                                | 0                             | 0                                | (451)                                 |

| 2018/19 Comparative Figures   | Usable                       |                                 |                                  |                               |                                  | Unusable                              |
|---|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|---------------------------------------|
|   | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable Reserves<br>£000 |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement   | 23,215                       | 0                               | 0                                | 0                             | (23,215)                         | 0                                     |
| Application of grants to capital financing transferred to the Capital Adjustment Account  | 0                            | 0                               | 0                                | 0                             | 25,962                           | (25,962)                              |
| 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  | 633                          | 9,445                           | (10,078)                         | 0                             | 0                                | 0                                     |
| Use of the Capital Receipts Reserve to finance new capital expenditure  | 0                            | 0                               | 10,952                           | 0                             | 0                                | (10,952)                              |
| Use of Capital Receipts Reserve towards administrative costs of non-current capital receipts pool   | (1,333)                      | 0                               | 1,333                            | 0                             | 0                                | 0                                     |
| Receipt of Capital loan repayments  | 0                            | 0                               | (626)                            | 0                             | 0                                | 626                                   |
| Transfer from deferred capital receipts reserve upon receipt of cash  | 0                            | 0                               | (21)                             | 0                             | 0                                | 21                                    |
| Adjustment primarily involving the Major Repair Reserve:  |                              |                                 |                                  |                               |                                  |                                       |
| Posting of revenue resource to/(from) HRA for Major Repairs Reserve   | 0                            | 14,766                          | 0                                | (14,766)                      | 0                                | 0                                     |
| Use of the Major Repairs Reserve to finance new capital expenditure   | 0                            | 0                               | 0                                | 14,457                        | 0                                | (14,457)                              |
| 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 | (49)                         | (81)                            | 0                                | 0                             | 0                                | 130                                   |

| 2018/19 Comparative Figures  | Usable                       |                                 |                                  |                               |                                  | Unusable                              |
|--|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|---------------------------------------|
|  | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable Reserves<br>£000 |
| Adjustments primarily involving the Pensions Reserve:  |                              |                                 |                                  |                               |                                  |                                       |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement  | (49,769)                     | (100)                           | 0                                | 0                             | 0                                | 49,869                                |
| Employers pensions contributions and direct payments to pensioners payable in the year   | 44,327                       | 109                             | 0                                | 0                             | 0                                | (44,436)                              |
| 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 | (4,523)                      | 0                               | 0                                | 0                             | 0                                | 4,523                                 |
| 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    | (312)                        | 7                               | 0                                | 0                             | 0                                | 305                                   |
| <b>Total Adjustments</b>   | <b>(64,753)</b>              | <b>(4,117)</b>                  | <b>1,560</b>                     | <b>(309)</b>                  | <b>2,747</b>                     | <b>64,872</b>                         |

| 2019/20  | Usable                       |                                 |                                  |                               |                                  | Unusable                              |
|--|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|---------------------------------------|
|  | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable Reserves<br>£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  | (20,063)                     | (14,979)                        | 0                                | 0                             | 0                                | 35,042                                |
| Revaluation losses on Property Plant and Equipment   | (11,475)                     | 1,698                           | 0                                | 0                             | 0                                | 9,777                                 |
| Revaluation gains matched to prior years impairments   | 3,372                        | 3,984                           | 0                                | 0                             | 0                                | (7,356)                               |
| Movements in the market value of Investment Properties   | (67)                         | 0                               | 0                                | 0                             | 0                                | 67                                    |
| Impairment charges for Assets Held for Sale  | (295)                        | 0                               | 0                                | 0                             | 0                                | 295                                   |
| Amortisation of intangible assets  | (716)                        | 0                               | 0                                | 0                             | 0                                | 716                                   |
| Capital grants and contributions applied   | 15,672                       | 0                               | 0                                | 0                             | 0                                | (15,672)                              |
| Revenue expenditure funded from capital under statute  | (7,872)                      | 0                               | 0                                | 0                             | 0                                | 7,872                                 |
| 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 | (55,132)                     | (7,171)                         | 0                                | 0                             | 0                                | 62,303                                |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:  |                              |                                 |                                  |                               |                                  |                                       |
| Statutory provision for the financing of capital investment  | 7,148                        | 0                               | 0                                | 0                             | 0                                | (7,148)                               |
| Capital expenditure charged against the General Fund and HRA balances  | 5,829                        | 0                               | 0                                | 0                             | 0                                | (5,829)                               |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement  | 17,630                       | 0                               | 0                                | 0                             | (17,630)                         | 0                                     |
| Application of grants to capital financing transferred to the Capital Adjustment Account   | 0                            | 0                               | 0                                | 0                             | 16,636                           | (16,636)                              |



| 2019/20   | Usable                       |                                 |                                  |                               |                                  | Unusable                              |
|---|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|---------------------------------------|
|   | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable Reserves<br>£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  | 3,737                        | 9,254                           | (12,991)                         | 0                             | 0                                | 0                                     |
| Use of the Capital Receipts Reserve to finance new capital expenditure  | 0                            | 0                               | 9,299                            | 0                             | 0                                | (9,299)                               |
| 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                               | (323)                            | 0                             | 0                                | 323                                   |
| Transfer from deferred capital receipts reserve upon receipt of cash  | 0                            | 0                               | (73)                             | 0                             | 0                                | 73                                    |
| Adjustment primarily involving the Major Repair Reserve:  |                              |                                 |                                  |                               |                                  |                                       |
| Posting of revenue resource to/(from) HRA for Major Repairs Reserve   | 0                            | 14,979                          | 0                                | (14,979)                      | 0                                | 0                                     |
| Use of the Major Repairs Reserve to finance new capital expenditure   | 0                            | 0                               | 0                                | 18,683                        | 0                                | (18,683)                              |
| 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 | (23)                         | (48)                            | 0                                | 0                             | 0                                | 71                                    |
| Adjustments primarily involving the Pensions Reserve:   |                              |                                 |                                  |                               |                                  |                                       |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement   | (45,078)                     | (154)                           | 0                                | 0                             | 0                                | 45,232                                |

| 2019/20  | Usable                       |                                 |                                  |                               |                                  | Unusable                              |
|--|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|---------------------------------------|
|  | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable Reserves<br>£000 |
| Employers pensions contributions and direct payments to pensioners payable in the year   | 3,131                        | 11                              | 0                                | 0                             | 0                                | (3,142)                               |
| 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 | 3,178                        | 0                               | 0                                | 0                             | 0                                | (3,178)                               |
| 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    | 292                          | (1)                             | 0                                | 0                             | 0                                | (291)                                 |
| <b>Total Adjustments</b>   | <b>(81,971)</b>              | <b>7,573</b>                    | <b>(2,849)</b>                   | <b>3,704</b>                  | <b>(994)</b>                     | <b>74,537</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            |
|--|------------------|---------------------|---------------------|--------------|-------------------------------|------------------------------|------------------|
|  | £000             | £000                | £000                | £000         | £000                          | £000                         | £000             |
| <b>2018/19</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  | 137,094          | 32,969              | 26,702              | 741          | 454                           | 0                            | <b>197,960</b>   |
| Employee expenses for Voluntary Aided and Foundation Schools | 17,385           | 0                   | 0                   | 0            | 0                             | 0                            | <b>17,385</b>    |
| Other service expenses                                       | 200,139          | 55,611              | 103,883             | 246          | 32,334                        | 0                            | <b>392,213</b>   |
| Depreciation, amortisation and impairment                    | 4,850            | 17,573              | 1,868               | 0            | 20,696                        | 248                          | <b>45,235</b>    |
| Interest payments  | 0                | 0                   | 0                   | 0            | 0                             | 21,400                       | <b>21,400</b>    |
| Payments to Housing Capital Receipts Pool                    | 0                | 0                   | 0                   | 0            | 0                             | 1,333                        | <b>1,333</b>     |
| Gain or Loss on Disposal of non current assets               | 0                | 0                   | 0                   | 0            | 0                             | 73,892                       | <b>73,892</b>    |
| Internal Trading   | (4,729)          | (7,084)             | (5,382)             | 0            | 0                             | 0                            | <b>(17,195)</b>  |
| Pension Interest Cost  | 0                | 0                   | 0                   | 0            | 0                             | 32,149                       | <b>32,149</b>    |
| <b>Total expenditure</b>                                     | <b>354,739</b>   | <b>99,069</b>       | <b>127,071</b>      | <b>987</b>   | <b>53,484</b>                 | <b>129,022</b>               | <b>764,372</b>   |
| <b>Income</b>  |                  |                     |                     |              |                               |                              |                  |
| Fees, charges & other service income                         | (32,240)         | (36,196)            | (19,295)            | (599)        | (58,653)                      | 0                            | <b>(146,983)</b> |
| Interest and Investment Income                               | 0                | 0                   | 0                   | 0            | 0                             | (1,376)                      | <b>(1,376)</b>   |
| Income from council tax, non-domestic rates                  | 0                | 0                   | 0                   | 0            | 0                             | (173,633)                    | <b>(173,633)</b> |
| Government Grants and Contributions                          | (188,803)        | (5,761)             | (79,536)            | (309)        | (2)                           | (83,775)                     | <b>(358,186)</b> |
| PFI Deferred Income  | 0                | 0                   | 0                   | 0            | 0                             | (398)                        | <b>(398)</b>     |
| Internal Trading   | 4,729            | 7,084               | 5,382               | 0            | 0                             | 0                            | <b>17,195</b>    |
| Gain or Loss on Disposal of non current assets               | 0                | 0                   | 0                   | 0            | 0                             | (10,078)                     | <b>(10,078)</b>  |
| Pension interest income                                      | 0                | 0                   | 0                   | 0            | 0                             | (22,118)                     | <b>(22,118)</b>  |
| <b>Total income</b>  | <b>(216,314)</b> | <b>(34,873)</b>     | <b>(93,449)</b>     | <b>(908)</b> | <b>(58,655)</b>               | <b>(291,378)</b>             | <b>(695,577)</b> |
| <b>Surplus or deficit on the provision of services</b>       | <b>138,425</b>   | <b>64,196</b>       | <b>33,622</b>       | <b>79</b>    | <b>(5,171)</b>                | <b>(162,356)</b>             | <b>68,795</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>2019/20</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  | 140,501          | 45,305              | 24,621              | 891            | 704                           | 0                            | <b>212,022</b>   |
| Employee expenses for Voluntary Aided and Foundation Schools | 15,003           | 0                   | 0                   | 0              | 0                             | 0                            | <b>15,003</b>    |
| Other service expenses*                                      | 207,079          | 53,600              | 91,474              | 402            | 34,277                        | 0                            | <b>386,832</b>   |
| Depreciation, amortisation and impairment                    | 6,629            | 19,785              | 2,799               | 0              | 9,297                         | 32                           | <b>38,542</b>    |
| Interest payments  | 0                | 0                   | 0                   | 0              | 0                             | 21,306                       | <b>21,306</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                             | 62,325                       | <b>62,325</b>    |
| Internal Trading   | (9,727)          | (5,694)             | (4,211)             | 0              | 0                             | 0                            | <b>(19,632)</b>  |
| Pension Interest Cost  | 0                | 0                   | 0                   | 0              | 0                             | 32,249                       | <b>32,249</b>    |
| <b>Total expenditure</b>                                     | <b>359,485</b>   | <b>112,996</b>      | <b>114,683</b>      | <b>1,293</b>   | <b>44,278</b>                 | <b>117,151</b>               | <b>749,886</b>   |
| <b>Income</b>  |                  |                     |                     |                |                               |                              |                  |
| Fees, charges & other service income*                        | (39,041)         | (35,443)            | (17,548)            | (1,173)        | (58,974)                      | 0                            | <b>(152,179)</b> |
| Interest and Investment Income                               | 0                | 0                   | 0                   | 0              | 0                             | (999)                        | <b>(999)</b>     |
| Income from council tax, non-domestic rates                  | 0                | 0                   | 0                   | 0              | 0                             | (168,777)                    | <b>(168,777)</b> |
| Government Grants and Contributions                          | (156,799)        | (6,861)             | (69,331)            | (8,508)        | 0                             | (77,598)                     | <b>(319,097)</b> |
| PFI Deferred Income  | 0                | 0                   | 0                   | 0              | 0                             | (420)                        | <b>(420)</b>     |
| Internal Trading   | 9,727            | 5,694               | 4,211               | 0              | 0                             | 0                            | <b>19,632</b>    |
| Gain or Loss on Disposal of non current assets               | 0                | 0                   | 0                   | 0              | 0                             | (12,991)                     | <b>(12,991)</b>  |
| Pension interest income                                      | 0                | 0                   | 0                   | 0              | 0                             | (20,709)                     | <b>(20,709)</b>  |
| <b>Total income</b>  | <b>(186,113)</b> | <b>(36,610)</b>     | <b>(82,668)</b>     | <b>(9,681)</b> | <b>(58,974)</b>               | <b>(281,494)</b>             | <b>(655,540)</b> |
| <b>Surplus or deficit on the provision of services</b>       | <b>173,372</b>   | <b>76,386</b>       | <b>32,015</b>       | <b>(8,388)</b> | <b>(14,696)</b>               | <b>(164,343)</b>             | <b>94,346</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>2018/19<br/>£000</b> |  | <b>2019/20<br/>£000</b> |
|-------------------------|--|-------------------------|
| 1,333                   | Payments to the Government Housing Capital Receipts Pool | 1,239                   |
| 63,814                  | (Gains)/losses on the disposal of non-current assets     | 49,335                  |
| <b>65,147</b>           | <b>Total</b>   | <b>50,574</b>           |

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

| <b>2018/19<br/>£000</b> |   | <b>2019/20<br/>£000</b> |
|-------------------------|---|-------------------------|
| 21,400                  | Interest payable and similar charges  | 21,306                  |
| 10,031                  | Net interest on the net defined benefit liability   | 11,540                  |
| (1,033)                 | Interest receivable and similar income  | (828)                   |
| (343)                   | Income and expenditure in relation to investment properties and changes in their fair value | (172)                   |
| 248                     | Financial Instrument Impairments  | 32                      |
| <b>30,303</b>           | <b>Total</b>  | <b>31,878</b>           |

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

| <b>2018/19<br/>£000</b> |   | <b>2019/20<br/>£000</b> |
|-------------------------|---|-------------------------|
| (398)                   | PFI Deferred rental income                            | (420)                   |
| (93,027)                | Council tax income                                    | (97,323)                |
| 6,430                   | Share of prior year Collection Fund (Surplus)/Deficit | 2,481                   |
| 0                       | Revenue Support Grant                                 | (12,524)                |
| (87,037)                | Retained Business Rates                               | (45,124)                |
| 0                       | Business Rates Retention (Top Up)                     | (16,287)                |
| (44,066)                | Non-ring-fenced government grants                     | (44,296)                |
| (39,708)                | Capital grants and contributions                      | (33,302)                |
| <b>(257,806)</b>        | <b>Total</b>  | <b>(246,795)</b>        |

## 12. Accounting for Local Government Schools

The Council has the following maintained schools:

| <b>2018/19</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) | 43               | 4                      | 4                 | 5              | <b>56</b>      |
| Value of land and buildings at 31st March 2019                           | £117.5m          | £4.8m                  | £44.7m            | £18.5m         | <b>£185.5m</b> |
| Number of schools subject to PFI contracts                               | 0                | 0                      | 0                 | 1              | <b>1</b>       |
| Value of land and buildings at 31st March 2019                           | 0                | 0                      | 0                 | £6.4m          | <b>£6.4m</b>   |

| <b>2019/20</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               | 2                      | 3                 | 1              | <b>40</b>      |
| Value of land and buildings at 31st March 2020                           | £83.8m           | £1.9m                  | £49.9m            | £4.0m          | <b>£139.6m</b> |
| Number of schools subject to PFI contracts                               | 0                | 0                      | 0                 | 1              | <b>1</b>       |
| Value of land and buildings at 31st March 2020                           | 0                | 0                      | 0                 | £6.4m          | <b>£6.4m</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 and special 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 £1.9m (£4.8m in 2018/19), 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 and voluntary aided 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 2019/20 sixteen Derby City Council school's converted to academy status (seventeen in 2018/19).

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 2019/20.

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 2020. are included in the balance sheet of the Council under the heading Usable 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 has one school which is subject to its BSF PFI contract. This schools, and the associated PFI liabilities, is also shown on the Council's Balance Sheet. The Council previously had 2 schools under this contract, but one of these converted to Academy status in 2016/17. 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 Finance (England) Regulations 2011. 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 2018/19</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 2018/19 before Academy recoupment                 |                            |                                  | (227,142)        |
| Academy figure recouped for 2018/19                             |                            |                                  | 94,085           |
| Total DSG after Academy recoupment for 2018/19                  |                            |                                  | <b>(133,057)</b> |
| plus: brought forward from 2017/18                              |                            |                                  | (6,994)          |
| Agreed initial budgeted distribution in 2018/19                 | (28,871)                   | (111,180)                        | <b>(140,051)</b> |
| In year adjustments   | 704                        | (704)                            | <b>0</b>         |
| Final budget distribution for 2018/19                           | (28,167)                   | (111,884)                        | <b>(140,051)</b> |
| Actual central expenditure                                      | 25,331                     |                                  | <b>25,331</b>    |
| Actual ISB deployed to schools                                  |                            | 111,884                          | <b>111,884</b>   |
| Carried forward to 2019/20                                      | (2,836)                    | 0                                | <b>(2,836)</b>   |

| <b>Schools Budget Funded by Dedicated Schools Grant 2019/20</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 2019/20 before Academy recoupment                 |                            |                                  | (235,441)        |
| Academy figure recouped for 2019/20                             |                            |                                  | 124,656          |
| Total DSG after Academy recoupment for 2019/20                  |                            |                                  | <b>(110,785)</b> |
| plus: brought forward from 2018/19                              |                            |                                  | (2,836)          |
| Agreed initial budgeted distribution in 2019/20                 | (26,045)                   | (87,576)                         | <b>(113,621)</b> |
| In year adjustments   | 257                        | (257)                            | <b>0</b>         |
| Final budget distribution for 2019/20                           | (25,788)                   | (87,833)                         | <b>(113,621)</b> |
| Actual central expenditure                                      | 23,206                     |                                  | <b>23,206</b>    |
| Actual ISB deployed to schools                                  |                            | 87,833                           | <b>87,833</b>    |
| Carried forward to 2020/21                                      | (2,582)                    | 0                                | <b>(2,582)</b>   |



## **14. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

|   | <b>2018/19</b> | <b>2019/20</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Credited to Taxation and Non Specific Grant Income</b> |                |                |
| Non Specific Grants                                       | 34,255         | 34,720         |
| PFI Grant   | 9,811          | 9,576          |
| Capital Grants  | 39,708         | 33,302         |
| <b>Total</b>  | <b>83,774</b>  | <b>77,598</b>  |
|   |                |                |
| <b>Credited to Services</b>                               |                |                |
| Housing Benefit Subsidy                                   | 48,085         | 41,542         |
| Rent Rebate - Housing Benefit                             | 30,937         | 27,409         |
| Public Health Grant                                       | 19,258         | 18,749         |
| Housing Benefit Administration                            | 1,193          | 1,087          |
| COVID-19 LA Support Grant                                 | 0              | 7,669          |
| DfE -ESFA   | 3,752          | 5,598          |
| Schools Improvement                                       | 16,492         | 9,757          |
| 6th form funding  | 2,336          | 1,988          |
| Dedicated Schools Grant*                                  | 132,630        | 110,881        |
| PFI Grants Credited to Service                            | 2,962          | 3,176          |
| Other Communities and Place                               | 4,683          | 5,278          |
| Other People's Service - Children and Young People        | 6,570          | 2,829          |
| Other People's Service - Adults                           | 5,004          | 4,626          |
| Other Corporate   | 0              | 531            |
| Other Corporate Resources                                 | 513            | 379            |
| <b>Total</b>  | <b>274,415</b> | <b>241,499</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 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:

|  | 2018/19<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| <b>Capital Grants Receipts in Advance</b>            |                 |                 |
| Children & Young People (CYP) Grants                 | 643             | 202             |
| CYP Primary Capital Programme Grant                  | 1,863           | 1,863           |
| Housing General Fund (HGF) Grants                    | 582             | 582             |
| D2N2 - A52   | 1,800           | 0               |
| D2N2 - Other   | 827             | 0               |
| HGF Housing Intelligence 4 East Midlands - CLG Grant | 33              | 33              |
| Communities and Place Grants                         | 2,600           | 3,372           |
| Communities and Place Contributions                  | 7               | 47              |
| Environment Agency - Our City Our River              | 6,180           | 6,323           |
| D2N2 Our City Our River                              | 3,556           | 6,057           |
| School's Devolved Contributions                      | 340             | 344             |
| Section 106 contributions                            | 10,578          | 10,579          |
| Capital Receipts - CPO                               | 582             | 711             |
| D2N2 - Infinity Park                                 | 1,946           | 3,326           |
| <b>Total</b>   | <b>31,537</b>   | <b>33,439</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 :

|   | 2018/19<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| Fees payable to Ernst and Young with regard to external audit services carried out by the appointed auditor for the year* | 258             | 138             |
| Fees payable to Ernst and Young for the certification of grant claims and returns for the year                            | 10              | 27              |
| Public Sector Audit Appointments rebate   | 0               | (13)            |
| <b>Total</b>  | <b>268</b>      | <b>152</b>      |

\*The 2018/19 figure contains £148k relating to additional audit fees for prior years. The 2019/20 figure contains £28k relating to additional audit fees for estimated out of scope work being carried out during 2019-20 agreed by Management.

## 16. Property, Plant and Equipment

### a) Movements on Balances

|  | Council Dwellings<br>£000 | Other Land & Buildings<br>£000 | Vehicles, Plant, Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets under Construction<br>£000 | Total Property, Plant & Equipment<br>£000 | PFI Assets Included in Property, Plant & Equipment<br>£000 |
|--|---------------------------|--------------------------------|--|-------------------------------|--------------------------|------------------------|-----------------------------------|---|--|
| <b>Movements in 2018/19</b>  |                           |                                |  |                               |                          |                        |                                   |   |  |
| <b>Cost of Valuation at 1 April 2018</b>   | <b>499,777</b>            | <b>446,378</b>                 | <b>27,472</b>                                  | <b>240,295</b>                | <b>6,347</b>             | <b>19,634</b>          | <b>42,593</b>                     | <b>1,282,496</b>                          | <b>51,199</b>  |
| Recategorisations  | 601                       | 0                              | 0  | 9,441                         | 164                      | 486                    | (12,771)                          | (2,079)                                   | 1,700  |
| Additions  | 14,233                    | 18,592                         | 2,632  | 9,889                         | 201                      | 2,321                  | 15,360                            | 63,228                                    | 1,439  |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | (1,805)                   | (545)                          | 0  | 0                             | 0                        | 21                     | 0                                 | (2,329)                                   | 1,242  |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (5,137)                   | (5,790)                        | 0  | (610)                         | 0                        | (3,780)                | (5)                               | (15,322)                                  | 1,494  |
| Derecognition - disposals  | 0                         | 0                              | (956)  | 0                             | 0                        | 0                      | 0                                 | (956)                                     | 0  |
| Derecognition - other  | 0                         | 0                              | (1,132)  | 0                             | 0                        | 0                      | 0                                 | (1,132)                                   | 0  |
| Assets reclassified (to)/from Held for Sale  | (7,483)                   | (66,928)                       | 0  | 0                             | 0                        | (1,300)                | 0                                 | (75,711)                                  | (9,531)  |
| Other reclassifications  | 136                       | (1,244)                        | 0  | 0                             | 60                       | (1,740)                | 0                                 | (2,788)                                   | 0  |
| <b>At 31 March 2019</b>  | <b>500,322</b>            | <b>390,463</b>                 | <b>28,016</b>                                  | <b>259,015</b>                | <b>6,772</b>             | <b>15,642</b>          | <b>45,177</b>                     | <b>1,245,407</b>                          | <b>47,543</b>  |

| Movements in 2018/19   | Council Dwellings<br>£000 | Other Land & Buildings<br>£000 | Vehicles, Plant, Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets under Construction<br>£000 | Total Property, Plant & Equipment<br>£000 | PFI Assets Included in Property, Plant & Equipment<br>£000 |
|--|---------------------------|--------------------------------|--|-------------------------------|--------------------------|------------------------|-----------------------------------|---|--|
| <b>Accumulated Depreciation and Impairment at 1 April 2018</b>               | 0                         | (1,487)                        | (16,059)                                       | (53,577)                      | (3,665)                  | 0                      | (2)                               | (74,790)                                  | (5,032)  |
| Depreciation charge  | (14,303)                  | (8,491)                        | (3,506)  | (5,481)                       | (476)                    | 0                      | 0                                 | (32,257)                                  | (984)  |
| Depreciation written out to the Revaluation Reserve                          | 13,287                    | 4,853                          | 0  | 0                             | 0                        | 0                      | 0                                 | 18,140                                    | 30   |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 1,016                     | 1,757                          | 0  | 0                             | 0                        | 0                      | 0                                 | 2,773                                     | 120  |
| Derecognition - disposals  | 0                         | 0                              | 956  | 0                             | 0                        | 0                      | 0                                 | 956                                       | 0  |
| Derecognition - Other  | 0                         | 0                              | 917  | 0                             | 0                        | 0                      | 0                                 | 917                                       | 0  |
| Other reclassifications  | 0                         | 961                            | 0  | 0                             | 0                        | 0                      | 0                                 | 961                                       | 154  |
| Other movements  | 0                         | 0                              | 0  | 0                             | 0                        | 0                      | 0                                 | 0   | 0  |
| <b>At 31 March 2019</b>  | <b>0</b>                  | <b>(2,407)</b>                 | <b>(17,692)</b>                                | <b>(59,058)</b>               | <b>(4,141)</b>           | <b>0</b>               | <b>(2)</b>                        | <b>(83,300)</b>                           | <b>(5,712)</b>   |
| <b>Net Book Value</b>  |                           |                                |  |                               |                          |                        |                                   |   |  |
| <b>At 31 March 2019</b>  | <b>500,322</b>            | <b>388,056</b>                 | <b>10,324</b>                                  | <b>199,957</b>                | <b>2,631</b>             | <b>15,642</b>          | <b>45,175</b>                     | <b>1,162,107</b>                          | <b>41,831</b>  |
| <b>At 1 April 2018</b>   | <b>499,777</b>            | <b>444,891</b>                 | <b>11,413</b>                                  | <b>186,718</b>                | <b>2,682</b>             | <b>19,634</b>          | <b>42,591</b>                     | <b>1,207,706</b>                          | <b>46,167</b>  |

|  | Council Dwellings<br>£000 | Other Land & Buildings<br>£000 | Vehicles, Plant, Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets under Construction<br>£000 | Total Property, Plant & Equipment<br>£000 | PFI Assets Included in Property, Plant & Equipment<br>£000 |
|--|---------------------------|--------------------------------|--|-------------------------------|--------------------------|------------------------|-----------------------------------|---|--|
| <b>Movements in 2019/20:</b>   |                           |                                |  |                               |                          |                        |                                   |   |  |
| <b>Cost of Valuation at 1 April 2019</b>   | <b>500,322</b>            | <b>390,463</b>                 | <b>28,016</b>                                  | <b>259,015</b>                | <b>6,772</b>             | <b>15,642</b>          | <b>45,177</b>                     | <b>1,245,407</b>                          | <b>47,543</b>  |
| Restatement of Opening Balances  |                           |                                |  |                               |                          |                        |                                   | 0   |  |
| Recategorisations  | 186                       | 0                              | 54   | 17                            | 18                       | 0                      | (275)                             | 0   | 0  |
| Additions  | 19,387                    | 11,888                         | 7,347  | 6,276                         | 144                      | 5,182                  | 31,652                            | 81,876                                    | 583  |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | (19,147)                  | 3,013                          | 0  | 0                             | 0                        | 1,120                  | 0                                 | (15,014)                                  | 15   |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 2,910                     | (4,679)                        | 0  | (21)                          | 0                        | (4,050)                | 0                                 | (5,840)                                   | (91)   |
| Derecognition - disposals  | 0                         | 0                              | (1,757)  | 0                             | 0                        | 0                      | 0                                 | (1,757)                                   | 0  |
| Derecognition - other  | 0                         | 0                              | (2,021)  | 0                             | 0                        | 0                      | 0                                 | (2,021)                                   | 0  |
| Assets reclassified (to)/from Held for Sale  | (7,171)                   | (52,632)                       | 0  | 0                             | 0                        | (2,521)                | (148)                             | (62,472)                                  | 0  |
| Other reclassifications  | 1                         | (954)                          | 213  | (256)                         | 1                        | 953                    | (1)                               | (43)                                      | 0  |
| <b>At 31 March 2020</b>  | <b>496,488</b>            | <b>347,099</b>                 | <b>31,852</b>                                  | <b>265,031</b>                | <b>6,935</b>             | <b>16,326</b>          | <b>76,405</b>                     | <b>1,240,136</b>                          | <b>48,050</b>  |

|  | Council Dwellings<br>£000 | Other Land & Buildings<br>£000 | Vehicles, Plant, Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets under Construction<br>£000 | Total Property, Plant & Equipment<br>£000 | PFI Assets Included in Property, Plant & Equipment<br>£000 |
|--|---------------------------|--------------------------------|--|-------------------------------|--------------------------|------------------------|-----------------------------------|---|--|
| <b>Movements in 2019/20</b>  |                           |                                |  |                               |                          |                        |                                   |   |  |
| <b>Accumulated Depreciation and Impairment at 1 April 2019</b>                               | <b>0</b>                  | <b>(2,407)</b>                 | <b>(17,692)</b>                                | <b>(59,058)</b>               | <b>(4,141)</b>           | <b>0</b>               | <b>(2)</b>                        | <b>(83,300)</b>                           | <b>(5,712)</b>   |
| Depreciation charge  | (14,490)                  | (9,418)                        | (3,839)  | (5,944)                       | (490)                    | 0                      | 0                                 | (34,181)                                  | (1,022)  |
| Depreciation written out to the Revaluation Reserve  | 13,462                    | 5,334                          | 0  | 0                             | 0                        | 0                      | 0                                 | 18,796                                    | 150  |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                 | 1,029                     | 1,542                          | 0  | 0                             | 0                        | 0                      | 0                                 | 2,571                                     | 115  |
| Impairment losses/(reversals) recognised in the Revaluation Reserve                          | 0                         | 2                              | 0  | 0                             | 0                        | 0                      | 0                                 | 2   | 0  |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 0                         | 16                             | 0  | 0                             | 0                        | 0                      | 0                                 | 16  | 0  |
| Assets reclassified (to)/from Held for Sale  | 0                         | 1,768                          | 0  | 0                             | 0                        | 0                      | 0                                 | 1,768                                     | 0  |
| Derecognition - disposals  | 0                         | 0                              | 1,660  | 0                             | 0                        | 0                      | 0                                 | 1,660                                     | 0  |
| Derecognition - other  | 0                         | 0                              | 1,845  | 0                             | 0                        | 0                      | 0                                 | 1,845                                     | 0  |
| Other reclassifications  | (1)                       | 2                              | 35   | 7                             | 0                        | 0                      | 0                                 | 43  | 0  |
| <b>At 31 March 2020</b>  | <b>0</b>                  | <b>(3,161)</b>                 | <b>(17,991)</b>                                | <b>(64,995)</b>               | <b>(4,631)</b>           | <b>0</b>               | <b>(2)</b>                        | <b>(90,780)</b>                           | <b>(6,469)</b>   |
| <b>Net Book Value</b>  |                           |                                |  |                               |                          |                        |                                   |   |  |
| <b>At 31 March 2020</b>  | <b>496,488</b>            | <b>343,938</b>                 | <b>13,861</b>                                  | <b>200,036</b>                | <b>2,304</b>             | <b>16,326</b>          | <b>76,403</b>                     | <b>1,149,356</b>                          | <b>41,581</b>  |
| <b>At 1 April 2019</b>   | <b>500,322</b>            | <b>388,056</b>                 | <b>10,324</b>                                  | <b>199,957</b>                | <b>2,631</b>             | <b>15,642</b>          | <b>45,175</b>                     | <b>1,162,107</b>                          | <b>41,831</b>  |

## b) Depreciation

|  | Council Dwellings | Council Dwellings - components | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure |
|--|-------------------|--------------------------------|--------------------------|--|----------------|
| Useful lives used in calculation of depreciation | 60 years          | 12 - 60 years                  | 5 years - perpetuity     | 3-20 years                             | 40 years       |

## c) Capital Commitments

As at 31 March 2020 the Council had entered into a number of contracts for the enhancement of property, plant and equipment with future costs estimated as £18.133 million. The equivalent figure as at 31 March 2019 was £16.741 million. The major commitments are summarised by directorate:

| Strategy Area        | Major Schemes   | Scheme Commitment £000 | Total Commitment £000 |
|----------------------|---|------------------------|-----------------------|
| Schools              |   | 0                      | 17                    |
| Highways & Transport | A52 Improvements  | 6,338                  | 7,023                 |
| Housing              | New Build & Acquisitions  | 3,971                  | 5,886                 |
| Property             |   | 0                      | 168                   |
| Regeneration         |   | 0                      | 1,435                 |
| OCOR                 | Our City Our River construction of improved flood defences for the city | 1,420                  | 2,019                 |
| Flood Defence        |   |                        | 2                     |
| ICT                  |   |                        | 77                    |
| VPE                  | Purchases of Vehicles and Equipment                                     | 1,173                  | 1,506                 |
| <b>Total</b>         |   | <b>11,729</b>          | <b>18,133</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 2019/20 revaluation is £10,000.

|                                    | Council Dwellings<br>£000 | Other Land & Buildings<br>£000 | Vehicles,<br>Plant, Furniture<br>& Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | Surplus Assets<br>£000 | Assets under<br>Construction<br>£000 | Total<br>Property,<br>Plant &<br>Equipment<br>£000 | Heritage Assets<br>£000 |
|------------------------------------|---------------------------|--------------------------------|--|----------------------------------|-----------------------------|------------------------|--------------------------------------|--|-------------------------|
| <b>Carried at Historical Cost</b>  | 0                         | 0                              | 13,861   | 200,036                          | 2,229                       | 0                      | 76,403                               | 292,529  | 76,234                  |
| <b>Valued at Fair Value as at:</b> |                           |                                |  |                                  |                             |                        |                                      |  |                         |
| 31 March 2017                      | 0                         | 17,031                         | 0  | 0                                | 0                           | 0                      | 0                                    | 17,031   | 0                       |
| 31 March 2018                      | 0                         | 13,108                         | 0  | 0                                | 0                           | 0                      | 0                                    | 13,108   | 0                       |
| 31 March 2019                      | 0                         | 43,015                         | 0  | 0                                | 75                          | 0                      | 0                                    | 43,090   | 0                       |
| 31 March 2020                      | 496,488                   | 270,784                        | 0  | 0                                | 0                           | 16,326                 | 0                                    | 783,598  | 0                       |
| <b>Total cost or Valuation</b>     | 496,488                   | 343,938                        | 13,861   | 200,036                          | 2,304                       | 16,326                 | 76,403                               | 1,149,356  | 76,234                  |

## 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<br>£000 | Art Collection<br>£000 | Decorative Art<br>Collection<br>£000 | Industrial<br>Collection<br>£000 | Natural History<br>Collection<br>£000 | Other<br>£000 | Total<br>£000 |
|---|-----------------------|------------------------|--------------------------------------|----------------------------------|---------------------------------------|---------------|---------------|
| <b>Cost or Valuation</b>  |                       |                        |                                      |                                  |                                       |               |               |
| <b>31 March 2018</b>  | <b>608</b>            | <b>64,869</b>          | <b>3,992</b>                         | <b>1,127</b>                     | <b>1,237</b>                          | <b>4,336</b>  | <b>76,169</b> |
| Impairment Losses / (reversals) recognised in the Revaluation Reserve | (15)                  | 0                      | 0                                    | 0                                | 0                                     | 0             | (15)          |
| Revaluations recognised in the Revaluation Reserve                    | 141                   | 0                      | 0                                    | (105)                            | 0                                     | 10            | 46            |
| <b>31 March 2019</b>  | <b>734</b>            | <b>64,869</b>          | <b>3,992</b>                         | <b>1,022</b>                     | <b>1,237</b>                          | <b>4,346</b>  | <b>76,200</b> |
| Revaluations recognised in the Revaluation Reserve                    | (66)                  | 100                    | 0                                    | 0                                | 0                                     | 0             | 34            |
| <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> |



## **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>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--|-------------------------|-------------------------|
| Rental income from investment property | (343)                   | (172)                   |
| <b>Net (gain)/loss</b>                 | <b>(343)</b>            | <b>(172)</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>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---|-------------------------|-------------------------|
| Balance at start of the year                  | 1,336                   | 4,140                   |
| Movement to PPE                               | (65)                    | 0                       |
| Net gain/losses from fair value adjustments   | 11                      | (67)                    |
| Revaluation recognised in revaluation reserve | 5                       | 0                       |
| other changes - movement from PPE             | 2,853                   | 0                       |
| <b>Balance at the end of the year</b>         | <b>4,140</b>            | <b>4,073</b>            |

### **Fair Value Hierarchy**

All the Council's investment properties have been value assessed as Level 2 (£4.073m) 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 2020 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>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---|-------------------------|-------------------------|
| <b>Opening Capital Financing Requirement</b>  | <b>(636,637)</b>        | <b>(634,721)</b>        |
| Capital Investment:   |                         |                         |
| Property, Plant and Equipment   | (63,228)                | (81,876)                |
| Assets Held for Sale  | (114)                   | 0                       |
| Revenue Expenditure Funded from Capital Under Statute   | (9,937)                 | (7,872)                 |
| LAMS/Long Term Debtors  | 602                     | 235                     |
| Sources of finance:   |                         |                         |
| Capital Receipts  | 10,952                  | 9,299                   |
| Receipt of capital loan repayments  | (627)                   | (323)                   |
| Capital Reserves  | 14,457                  | 18,683                  |
| Government grants and other contributions   | 42,457                  | 32,308                  |
| Sums set aside from revenue:  |                         |                         |
| Direct revenue contributions  | 451                     | 5,829                   |
| Minimum Revenue Provision   | 6,903                   | 7,148                   |
| <b>Closing capital financing requirement</b>  | <b>(634,721)</b>        | <b>(651,290)</b>        |
| <b>Explanation of movements in year</b>   |                         |                         |
| Increase/(decrease) in underlying need to borrow (supported by government financial assistance)   | 779                     | 810                     |
| Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance) | 5,168                   | 21,765                  |
| HRA capital receipts set aside for redemption of debt   | (3,814)                 | (3,704)                 |
| Assets acquired under finance leases  | (163)                   | 1,073                   |
| Assets acquired under PFI/PPP contracts   | (3,886)                 | (3,375)                 |
| <b>Increase/(decrease) in capital financing requirement</b>                                       | <b>(1,916)</b>          | <b>16,569</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.

|  | 2018/19     |              | 2019/20      |              |
|--|-------------|--------------|--------------|--------------|
|  | NBV<br>£000 | Depn<br>£000 | NBV<br>£000  | Depn<br>£000 |
| Other Land and Buildings                 | 449         | (22)         | 427          | (22)         |
| Vehicles, Plant, Furniture and Equipment | 194         | (154)        | 1,304        | (150)        |
| <b>Total</b>                             | <b>643</b>  | <b>(176)</b> | <b>1,731</b> | <b>(172)</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:

|  | 2018/19<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| Finance lease liabilities (net present value of minimum lease payments): |                 |                 |
| Current  | 105             | 276             |
| Non-current  | 396             | 1,296           |
| Finance costs payable in future years                                    | 249             | 311             |
| <b>Minimum lease payments</b>  | <b>750</b>      | <b>1,883</b>    |

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

|   | Minimum Lease Payments |                    | Finance Lease Liabilities |                    |
|---|------------------------|--------------------|---------------------------|--------------------|
|   | 31/03/2019<br>£000     | 31/03/2020<br>£000 | 31/03/2019<br>£000        | 31/03/2020<br>£000 |
| Not later than one year                           | 129                    | 326                | 105                       | 276                |
| Later than one year and not later than five years | 157                    | 1,124              | 90                        | 1,008              |
| Later than five years                             | 464                    | 433                | 306                       | 288                |
|   | <b>750</b>             | <b>1,883</b>       | <b>501</b>                | <b>1,572</b>       |

## Operating Leases

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

|   | 31/03/2019<br>£000 | 31/03/2020<br>£000 |
|---|--------------------|--------------------|
| No later than one year                            | 577                | 580                |
| Later than one year and not later than five years | 1,928              | 1,818              |
| Later than five years                             | 2,195              | 1,813              |
| <b>Total</b>                                      | <b>4,700</b>       | <b>4,211</b>       |

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

|                        | 31/03/2019<br>£000 | 31/03/2020<br>£000 |
|------------------------|--------------------|--------------------|
| Minimum lease payments | 609                | 633                |
| <b>Total</b>           | <b>609</b>         | <b>633</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:

|  | 31/03/2019<br>£000 | 31/03/2020<br>£000 |
|--|--------------------|--------------------|
| Finance lease debtors (net present value of minimum lease payments): |                    |                    |
| Current  | 4                  | 4                  |
| Non-current  | 1,320              | 1,246              |
| Unearned finance income  | 1,981              | 1,880              |
| Unguaranteed residual value of property                              | (22)               | (21)               |
| <b>Gross investment in the lease</b>                                 | <b>3,283</b>       | <b>3,109</b>       |

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

|                                   | Gross Investment   |                    | Minimum Lease      |                    |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                   | 31/03/2019<br>£000 | 31/03/2020<br>£000 | 31/03/2019<br>£000 | 31/03/2020<br>£000 |
| Not later than one year           | 33                 | 32                 | 4                  | 4                  |
| Later than one year and not later | 133                | 127                | 18                 | 18                 |
| Later than five years             | 3,117              | 2,950              | 1,280              | 1,208              |
| <b>Total</b>                      | <b>3,283</b>       | <b>3,109</b>       | <b>1,302</b>       | <b>1,230</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:

|                                   | 31/03/2019<br>£000 | 31/03/2020<br>£000 |
|-----------------------------------|--------------------|--------------------|
| No later than one year            | 1,898              | 1,562              |
| Later than one year and not later | 4,181              | 3,923              |
| Later than five years             | 22,870             | 21,823             |
| <b>Total</b>                      | <b>28,949</b>      | <b>27,308</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. Following a review of the Service, the Council and the Service Provider have agreed a 0.010m per month reduction in unitary charge payments. This future reduction is not reflected in the 2019/20 note.

The rentals payable in 2019/20 were £4.932m (2018/19 £4.863m), of which £0.991m related to write down of obligations, £1.449m finance costs and the remainder to service charges/prepayments/contingent rent.

Outstanding obligations to make payments under the Street Lighting PFI finance lease at 31 March 2020, accounted for as part of long-term liabilities, are as follows:

|  | <b>Payment for<br/>Services<br/>£000</b> | <b>Reimbursement of<br/>Capital Expenditure<br/>£000</b> | <b>Interest<br/>£000</b> | <b>Total<br/>£000</b> |
|--|--|--|--------------------------|-----------------------|
| Payable in 2020/21                     | 1,997                                    | 1,144  | 1,791                    | 4,932                 |
| Payable within two to five years       | 10,071                                   | 5,519  | 4,138                    | 19,728                |
| Payable within six to ten years        | 9,557                                    | 9,128  | 5,976                    | 24,661                |
| Payable within eleven to fifteen years | 4,209                                    | 4,936  | 1,913                    | 11,058                |
| <b>Total</b>                           | <b>25,834</b>                            | <b>20,727</b>  | <b>13,818</b>            | <b>60,379</b>         |

The above table reflects costs and income at 2019/20 levels. The amounts are partially subject to indexation (RPIx) and to date cumulative inflation applied to some elements of the scheme is 41%. A 1% variation in RPIx would result in a £27k change in payments for 2020/21.

Finance lease obligations are recognised on a stage of completion basis during the Core Investment Period (CIP - 2007/08-2012/13) and therefore there are no finance lease liability costs at 31 March 2020.

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>2018/19</b> | <b>2019/20</b> |
|--|----------------|----------------|
| Balance outstanding at start of year   | 22,859         | 21,717         |
| Payments during the year               | (1,142)        | (990)          |
| <b>Balance outstanding at year end</b> | <b>21,717</b>  | <b>20,727</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.

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 2019/20 was £1.232m (2018/19 £1.222m) of which £0.354m related to the write down of obligations (i.e. repayment of principal), £0.588m 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 £12.734m. The table below shows the outstanding obligations to make payments at 31 March 2020.

|   | <b>Payment for<br/>Services<br/>£000</b> | <b>Reimbursement of<br/>Capital Expenditure<br/>£000</b> | <b>Interest<br/>£000</b> | <b>Total<br/>£000</b> |
|---|--|--|--------------------------|-----------------------|
| Payable in 2020/21                      | 315                                      | 366  | 570                      | 1,251                 |
| Payable within two to five years        | 1,337                                    | 1,581  | 2,081                    | 4,999                 |
| Payable within six to ten years         | 2,087                                    | 2,035  | 2,126                    | 6,248                 |
| Payable within eleven to fifteen years  | 2,332                                    | 2,352  | 1,565                    | 6,249                 |
| Payable within sixteen to twenty years  | 2,412                                    | 2,936  | 901                      | 6,249                 |
| Payable twenty one to twenty five years | 2,135                                    | 1,657  | 165                      | 3,957                 |
| <b>Total</b>                            | <b>10,618</b>                            | <b>10,927</b>  | <b>7,408</b>             | <b>28,953</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>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--|-------------------------|-------------------------|
| Balance outstanding at start of year   | 11,385                  | 11,056                  |
| Additional drawdown                    | 0                       | 226                     |
| Payments during the year               | (329)                   | (354)                   |
| <b>Balance outstanding at year end</b> | <b>11,056</b>           | <b>10,928</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>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--|-------------------------|-------------------------|
| Balance outstanding at start of year     | 10,900                  | 10,502                  |
| Additional drawdown                      | 0                       | 224                     |
| Payments during the year                 | (398)                   | (420)                   |
| <b>Balance outstanding at year end</b>   | <b>10,502</b>           | <b>10,306</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 2019/20. Future cash payments between 2020/21 and the end of the contract are expected to be approximately £6.7m.

### **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 £5.238 in 2019/20 (£5.166m in 2018/19) of which £1.387 related to write down of obligations (i.e. repayment of principal), £1.074m 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 2020, accounted for as part of long-term liabilities, are as follows:

|  | <b>Payment for<br/>Services<br/>£000</b> | <b>Reimbursement of<br/>Capital Expenditure<br/>£000</b> | <b>Interest<br/>£000</b> | <b>Total<br/>£000</b> |
|--|--|--|--------------------------|-----------------------|
| Payable in 2020/21                     | 2,476                                    | 1,378  | 1,099                    | 4,953                 |
| Payable within two to five years       | 9,905                                    | 5,477  | 3,588                    | 18,970                |
| Payable within six to ten years        | 12,381                                   | 7,015  | 2,660                    | 22,056                |
| Payable within eleven to fifteen years | 3,696                                    | 2,989  | 655                      | 7,340                 |
| <b>Total</b>                           | <b>28,458</b>                            | <b>16,859</b>  | <b>8,002</b>             | <b>53,319</b>         |

The above table reflects costs and income at 2019/20 levels. The amounts are partially subject to indexation (RPIx) and to date cumulative inflation applied to some elements of the scheme is 55%. A 1% variation in RPIx would result in a £26k change in payments for services in 2020/21.

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>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--|-------------------------|-------------------------|
| Balance outstanding at start of year   | 19,646                  | 18,246                  |
| Payments during the year               | (1,400)                 | (1,387)                 |
| <b>Balance outstanding at year end</b> | <b>18,246</b>           | <b>16,859</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 £5.330m in 2019/20 (£5.272m in 2018/19) of which £0.672m related to write down of obligations (i.e. repayment of principal), £2.691m 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 2020, accounted for as part of long-term liabilities, are as follows:

|  | <b>Payment for<br/>Services<br/>£000</b> | <b>Reimbursement of<br/>Capital Expenditure<br/>£000</b> | <b>Interest<br/>£000</b> | <b>Total<br/>£000</b> |
|--|--|--|--------------------------|-----------------------|
| Payable in 2020/21                     | 1,821                                    | 735  | 2,774                    | 5,330                 |
| Payable within two to five years       | 7,247                                    | 3,715  | 10,359                   | 21,321                |
| Payable within six to ten years        | 9,135                                    | 6,854  | 10,662                   | 26,651                |
| Payable within eleven to fifteen years | 9,454                                    | 10,341   | 6,857                    | 26,652                |
| Payable within sixteen to twenty years | 4,514                                    | 6,962  | 1,409                    | 12,885                |
| <b>Total</b>                           | <b>32,171</b>                            | <b>28,607</b>  | <b>32,061</b>            | <b>92,839</b>         |

The above table reflects costs and income at 2019/20 levels. The amounts are partially subject to indexation (RPIx) and to date cumulative inflation applied to some elements of the scheme is 31%. A 1% variation in RPIx would result in a £0.024m change in payments for 2020/21

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>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--|-------------------------|-------------------------|
| Balance outstanding at start of year   | 29,896                  | 29,279                  |
| Payments during the year               | (617)                   | (672)                   |
| <b>Balance outstanding at year end</b> | <b>29,279</b>           | <b>28,607</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          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 31/03/19<br>£000 | 31/03/20<br>£000 | 31/03/19<br>£000 | 31/03/20<br>£000 |
| <b>Financial Assets</b>                    |                  |                  |                  |                  |
| At amortised cost:                         |                  |                  |                  |                  |
| Principal                                  | 325              | 325              | 20,000           | 29,000           |
| Accrued Interest                           | 0                | 0                | 70               | 56               |
| <b>Total investments</b>                   | <b>325</b>       | <b>325</b>       | <b>20,070</b>    | <b>29,056</b>    |
| At amortised cost:                         |                  |                  |                  |                  |
| Cash including bank                        |                  |                  | 21,490           | 26,195           |
| Accrued Interest                           |                  |                  | 22               | 12               |
| At fair value through profit & loss:       |                  |                  |                  |                  |
| Fair value                                 |                  |                  | 23,526           | 13,124           |
| <b>Total Cash and Cash Equivalents</b>     |                  |                  | <b>45,038</b>    | <b>39,331</b>    |
| At amortised cost:                         |                  |                  |                  |                  |
| Trade receivables                          | 2,272            | 928              | 36,033           | 37,635           |
| Lease receivables                          | 1,298            | 1,226            | 0                | 0                |
| Loans made for service purposes            | 3,219            | 2,256            | 627              | 829              |
| Loans to subsidiary                        | 3,027            | 2,973            | 0                | 0                |
| PFI arrangements                           | 5,840            | 5,761            | 0                | 0                |
| Loss Allowance                             | (758)            | (311)            | (17,119)         | (16,756)         |
| <b>Included in debtors</b>                 | <b>14,898</b>    | <b>12,833</b>    | <b>19,541</b>    | <b>21,708</b>    |
| <b>Total Financial Assets</b>              | <b>15,223</b>    | <b>13,158</b>    | <b>84,649</b>    | <b>90,095</b>    |
| Debtors that are not financial instruments | 0                | 0                | 38,493           | 19,137           |
| <b>Total</b>                               | <b>15,223</b>    | <b>13,158</b>    | <b>123,142</b>   | <b>109,232</b>   |

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

|  | Long - term      |                  | Current          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 31/03/19<br>£000 | 31/03/20<br>£000 | 31/03/19<br>£000 | 31/03/20<br>£000 |
| <b>Financial Liabilities</b>                 |                  |                  |                  |                  |
| Loans at amortised cost:                     |                  |                  |                  |                  |
| Principal                                    | (340,070)        | (337,718)        | (11,901)         | (21,209)         |
| Accrued Interest                             | 0                | 0                | (3,331)          | (3,241)          |
| <b>Total Borrowing</b>                       | <b>(340,070)</b> | <b>(337,718)</b> | <b>(15,232)</b>  | <b>(24,450)</b>  |
| Liabilities at amortised cost:               |                  |                  |                  |                  |
| Finance Leases                               | (396)            | (1,296)          | (105)            | (276)            |
| PFI arrangements                             | (87,040)         | (83,415)         | (3,794)          | (4,045)          |
| <b>Total Other Long-term</b>                 | <b>(87,436)</b>  | <b>(84,711)</b>  | <b>(3,899)</b>   | <b>(4,321)</b>   |
| Liabilities at amortised cost:               |                  |                  |                  |                  |
| Trade payables                               | 0                | 0                | (39,933)         | (43,530)         |
| Pension Liability                            | (466,552)        | (267,422)        | 0                | 0                |
| Transferred Debt                             | (359)            | (318)            | 0                | (41)             |
| <b>Included in creditors</b>                 | <b>(466,911)</b> | <b>(267,740)</b> | <b>(39,933)</b>  | <b>(43,571)</b>  |
| <b>Total Financial Liabilities</b>           | <b>(894,417)</b> | <b>(690,169)</b> | <b>(59,064)</b>  | <b>(72,342)</b>  |
| Creditors that are not financial instruments | 0                | 0                | (10,403)         | (21,362)         |
| <b>Total</b>                                 | <b>(894,417)</b> | <b>(690,169)</b> | <b>(69,467)</b>  | <b>(93,704)</b>  |

## Income, Expense, Gains and Losses

|                        | 2018/19  |  |                 | 2019/20  |  |                 |
|------------------------|--|--|-----------------|--|--|-----------------|
|                        | 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       | (21,400)   | 0  | (21,400)        | (21,306)   | 0  | (21,306)        |
| <b>Total expense</b>   | <b>(21,400)</b>                                  | <b>0</b>                                     | <b>(21,400)</b> | <b>(21,306)</b>                                  | <b>0</b>                                     | <b>(21,306)</b> |
| Interest Income        | 0  | 1,376  | 1,376           | 0  | 1,000  | 1,000           |
| <b>Total income</b>    | <b>0</b>   | <b>1,376</b>                                 | <b>1,376</b>    | <b>0</b>   | <b>1,000</b>                                 | <b>1,000</b>    |
| <b>Net gain/(loss)</b> | <b>(21,400)</b>                                  | <b>1,376</b>                                 | <b>(20,024)</b> | <b>(21,306)</b>                                  | <b>1,000</b>                                 | <b>(20,306)</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 2020, 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 2019    |                  |                  | 31 March 2020    |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
|   | 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                | (292,053)        | (421,536)        | 2                | (291,236)        | (430,081)        |
| Long Term LOBO                                  | 2                | (20,000)         | (32,214)         | 2                | 0                | 0                |
| Other Long term loans                           | 2                | (28,017)         | (32,729)         | 2                | (46,482)         | (61,381)         |
| Short Term Loans                                | N/A              | (15,232)         | (15,232)         | N/A              | (24,450)         | (24,450)         |
| PFI   | 2                | (91,198)         | (119,658)        | 2                | (89,032)         | (107,603)        |
| Short-term creditors                            | N/A              | (39,933)         | (39,933)         | N/A              | (43,571)         | (43,571)         |
| <b>Total</b>                                    |                  | <b>(486,433)</b> | <b>(661,302)</b> |                  | <b>(494,771)</b> | <b>(667,086)</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 2019    |                 |               | 31 March 2020    |                 |               |
|--|------------------|-----------------|---------------|------------------|-----------------|---------------|
|  | 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              | 41,582          | 41,582        | N/A              | 55,263          | 55,263        |
| Short Term Debtors                         | N/A              | 19,541          | 19,541        | N/A              | 21,708          | 21,708        |
| <b>Financial Assets at fair value:</b>     |                  |                 |               |                  |                 |               |
| Money Market Funds                         | N/A              | 23,526          | 23,526        | N/A              | 13,124          | 13,124        |
| <b>Total</b>                               |                  | <b>84,649</b>   | <b>84,649</b> |                  | <b>90,095</b>   | <b>90,095</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 £10m was placed on the amount of money that can be invested with a single counterparty in 2019/20. A group of banks under the same ownership are treated as a single organisation for limit purposes. During 2019/20 no investments could be 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:

| Deposits with money market funds, banks and institutions | Amount at 31 March 2019 £000 | Amount at 31 March 2019 £000 | Amount at 31 March 2020 £000 | Amount at 31 March 2020 £000 |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | Long Term                    | Short Term                   | Long Term                    | Short Term                   |
| AAA rated  | 0                            | 23,465                       | 0                            | 13,124                       |
| AA rated   | 0                            | 235                          | 0                            | 235                          |
| A rated  | 0                            | 1,139                        | 0                            | 512                          |
| Local Authorities  | 0                            | 43,000                       | 0                            | 29,000                       |
| UK Government  | 0                            | 0                            | 0                            | 34,000                       |
| <b>Total</b>   | <b>0</b>                     | <b>67,839</b>                | <b>0</b>                     | <b>76,871</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 2019/20, approved by Council Cabinet on 13th February 2019.

The table below summarises the nominal value of the Council's investment portfolio at 31st March 2020, 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 2020 | Balance Invested as at 31 March 2020 |               | Total         |
|---|--|---|--------------------------------------|---------------|---------------|
|   |  |   | Up to 1 month                        | Over 1 month  |               |
|   |  |   | £000                                 | £000          | £000          |
| Other Local Authorities and Public Sector Organisations | Yes  | Yes   | 34,000                               | 29,000        | 63,000        |
| Money Market Funds                                      | Yes  | Yes   | 13,124                               | 0             | 13,124        |
| Call Accounts   | Yes  | Yes   | 747                                  | 0             | 747           |
| <b>Total</b>  |  |   | <b>47,871</b>                        | <b>29,000</b> | <b>76,871</b> |

The Council does not generally allow credit for its trade debtors, such that £9.270m of the £24.539m balance, as at 31 March 2020, is past its due date for payment. The past due amount can be analysed by age as follows:

|                        | 2018/19<br>£000 | 2019/20<br>£000 |
|------------------------|-----------------|-----------------|
| Less than 3 months     | 1,612           | 2,926           |
| Three to six months    | 896             | 1,694           |
| Six months to one year | 780             | 777             |
| More than one year     | 3,384           | 3,873           |
|                        | <b>6,672</b>    | <b>9,270</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. For 2019/20, these assessments have included consideration of any potential impact of the COVID-19 pandemic on the risk of default and exposure to credit losses, where reasonably possible.

The total loss allowance at 31 March 2020 was £0.453m. There has been two write-offs in the year totalling £0.492m for which expected credit losses brought forward were £0.596m. A reconciliation of the movement on the loss allowance for these loans in 2019/20 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 |                      |
|   | £'000s                          | £'000s                                  | £'000s                 | £'000s               |
| <b>Opening Balance 01/04/19</b>                         | 48.6                            | 213.7                                   | 688.8                  | 951.1                |
| New loans made  | 2.6                             | 0                                       | 0                      | 2.6                  |
| Less expected credit loss for loans written-off in year | 0                               | 0                                       | (596.2)                | (596.2)              |
| +/- Change in expected risk in year                     | (14.9)                          | 87.9                                    | 22.8                   | 95.8                 |
| <b>Closing balance 31/03/20</b>                         | 36.3                            | 301.6                                   | 115.4                  | 453.3                |

## 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:

|                            | 2018/19<br>£000 | 2019/20<br>£000 |
|----------------------------|-----------------|-----------------|
| Less than one year         | 15,232          | 24,450          |
| Between one and two years  | 425             | 0               |
| Between two and five years | 12,541          | 22,010          |
| Between five and ten years | 11,528          | 13,271          |
| More than ten years        | 285,576         | 302,437         |
| Uncertain maturity date*   | 30,000          | 0               |
|                            | <b>355,302</b>  | <b>362,168</b>  |

\* Loans that during 2019/20 had an uncertain end date due to options embedded within the agreements have now converted to standard fixed rate loans with a known end date.

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     | (515)        |
| <b>Impact on Surplus of Deficit on the Provision of Services</b> | <b>(515)</b> |

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

|  | Current         |                 |
|--|-----------------|-----------------|
|  | 2018/19<br>£000 | 2019/20<br>£000 |
| <b>Balance outstanding at start of year</b>                                      | 1,364           | 2,525           |
| Assets newly classified as held for sale:  |                 |                 |
| Property, plant and equipment  | 74,749          | 60,704          |
| Additions  | 114             | 0               |
| Revaluation gains recognised in the surplus/deficit on the provision of services | (35)            | (295)           |
| Assets sold  | (73,667)        | (62,029)        |
| <b>Balance outstanding at year-end</b>   | <b>2,525</b>    | <b>905</b>      |

## **25. Debtors**

### **25a. Current Debtors**

|                                  | 31 March 2019 |               | 31 March 2020 |               |
|----------------------------------|---------------|---------------|---------------|---------------|
|                                  | £000          |               | £000          |               |
| Central government bodies        | 6,360         |               | 4,311         |               |
| <b>Central government bodies</b> |               | <b>6,360</b>  |               | <b>4,311</b>  |
| Other local authorities          | 3,022         |               | 4,264         |               |
| <b>Other local authorities</b>   |               | <b>3,022</b>  |               | <b>4,264</b>  |
| NHS Bodies                       | 3,433         |               | 3,978         |               |
| <b>NHS Bodies</b>                |               | <b>3,433</b>  |               | <b>3,978</b>  |
| Council Taxpayers                | 14,691        |               | 17,554        |               |
| Less Impairment Allowance        | (6,873)       |               | (8,187)       |               |
| <b>Council Taxpayers</b>         |               | <b>7,818</b>  |               | <b>9,367</b>  |
| NNDR                             | 4,224         |               | 2,856         |               |
| Less Impairment Allowance        | (2,343)       |               | (1,570)       |               |
| <b>NNDR</b>                      |               | <b>1,881</b>  |               | <b>1,286</b>  |
| Housing Rents                    | 5,929         |               | 5,673         |               |
| Less Impairment Allowance        | (5,654)       |               | (5,263)       |               |
| <b>Housing Rents</b>             |               | <b>275</b>    |               | <b>410</b>    |
| Sundry Debtors                   | 22,644        |               | 24,549        |               |
| Prepayments                      | 22,435        |               | 4,173         |               |
| Less Impairment Allowance        | (11,465)      |               | (11,493)      |               |
| <b>Sundry Debtors</b>            |               | <b>33,614</b> |               | <b>17,229</b> |
| <b>Total</b>                     |               | <b>56,403</b> |               | <b>40,845</b> |

### **25b. Long Term Debtors**

|  | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 |
|--|--------------------------|--------------------------|
| Derbyshire County Council 1974 Transferred Funds | 43                       | 0                        |
| Loans to Derby Homes                             | 3,027                    | 2,973                    |
| Regeneration Loans                               | 3,219                    | 2,256                    |
| Other Long Term Receivables                      | 2,229                    | 928                      |
| PFI Prepayments                                  | 5,840                    | 5,761                    |
| Finance Lease Receivables                        | 1,298                    | 1,226                    |
| Less Impairment Allowance                        | (757)                    | (311)                    |
| <b>Total</b>                                     | <b>14,899</b>            | <b>12,833</b>            |

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

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

|                          | <b>31 March<br/>2019<br/>£000</b> | <b>31 March<br/>2020<br/>£000</b> |
|--------------------------|-----------------------------------|-----------------------------------|
| Cash held by the Council | 33                                | 89                                |
| Bank current accounts    | (2,917)                           | (8,641)                           |
| Short-term deposits      | 47,922                            | 47,883                            |
| <b>Total</b>             | <b>45,038</b>                     | <b>39,331</b>                     |

## **27. Creditors**

|                              | <b>31 March<br/>2019<br/>£000</b> | <b>31 March<br/>2020<br/>£000</b> |
|------------------------------|-----------------------------------|-----------------------------------|
| Central government bodies    | (4,902)                           | (9,688)                           |
| Other local authorities      | (5,989)                           | (7,782)                           |
| NHS Bodies                   | (1,120)                           | (420)                             |
| Council Taxpayers            | (1,438)                           | (1,527)                           |
| Short-term Employee Benefits | (2,578)                           | (2,287)                           |
| Sundry Creditors             | (34,309)                          | (43,188)                          |
| <b>Total</b>                 | <b>(50,336)</b>                   | <b>(64,892)</b>                   |

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

|  | <b>31-Mar-19<br/>£000</b> | <b>31-Mar-20<br/>£000</b> |
|--|---------------------------|---------------------------|
| Share of liability for a proportion of the County Council's debt charges on becoming a Unitary Authority on 1 April 1997 | (41)                      | (40)                      |
| Loans transferred from neighbouring authorities in 1968  | (318)                     | (278)                     |
| Net Pensions Liability (Defined Benefit Pension Scheme Note)   | (466,552)                 | (267,422)                 |
| <b>Total Long Term Liabilities</b>   | <b>(466,911)</b>          | <b>(267,740)</b>          |

## **29. Provisions**

The Council is carrying a significant provision of £5.947m (£7.616m in 2018/19) 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 £1.654m 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<br>£000    | Non-Current<br>£000 | Current<br>£000 | Non-Current<br>£000 | Current<br>£000 | Non-Current<br>£000 |
| <b>Balance at 1 April 2019</b>        | <b>6,075</b>       | <b>1,541</b>        | <b>1,925</b>    | <b>68</b>           | <b>8,000</b>    | <b>1,609</b>        |
| Additional provisions made in 2019/20 | 2,003              | 0                   | 550             | 0                   | <b>2,553</b>    | <b>0</b>            |
| Transferred to Current Provisions     | 1,541              | (1,541)             | (2)             | 2                   | <b>1,539</b>    | <b>(1,539)</b>      |
| Amounts used in 2019/20               | (3,672)            | 0                   | (639)           | 0                   | <b>(4,311)</b>  | <b>0</b>            |
| Provision written back in year        | 0                  | 0                   | (250)           | 0                   | <b>(250)</b>    | <b>0</b>            |
| <b>Balance at 31 March 2020</b>       | <b>5,947</b>       | <b>0</b>            | <b>1,584</b>    | <b>70</b>           | <b>7,531</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 2019/20

|  | Balance at<br>31 March<br>2018 | Transfers<br>Out 2018/19 | Transfers In<br>2018/19 | Movement<br>between<br>earmarked<br>reserves<br>2018/19 | Balance at<br>31 March<br>2019 | Transfers<br>Out<br>2019/20 | Transfers In<br>2019/20 | Movement<br>between<br>earmarked<br>reserves<br>2019/20 | Balance at<br>31 March<br>2020 |
|--|--------------------------------|--------------------------|-------------------------|---|--------------------------------|-----------------------------|-------------------------|---|--------------------------------|
|  | £000                           | £000                     | £000                    | £000  | £000                           | £000                        | £000                    | £000  | £000                           |
| <b>General Fund</b>                                      |                                |                          |                         |   |                                |                             |                         |   |                                |
| Unallocated General Fund Balance                         | (10,933)                       | 0                        | 0                       | 0   | (10,933)                       | 0                           | 0                       | 0   | (10,933)                       |
| Balances held by schools under a<br>scheme of delegation | (10,286)                       | 13,082                   | (10,845)                | 0   | (8,049)                        | 9,071                       | (6,888)                 | 0   | (5,866)                        |
| <b>TOTAL</b>   | <b>(21,219)</b>                | <b>13,082</b>            | <b>(10,845)</b>         | <b>0</b>  | <b>(18,982)</b>                | <b>9,071</b>                | <b>(6,888)</b>          | <b>0</b>  | <b>(16,799)</b>                |
| <b>Revenue Earmarked Reserves</b>                        |                                |                          |                         |   |                                |                             |                         |   |                                |
| Budget Risk Reserve                                      | (35,909)                       | 6,819                    | (2,015)                 | 7,200   | (23,905)                       | 12,578                      | (770)                   | (950)   | (13,047)                       |
| COVID19 Impact Reserve                                   | 0                              | 0                        | 0                       | 0   | 0                              | 0                           | (7,142)                 | 0   | (7,142)                        |
| MTFP Specific Reserve                                    | (3,559)                        | 0                        | 0                       | 3,559   | 0                              | 0                           | 0                       | 0   | 0                              |
| Reserve for Asbestos                                     | 0                              | 0                        | 0                       | 0   | 0                              | 0                           | 0                       | 0   | 0                              |
| Central Schools Budget Reserve                           | (4,923)                        | 2,769                    | (682)                   | 0   | (2,836)                        | 253                         | 0                       | 0   | (2,583)                        |
| Insurance Savings Reserve                                | (2,411)                        | 0                        | (168)                   | 0   | (2,579)                        | 0                           | (88)                    | 0   | (2,667)                        |
| Trading Services Reserve                                 | (535)                          | 0                        | 0                       | 363   | (172)                          | 56                          | 0                       | 0   | (116)                          |
| Year end grants with restrictions<br>Reserve             | (4,729)                        | 1,181                    | (2,237)                 | 0   | (5,785)                        | 3,379                       | (1,467)                 | 0   | (3,873)                        |
| Regeneration Fund Reserve                                | (2,256)                        | 698                      | 0                       | (430)   | (1,988)                        | 494                         | 0                       | 0   | (1,494)                        |
| DEGF Interest  | 0                              | 464                      | (1,958)                 | 430   | (1,064)                        | 608                         | (261)                   | 0   | (717)                          |
| Adult Social Care Reserve                                | 0                              | 1,445                    | (1,866)                 | 0   | (421)                          | 156                         | 0                       | 0   | (265)                          |
| Assembly Rooms Reserve                                   | (1,503)                        | 428                      | 0                       | (4,436)   | (5,511)                        | 2,531                       | 0                       | 950   | (2,030)                        |
| Achieving Change Reserve                                 | (3,707)                        | 945                      | 0                       | 400   | (2,362)                        | 326                         | 0                       | 0   | (2,036)                        |
| Public Health Reserve                                    | (804)                          | 300                      | (538)                   | 0   | (1,042)                        | 502                         | 0                       | 0   | (540)                          |
| Better Care Fund Reserve                                 | (4,780)                        | 2,358                    | 0                       | 0   | (2,422)                        | 2,421                       | (938)                   | 0   | (939)                          |

|  | Balance at<br>31 March<br>2018 | Transfers<br>Out 2018/19 | Transfers In<br>2018/19 | Movement<br>between<br>earmarked<br>reserves<br>2018/19 | Balance at<br>31 March<br>2019 | Transfers<br>Out<br>2019/20 | Transfers In<br>2019/20 | Movement<br>between<br>earmarked<br>reserves<br>2019/20 | Balance at<br>31 March<br>2020 |
|--|--------------------------------|--------------------------|-------------------------|---|--------------------------------|-----------------------------|-------------------------|---|--------------------------------|
|  | £000                           | £000                     | £000                    | £000  | £000                           | £000                        | £000                    | £000  | £000                           |
| PFI Reserves   | (26,047)                       | 186                      | (1,855)                 | 0   | (27,716)                       | 235                         | (1,548)                 | 0   | (29,029)                       |
| Business Rates Pilot Reserve                           | 0                              | 2,873                    | (5,820)                 | 0   | (2,947)                        | 41                          | 0                       | 0   | (2,906)                        |
| Business Rates Smoothing Reserve                       | 0                              | 0                        | (6,995)                 | 0   | (6,995)                        | 5,443                       | 0                       | 0   | (1,552)                        |
| Other Service Reserves                                 | (6,557)                        | 3,397                    | (1,743)                 | (5,086)   | (9,989)                        | 1,357                       | (2,086)                 | 0   | (10,718)                       |
| Earmarked reserves to support the<br>capital programme | (2,138)                        | 9                        | (45)                    | (2,000)   | (4,174)                        | 1,598                       | (597)                   | 0   | (3,173)                        |
| <b>TOTAL</b>   | <b>(99,858)</b>                | <b>23,872</b>            | <b>(25,922)</b>         | <b>0</b>  | <b>(101,908)</b>               | <b>31,978</b>               | <b>(14,897)</b>         | <b>0</b>  | <b>(84,827)</b>                |
| <b>TOTAL GENERAL FUND<br/>RESERVES</b>                 | <b>(121,077)</b>               | <b>36,954</b>            | <b>(36,767)</b>         | <b>0</b>  | <b>(120,890)</b>               | <b>41,049</b>               | <b>(21,785)</b>         | <b>0</b>  | <b>(101,626)</b>               |
| <b>Capital Reserves</b>                                |                                |                          |                         |   |                                |                             |                         |   |                                |
| Usable Capital Receipts                                | (30,988)                       | 12,285                   | (10,726)                | 0   | (29,429)                       | 10,539                      | (13,386)                | 0   | (32,276)                       |
| Capital Grants Unapplied                               | (33,208)                       | 25,962                   | (23,214)                | 0   | (30,460)                       | 16,636                      | (17,630)                | 0   | (31,454)                       |
| Major Repairs Reserve (HRA)                            | (6,280)                        | 14,457                   | (14,766)                | 0   | (6,589)                        | 18,683                      | (14,979)                | 0   | (2,885)                        |
| <b>TOTAL CAPITAL RESERVES</b>                          | <b>(70,476)</b>                | <b>52,704</b>            | <b>(48,706)</b>         | <b>0</b>  | <b>(66,478)</b>                | <b>45,858</b>               | <b>(45,995)</b>         | <b>0</b>  | <b>(66,615)</b>                |
| <b>HRA</b>   |                                |                          |                         |   |                                |                             |                         |   |                                |
| Housing Revenue Account                                | (47,049)                       | (261)                    | 0                       | 0   | (47,310)                       | 682                         | 0                       | (683)   | (47,311)                       |
| Other Earmarked HRA Reserves                           | (683)                          | 0                        | 0                       | 0   | (683)                          | 0                           | 0                       | 683   | 0                              |
| <b>TOTAL HRA RESERVES</b>                              | <b>(47,732)</b>                | <b>(261)</b>             | <b>0</b>                | <b>0</b>  | <b>(47,993)</b>                | <b>682</b>                  | <b>0</b>                | <b>0</b>  | <b>(47,311)</b>                |
| <b>TOTAL USABLE RESERVES</b>                           | <b>(239,285)</b>               | <b>89,397</b>            | <b>(85,473)</b>         | <b>0</b>  | <b>(235,361)</b>               | <b>87,589</b>               | <b>(67,780)</b>         | <b>0</b>  | <b>(215,552)</b>               |

### **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, expected to be fully utilised in 2020/21.

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

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 23 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<br/>2019</b> |  | <b>31 March<br/>2020</b> |
|--------------------------|--|--------------------------|
| <b>£000</b>              |  | <b>£000</b>              |
| (425,293)                | Revaluation Reserve                      | (397,775)                |
| (193,504)                | Capital Adjustment Account               | (189,069)                |
| (150)                    | Financial Instruments Adjustment Account | (79)                     |
| 466,552                  | Pensions Reserve                         | 267,422                  |
| (1,284)                  | Deferred Capital Receipts Reserve        | (1,210)                  |
| 6,372                    | Collection Fund Adjustment Account       | 3,194                    |
| 2,578                    | Accumulated Absences Account             | 2,287                    |
| <b>(144,729)</b>         | <b>Total Unusable Reserves</b>           | <b>(315,230)</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>2018/19<br/>£000</b> |  |   | <b>2019/20<br/>£000</b> |         |
|-------------------------|--|---|-------------------------|---------|
| <b>(443,615)</b>        | <b>Balance at 1 April</b>  |   | <b>(425,293)</b>        |         |
| (27,727)                | Upward revaluation of assets   |   | (31,196)                |         |
| 11,881                  | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services |   | 27,376                  |         |
|                         | (15,846)   | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services |                         | (3,820) |
| 9,953                   | Difference between fair value depreciation and historical cost depreciation  |   | 10,071                  |         |
| 24,215                  | Accumulated gains on assets sold or scrapped   |   | 21,267                  |         |
|                         | 34,168   | Amount written off to the Capital Adjustment Account  |                         | 31,338  |
| <b>(425,293)</b>        | <b>Balance at 31 March</b>   |   | <b>(397,775)</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>2018/19<br/>£000</b>  |  | <b>2019/20<br/>£000</b> |
|--|--|-------------------------|
| <b>(213,796)</b>   | <b>Balance at 1 April</b>  | <b>(193,504)</b>        |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: |  |                         |
| 32,257   | Charges for depreciation of non-current assets   | 34,179                  |
| 1,257  | Charges for impairment of non-current assets   | 863                     |
| 17,518   | Revaluation losses on Property, Plant and Equipment  | 9,777                   |
| (5,945)  | Revaluation gains matched to prior year impairments  | (7,356)                 |
| (11)   | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement                         | 67                      |
| 0  | Charges for impairment of Assets Held for Sale   | 295                     |
| 158  | Amortisation of intangible assets  | 716                     |
| 9,937  | Revenue expenditure funded from capital under statute  | 7,872                   |
| 73,883   | 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 | 62,303                  |
| (34,168)   | Adjusting amounts written off of the Revaluation Reserve   | (31,337)                |
| <b>94,886</b>  | <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>                       | <b>77,379</b>           |

| 2018/19<br>£000                        |   | 2019/20<br>£000  |
|--|---|------------------|
| Capital financing applied in the year: |   |                  |
| (10,952)                               | Use of the capital receipts reserve to finance new capital expenditure  | (9,299)          |
| 627                                    | Receipt of capital loan repayments  | 323              |
| (14,457)                               | Use of the Major Repairs Reserve to finance new capital expenditure   | (18,683)         |
| (16,495)                               | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (15,672)         |
| (25,962)                               | Application of grants to capital financing from the Capital Grants Unapplied Account  | (16,636)         |
| (6,903)                                | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances                               | (7,148)          |
| (452)                                  | Capital expenditure charged against the General Fund and HRA balances   | (5,829)          |
| <b>(74,594)</b>                        | <b>Capital financing applied in the year</b>  | <b>(72,944)</b>  |
| <b>(193,504)</b>                       | <b>Capital Adjustment Account Balance at 31 March</b>   | <b>(189,069)</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.

| 2018/19<br>£000 |  | 2019/20<br>£000 |
|-----------------|--|-----------------|
| <b>376,936</b>  | <b>Balance at 1 April</b>  | <b>466,552</b>  |
| 84,183          | Remeasurement of the net defined benefit liability   | (241,220)       |
| 49,869          | 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 | 45,232          |
| (44,436)        | Employer's pensions contributions and direct payments to pensioners payable in the year  | (3,142)         |
| <b>466,552</b>  | <b>Balance at 31 March</b>   | <b>267,422</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.

| <b>2018/19<br/>£000</b> |  | <b>2019/20<br/>£000</b> |
|-------------------------|--|-------------------------|
| <b>1,849</b>            | <b>Balance at 1 April</b>  | <b>6,372</b>            |
| 4,523                   | 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 | (3,178)                 |
| <b>6,372</b>            | <b>Balance at 31 March</b>   | <b>3,194</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 2019/20 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 2019/20 services to the value of £9.201m were commissioned from companies in which 5 members had interests (this includes £9.148m 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 £0.146m to organisations in which 2 members have an interest. These grants were made with proper consideration of declarations of 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 2019/20 was £1.272m.

The Council has entered into a pooled budget arrangement with the Southern Derbyshire CCG (SDCCG) 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 £31.7m in 2019/20. 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 a number of Local Authorities totalling £25m this consists of £15m with Staffordshire County Council and £10m with Lancashire County Council.

### **Subsidiary Companies**

The Council has included £0.618m income (£0.861m in 2018/19) 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 2020 the Council had four on-going loan agreements in operation with Derby Homes totalling £2.973m.

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 2019/20 the Council contributed £0.635m towards the cost of the Coroners service (£0.600m in 2018/19), £0.147m towards Emergency planning (£0.144m in 2018/19) and £5.171m towards the Concessionary Fare Service (£4.104m in 2018/19) with a further £1.335m outstanding at year end.

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

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

|              | <b>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--------------|-------------------------|-------------------------|
| Allowances   | 793                     | 804                     |
| Expenses     | 8                       | 15                      |
| <b>Total</b> | <b>801</b>              | <b>819</b>              |



### 35a. Officers' Remuneration

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

|  |                | Salary, Fees and Allowances<br>£ | Pension Contribution<br>£ | Loss of Employment<br>£ | Total<br>£     |
|--|----------------|----------------------------------|---------------------------|-------------------------|----------------|
| Christine Durrant (Acting Chief Executive & Head of Paid Services) Started 19/03/2018. Left post 31/07/18      | 2019/20        | 0                                | 0                         | 0                       | 0              |
|  | 2018/19        | 55,771                           | 11,290                    | 0                       | 67,061         |
| Carole Mills (Chief Executive & Head of Paid Service) Started 01/08/18. Left post 29/02/2020                   | 2019/20        | 156,440                          | 31,661                    | 0                       | 188,101        |
|  | 2018/19        | 111,542                          | 22,575                    | 0                       | 134,117        |
| Paul Simpson (Chief Executive & Head of Paid Service) Started 23/01/2020                                       | 2019/20        | 32,364                           | 6,686                     | 0                       | 39,050         |
|  | 2018/19        | 0                                | 0                         | 0                       | 0              |
| Director of Public Health  | 2019/20        | 106,502                          | 20,880                    | 0                       | 127,382        |
|  | 2018/19        | 107,497                          | 21,147                    | 0                       | 128,644        |
| Acting Director of Public Health Started 31/10/19  | 2019/20        | 43,806                           | 6,268                     | 0                       | 50,074         |
|  | 2018/19        | 0                                | 0                         | 0                       | 0              |
| Strategic Director of People Services  | 2019/20        | 141,733                          | 29,406                    | 0                       | 171,139        |
|  | 2018/19        | 134,595                          | 27,246                    | 0                       | 161,841        |
| Interim Strategic Director of Corporate Resources (section 151 officer) - Start 01/02/2018. Left post 07/08/19 | 2019/20        | 60,920                           | 0                         | 0                       | 60,920         |
|  | 2018/19        | 163,822                          | 0                         | 0                       | 163,822        |
| Strategic Director of Corporate Resources (section 151 officer) - Started 01/08/19. Left post 23/01/2020       | 2019/20        | 53,453                           | 11,158                    | 0                       | 64,611         |
|  | 2018/19        | 0                                | 0                         | 0                       | 0              |
| Director of Financial Services (section 151 officer) - Started 23/01/2020                                      | 2019/20        | 12,783                           | 2,588                     | 0                       | 15,371         |
|  | 2018/19        | 0                                | 0                         | 0                       | 0              |
| Strategic Director of Communities and Places. Left post 30/06/19   | 2019/20        | 42,255                           | 6,695                     | 20,000                  | 68,950         |
|  | 2018/19        | 84,577                           | 17,121                    | 0                       | 101,698        |
| Strategic Director of Communities and Places. Started 03/09/19   | 2019/20        | 76,212                           | 15,428                    | 0                       | 91,640         |
|  | 2018/19        | 0                                | 0                         | 0                       | 0              |
| <b>TOTAL</b>   | <b>2019/20</b> | <b>726,468</b>                   | <b>130,770</b>            | <b>20,000</b>           | <b>877,238</b> |
|  | <b>2018/19</b> | <b>657,804</b>                   | <b>99,379</b>             | <b>0</b>                | <b>757,183</b> |

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

| Remuneration Band   | 2018/19<br>Number of employees | 2019/20<br>Number of employees |
|---------------------|--------------------------------|--------------------------------|
| £50,000 - £54,999   | 52                             | 57                             |
| £55,000 - £59,999   | 44                             | 33                             |
| £60,000 - £64,999   | 50                             | 29                             |
| £65,000 - £69,999   | 19                             | 34                             |
| £70,000 - £74,999   | 7                              | 7                              |
| £75,000 - £79,999   | 6                              | 7                              |
| £80,000 - £84,999   | 11                             | 5                              |
| £85,000 - £89,999   | 1                              | 8                              |
| £90,000 - £94,999   | 2                              | 2                              |
| £95,000 - £99,999   | 1                              | 1                              |
| £100,000 - £104,999 | 0                              | 1                              |
| £105,000 - £109,999 | 0                              | 0                              |
| £110,000 - £114,999 | 1                              | 0                              |
| <b>Total</b>        | <b>194</b>                     | <b>184</b>                     |

**35c. Exit Costs**

| Exit package cost<br>band (including<br>special payments) | Head count<br>number of<br>compulsory<br>redundancies |           | Head count<br>number of other<br>departures<br>agreed |           | Total head<br>count by cost<br>band |           | Total cost of exit<br>packages in each<br>band |                |
|---|---|-----------|---|-----------|-------------------------------------|-----------|--|----------------|
|   | 2018/19   | 2019/20   | 2018/19   | 2019/20   | 2018/19                             | 2019/20   | 2018/19  | 2019/20        |
|   | £   | £         | £   | £         | £                                   | £         | £  | £              |
| £0-£20,000  | 11  | 46        | 58  | 42        | 69                                  | 88        | 432,814  | 595,087        |
| £20,001-£60,000   | 1   | 2         | 2   | 5         | 3                                   | 7         | 93,901   | 158,812        |
| <b>Total</b>  | <b>12</b>   | <b>48</b> | <b>60</b>   | <b>47</b> | <b>72</b>                           | <b>95</b> | <b>526,715</b>                                 | <b>753,899</b> |

### **36. Termination Benefits**

During 2019/20 the Council continued with the on-going voluntary redundancy programme to meet the reduced Council funding set by Central Government. This exercise resulted in 47 employees leaving the organisation during 2019/20.

The associated costs of this redundancy programme consisted of £0.371m redundancy payments (£0.455m in 2018/19) and £0.195m pension shortfall costs (£0.170m in 2018/19). 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 2019/20 the Council paid £6.736m to Teachers' Pensions in respect of teachers' retirement benefits representing 16.48% of pensionable pay until September 2019 and then 23.68% thereafter. The figures for 2018/19 were £7.359m and 16.48% of pensionable pay. Contributions for 2020/21 are expected to be £7.198m.

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 2019/20 the Council paid £0.099m 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 2018/19 were £0.091m and 14.38%. The Council expects to pay £0.095m to the NHS in 2020/21 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

|   | 2018/19        | 2019/20          |
|---|----------------|------------------|
| <b>Comprehensive Income and Expenditure Statement</b>   |                |                  |
| <b>Cost of Services:</b>  |                |                  |
| Current service cost  | 40,644         | 46,004           |
| Past service cost   | 5,203          | 577              |
| Settlements and Curtailments  | (6,009)        | (12,889)         |
| <b>Financing and Investment Income and Expenditure:</b>   |                |                  |
| Net interest expense  | 10,031         | 11,540           |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services  | 49,869         | 45,232           |
| <b>Remeasurement of the net defined benefit liability:</b>  |                |                  |
| Return on plan assets (excluding the amounts included in net interest)  | (24,572)       | (5,044)          |
| Actuarial gain and losses arising on changes in demographic assumptions   | 0              | (45,423)         |
| Actuarial gain and losses arising on changes in financial assumptions   | 108,505        | (107,535)        |
| Actuarial gain and losses arising from other experience   | 250            | (83,218)         |
| <b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>  | <b>134,052</b> | <b>(195,988)</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 | (11,442)       | (54,979)         |
| <b>Actual amount charged against the General Fund Balance for pensions in the year:</b>   |                |                  |
| Employers' contributions payable to scheme  | 44,436         | 3,142            |

The amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2020 is a Gain of £241.220m.

## 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:

|  | 2018/19<br>£000  | 2019/20<br>£000  |
|--|------------------|------------------|
| <b>Present value of the defined benefit obligation</b>       |                  |                  |
| Local Government Pension Scheme                              | (1,306,813)      | (1,109,762)      |
| Discretionary Benefits                                       | (37,156)         | (31,223)         |
| Fair value of assets in the Local Government Pension Scheme  | 877,417          | 873,563          |
|  |                  |                  |
| <b>Net liability arising from defined benefit obligation</b> |                  |                  |
| Local Government Pension Scheme                              | (429,396)        | (236,199)        |
| Discretionary Benefits                                       | (37,156)         | (31,223)         |
| <b>Total</b>   | <b>(466,552)</b> | <b>(267,422)</b> |

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

|   | 2018/19<br>£000    | 2019/20<br>£000    |
|---|--------------------|--------------------|
| <b>Opening balance at 1 April</b>   | <b>(1,193,041)</b> | <b>(1,343,969)</b> |
| Current service cost  | (40,644)           | (46,004)           |
| Settlements and Curtailments  | 13,805             | 23,989             |
| Interest cost   | (32,149)           | (32,249)           |
| Contributions from scheme participants                                    | (6,913)            | (6,618)            |
| <b>Remeasurement gains or losses:</b>                                     |                    |                    |
| Actuarial gains or losses arising from changes in demographic assumptions | 0                  | 45,423             |
| Actuarial gains or losses arising from changes in financial assumptions   | (108,505)          | 107,535            |
| Actuarial gains or losses arising from other experience                   | (250)              | 83,218             |
| Benefits paid   | 28,931             | 28,267             |
| Past services costs   | (5,203)            | (577)              |
| <b>Closing balance at 31 March</b>  | <b>(1,343,969)</b> | <b>(1,140,985)</b> |

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

|   | 2018/19<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| <b>Opening fair value of scheme assets at 1 April</b>                               | <b>816,105</b>  | <b>877,417</b>  |
| Interest income   | 22,118          | 20,709          |
| The return on plan assets excluding the amount included in the net interest expense | 24,572          | 5,044           |
| Contributions from employer   | 44,436          | 3,142           |
| Contributions from employees into the scheme  | 6,913           | 6,618           |
| Settlements and Curtailments  | (7,796)         | (11,100)        |
| Unfunded Benefits paid  | (2,037)         | (1,973)         |
| Benefits paid   | (26,894)        | (26,294)        |
| <b>Closing balance at 31 March</b>  | <b>877,417</b>  | <b>873,563</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 2019/20 was £25.753m. This is based on an actual gain of £5.044m and interest of £20.709m. The return for 2018/19 was £46.69m.

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £1.141m 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 £267.422m. 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

|  | 2018/19        |             | 2019/20        |             |
|--|----------------|-------------|----------------|-------------|
|  | £000           | %           | £000           | %           |
| <b>Quoted prices in active markets</b>     |                |             |                |             |
| Equity Investments                         |                |             |                |             |
| Consumer                                   | 53,300         | 6%          | 23,819         | 3%          |
| Manufacturing                              | 55,374         | 7%          | 13,624         | 2%          |
| Energy                                     | 38,784         | 5%          | 6,396          | 1%          |
| Financial Institutions                     | 42,727         | 5%          | 9,617          | 1%          |
| Health                                     | 27,800         | 3%          | 13,745         | 1%          |
| ICT  | 20,960         | 2%          | 20,466         | 2%          |
| Other                                      | 93,780         | 11%         | 72,420         | 8%          |
| Government Bonds                           | 81,746         | 10%         | 86,791         | 10%         |
| Other Bonds                                | 17,082         | 2%          | 21,860         | 2%          |
| Private Equity                             | 12,234         | 1%          | 10,343         | 1%          |
| Investment Funds - Equities                | 154,549        | 17%         | 267,954        | 31%         |
| Infrastructure                             | 13,833         | 2%          | 14,610         | 2%          |
|  |                |             |                |             |
|  |                |             |                |             |
| <b>Quoted prices not in active markets</b> |                |             |                |             |
| Corporate Bonds                            | 92,540         | 10%         | 110,547        | 13%         |
| Private Equity                             | 11,719         | 1%          | 18,795         | 2%          |
| Property                                   | 69,989         | 8%          | 76,774         | 9%          |
| Investment Funds - Infrastructure          | 21,299         | 3%          | 50,120         | 6%          |
| Cash                                       | 69,701         | 7%          | 55,684         | 6%          |
|  |                |             |                |             |
| <b>Total</b>                               | <b>877,417</b> | <b>100%</b> | <b>873,563</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 2020.

For 2019/20 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:

|   | 2018/19 | 2019/20 |
|---|---------|---------|
| Mortality assumptions:                  |         |         |
| Longevity at 65 for current pensioners: |         |         |
| Men                                     | 21.9    | 21.6    |
| Women                                   | 24.4    | 23.7    |
| Longevity at 65 for future pensioners:  |         |         |
| Men                                     | 23.9    | 22.6    |
| Women                                   | 26.5    | 25.1    |
| Rate of inflation CPI                   | 2.4%    | 1.9%    |
| Rate of increase in salaries            | 3.0%    | 2.6%    |
| Rate of increase in pensions            | 2.5%    | 2.5%    |
| Rate of discounting scheme liabilities  | 2.4%    | 1.9%    |

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model assuming that the current rate of improvement has reached a peak and will converge to a long term rate of 1.25%.

RPI is based on the Bank of England implied inflation curve as at 31 March 2020

CPI is assumed as RPI less 0.9%. A slight reduction from the 2019 accounting exercise of 1%.

## 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 2020       | Approximate % increase to employer liability | Approximate Monetary Amount £000 |
|--|--|----------------------------------|
| 0.5% decrease in real discount rate          | 10%  | 111,524                          |
| 0.5% increase in Salary Increase Rate        | 1%   | 10,426                           |
| <b>0.5% increase in the Pension Increase</b> | <b>9%</b>                                    | <b>100,174</b>                   |

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 2020.

|                   | Liability Split |
|-------------------|-----------------|
| Active members    | 37.9%           |
| Deferred members  | 23.3%           |
| Pensioner members | 38.8%           |
| <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 2021 are £21.739m.

## 39. Contingent Liabilities

As at 31 March 2020, 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 £18.955m as at 31 March 2020.

The Council remains in a national dispute relating to NHS Trusts requesting mandatory charitable Business Rates relief. The 'test case' was won by the LA's in December. As a test case, the decision binds all rating authorities and NHS trusts whether or not they were party to the action. However, an appeal has been brought by a number of the original claimants against the defendant LA's. The net effect of the appeal is that the matter remains live because just as at first instance, if the claimant's are successful on appeal, the decision will bind all LA's unless it's reversed. If the relief were to be granted, based upon the current business rates position for the two assessments potentially affected, this would represent an on-going annual impact on the Council's locally retained Business Rates revenue with potential for a back-dated element.

Given the current nature of the proceedings the Council believes that there are strong grounds for the appeal to be rejected and it has not been reflected as a provision in these accounts. However, because it remains remotely possible that the appeal is upheld and because the potential costs are so large, it is appropriate to continue to record the matter as a contingent liability.

## 40. Contingent Assets

The Council does not have any contingent assets in 2019/20 (nil in 2018/19).

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

| <b>2018/19</b>  |   | <b>2019/20</b>   |
|-----------------|---|------------------|
| <b>£000</b>     |   | <b>£000</b>      |
| (32,415)        | Depreciation and amortisation   | (34,895)         |
| (12,820)        | Impairment and downward valuations  | (3,647)          |
| (2,828)         | (Increase)/decrease in impairment for provision for bad debt                            | 268              |
| 11,026          | (Increase)/decrease in creditors  | (6,412)          |
| 18,085          | Increase/(decrease) in debtors  | (17,860)         |
| 215             | Increase/(decrease) in stock  | (1)              |
| (6,419)         | (Increase)/decrease in provisions   | 2,008            |
| (5,432)         | Pension liability   | (42,090)         |
| (73,882)        | Carrying amount of PP&E, investment property and intangible assets sold                 | (62,302)         |
| 16,706          | Other non-cash items charged to the net Surplus or Deficit on the Provision of Services | 10,067           |
| <b>(87,764)</b> | <b>Total Non-Cash Movements</b>   | <b>(154,864)</b> |

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

| <b>2018/19</b> |  | <b>2019/20</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| 10,078         | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 12,991         |
| 24,632         | Capital grants credited to surplus or deficit on provision of services                             | 23,233         |
| <b>34,710</b>  | <b>Total adjustments for items that are investing and financing activities</b>                     | <b>36,224</b>  |

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

The cash flows for operating activities include the following items:

| <b>2018/19</b> |                   | <b>2019/20</b> |
|----------------|-------------------|----------------|
| <b>£000</b>    |                   | <b>£000</b>    |
| (902)          | Interest Received | (434)          |
| 21,806         | Interest Paid     | 21,306         |
| <b>20,904</b>  |                   | <b>20,872</b>  |

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

| <b>2018/19<br/>£000</b> |  | <b>2019/20<br/>£000</b> |
|-------------------------|--|-------------------------|
| 58,171                  | Purchase of property, plant and equipment, investment property and intangible assets               | 72,107                  |
| (14,177)                | Proceeds from the sale of short and long term investments  | 8,986                   |
| (10,078)                | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (12,991)                |
| (44,828)                | Capital grants (cash) received   | (35,204)                |
| <b>(10,912)</b>         | <b>Net Cash Flows from Investing activities</b>  | <b>32,898</b>           |

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

| <b>2018/19<br/>£000</b> |  | <b>2019/20<br/>£000</b> |
|-------------------------|--|-------------------------|
| (280)                   | Cash receipts of short and long-term borrowing   | (20,000)                |
| 4,050                   | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts | 4,013                   |
| 11,569                  | Repayments of short- and long-term borrowing   | 13,090                  |
| <b>15,339</b>           | <b>Net cash flows from financing activities</b>  | <b>(2,897)</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<br/>£000</b> | <b>Inc<br/>£000</b> | <b>Net<br/>£000</b> |
|---|---------------------|---------------------|---------------------|
| Concessionary fares for public transport – English National Concessionary Travel Scheme for older and disabled people (and b-line scheme for young people) administered by Derbyshire County Council. | 5,215               | (5)                 | 5,210               |

## **47. Pooled Budgets**

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

The Council has entered into a pooled budget arrangement with the Southern Derbyshire CCG (SDCCG) for the provision of health and social care services to meet the needs of people living with the Derby City Council area.

2019/20 is the fourth year that the Council has operated a BCF pooled budget. The Authority and the CCG have an agreement in place for funding these services that runs annually. The arrangement is made in accordance with Section 75 of the National Health Service Act 2006. The Pooled budget is overseen by the Peoples Commissioning Board. The Board is made up of 6 members with equal representation from both parties. Both parties contribute funds to the pool which is hosted by Derby City Council on behalf partners in line with the agreement. The agreement contains several specific schemes for which the Council acts as Lead Commissioner. For these schemes the Council is directly responsible for commissioning providers and providing care services.

| <b>2018/19<br/>£000</b> |   | <b>2019/20<br/>£000</b> |
|-------------------------|---|-------------------------|
|                         | <b>Funding provided to the pooled budget:</b>                                       |                         |
| 10,565                  | Derby City Council  | 14,008                  |
| 21,297                  | NHS Southern Derbyshire CCG   | 17,647                  |
| <b>31,862</b>           |   | <b>31,655</b>           |
|                         |   |                         |
|                         | <b>Expenditure met from the pooled budget:</b>                                      |                         |
| 22,308                  | Derby City Council  | 26,268                  |
| 9,554                   | NHS Southern Derbyshire CCG   | 5,387                   |
| <b>31,862</b>           |   | <b>31,655</b>           |
|                         |   |                         |
| <b>0</b>                | <b>Net surplus / (deficit) arising from pooled budget:</b>                          | <b>0</b>                |
|                         |   |                         |
| <b>0</b>                | <b>Derby City Council share net surplus / (deficit) arising from pooled budget:</b> | <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>2018/19<br/>£000</b> |   | <b>2019/20<br/>£000</b> |
|-------------------------|---|-------------------------|
|                         | Balance at start of year:                   |                         |
| 5,096                   | Gross Carrying Amounts                      | 7,175                   |
| (4,901)                 | Accumulated Amortisation                    | (5,059)                 |
| <b>195</b>              | <b>Net Carrying Amount at Start of Year</b> | <b>2,116</b>            |
|                         |   |                         |
| 2,079                   | Recategorisations                           | 0                       |
| (158)                   | Amortisation for the Year                   | (716)                   |
|                         |   |                         |
|                         | Balance at end of year:                     |                         |
| 7,175                   | Gross Carrying Amounts                      | 7,175                   |
| (5,059)                 | Accumulated Amortisation                    | (5,775)                 |
| <b>2,116</b>            | <b>Net Carrying Amount at end of year</b>   | <b>1,400</b>            |

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.716m charged to revenue in 2019/20 was charged as an overhead across the relevant service headings:

| <b>2018/19<br/>£000</b> |  | <b>2019/20<br/>£000</b> |
|-------------------------|--|-------------------------|
| 158                     | Corporate and Democratic Core          | 716                     |
|                         |  |                         |
| <b>158</b>              | <b>Total Amortisation for the Year</b> | <b>716</b>              |

## **49. Trust Funds**

Derby City Council administers a number of Trust Funds. Some of these are 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>2018/19<br/>£000</b> | <b>Aggregate Revenue Account</b>  | <b>2019/20<br/>£000</b> |
|-------------------------|-----------------------------------|-------------------------|
| 2,815                   | Opening balance 1 April           | 3,686                   |
| 1,154                   | Income during the year            | 1,936                   |
| <b>3,969</b>            | Total Funds available in the year | <b>5,622</b>            |
| (283)                   | Expenditure during the year       | (1,710)                 |
| <b>3,686</b>            | <b>Closing balance 31 March</b>   | <b>3,912</b>            |

| <b>2018/19<br/>£000</b> | <b>The funds are represented by:</b> | <b>2019/20<br/>£000</b> |
|-------------------------|--------------------------------------|-------------------------|
|                         | <b>Investments</b>                   |                         |
| 280                     | COIF Charity Funds                   | 273                     |
| 25                      | Building Society Deposits            | 31                      |
| 3,381                   | Cash                                 | 3,608                   |
| <b>3,686</b>            | <b>Total Assets</b>                  | <b>3,912</b>            |
| <b>27</b>               | <b>Number of Funds</b>               | <b>27</b>               |

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

The Housing Revenue Account (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>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--|-------------------------|-------------------------|
| <b>Expenditure</b>   |                         |                         |
| Repairs and Maintenance  | 16,464                  | 16,806                  |
| Supervision and Management   | 14,243                  | 15,684                  |
| Special Services   | 1,423                   | 1,571                   |
| Depreciation and impairments of non-current assets   | 20,695                  | 9,295                   |
| Debt Management costs  | 101                     | 76                      |
| Movement in allowance for bad debts  | 472                     | 738                     |
| <b>Total Expenditure</b>   | <b>53,398</b>           | <b>44,170</b>           |
| <b>Income</b>  |                         |                         |
| Dwelling rents   | (52,593)                | (52,522)                |
| Non dwelling rents   | (510)                   | (558)                   |
| Charges for Services and facilities  | (5,374)                 | (5,720)                 |
| Contributions towards expenditure  | (177)                   | (174)                   |
| <b>Total Income</b>  | <b>(58,654)</b>         | <b>(58,974)</b>         |
| <b>Net cost/(income) of HRA Services as included in the Comprehensive Income and Expenditure account</b>                 | <b>(5,256)</b>          | <b>(14,804)</b>         |
| HRA services share of Corporate and Democratic Core  | 86                      | 108                     |
| <b>Net (Income)/Expenditure for HRA Services</b>   | <b>(5,170)</b>          | <b>(14,696)</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   | (1,830)                 | (2,083)                 |
| Interest payable and similar charges   | 11,015                  | 10,283                  |
| Interest and Investment income   | (166)                   | (394)                   |
| <b>(Surplus) / Deficit for the year on HRA services</b>  | <b>3,849</b>            | <b>(6,890)</b>          |



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

| <b>Movement on the Housing Revenue Account Balance Statement</b>   | <b>2018/19</b>  | <b>2019/20</b>  |
|--|-----------------|-----------------|
|  | <b>£000</b>     | <b>£000</b>     |
| <b>Balance on the HRA at the end of the previous year</b>  | <b>(47,049)</b> | <b>(47,310)</b> |
| (Surplus) or deficit for the year on the HRA income and expenditure statement  | 3,849           | (6,890)         |
| <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     | (34)            | (49)            |
| Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with Statute | 7               | (1)             |
| Gain or loss on sale of HRA non-current assets   | 1,830           | 2,083           |
| HRA share of contributions to or from the Pensions Reserve   | 9               | (143)           |
| Capital expenditure funded by the HRA  | 6               | 0               |
| <b>Net (Increase) or decrease before transfers to/from reserves</b>  | <b>5,667</b>    | <b>(5,000)</b>  |
|  |                 |                 |
| <b>Transfers (to) or from reserves:</b>  |                 |                 |
| Transfers (to)/from the Capital Adjustment Account   | (5,928)         | 5,682           |
| Transfers (to)/from other Earmarked Reserves   | 0               | (683)           |
| <b>Increase or (decrease) in year on the HRA</b>   | <b>(261)</b>    | <b>(1)</b>      |
| <b>Balance on the HRA at the end of the current year</b>   | <b>(47,310)</b> | <b>(47,311)</b> |

## **NOTES TO HOUSING REVENUE ACCOUNT**

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

| <b>Dwelling Type</b> | <b>31 March 2019</b> | <b>31 March 2020</b> |
|----------------------|----------------------|----------------------|
|                      |                      |                      |
| Houses               | 7,170                | 7,075                |
| Flats                | 4,266                | 4,236                |
| Bungalows            | 1,373                | 1,380                |
|                      |                      |                      |
| <b>Total</b>         | <b>12,809</b>        | <b>12,691</b>        |

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

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

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

|                          | <b>31 March 2019<br/>£000</b> | <b>31 March 2020<br/>£000</b> |
|--------------------------|-------------------------------|-------------------------------|
|                          |                               |                               |
| Dwellings                | 500,322                       | 496,488                       |
| Other Land and Buildings | 17,824                        | 19,222                        |
| Infrastructure           | 1,550                         | 1,501                         |
| Community Assets         | 53                            | 35                            |
|                          |                               |                               |
|                          | <b>519,749</b>                | <b>517,246</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 2018/19).

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

|                                 | <b>31 March 2019<br/>£000</b> | <b>31 March 2020<br/>£000</b> |
|---------------------------------|-------------------------------|-------------------------------|
|                                 |                               |                               |
| Surplus properties              | 4,418                         | 4,738                         |
| Construction & Work in progress | 2,895                         | 5,703                         |
|                                 |                               |                               |
|                                 | <b>7,313</b>                  | <b>10,441</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 2019/20 is 42% (42% for the East Midlands in 2018/19). At 1st April 2019, applying a 42% regional multiplier, the council recognises council dwellings at a value of £500m (£497.2m at 1st April 2018) on the balance sheet. The vacant possession value of council dwellings at the 1st April 2019 was £1.19bn (£1.18bn as 1st April 2018).

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>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---|-------------------------|-------------------------|
| Balance at beginning of the year  | (6,280)                 | (6,589)                 |
| Posting of revenue resource to/(from) HRA for Major Repairs Reserve         | (14,766)                | (14,979)                |
|   | <b>(21,046)</b>         | <b>(21,568)</b>         |
| Debit to MRA in respect of capital expenditure on properties within the HRA | 14,457                  | 18,683                  |
| <b>Balance at end of Year</b>   | <b>(6,589)</b>          | <b>(2,885)</b>          |

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

|                                  | <b>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|----------------------------------|-------------------------|-------------------------|
| <b>Expenditure</b>               |                         |                         |
| Council Dwellings                | 14,233                  | 19,378                  |
| Assets Under Construction*       | 2,677                   | 2,993                   |
| Surplus                          | 0                       | 222                     |
| <b>Total Capital Expenditure</b> | <b>16,910</b>           | <b>22,593</b>           |
|                                  |                         |                         |
| <b>Sources of Funding</b>        |                         |                         |
| Capital Receipts                 | 2,453                   | 3,910                   |
| Major Repairs Reserve            | 14,457                  | 18,683                  |
| <b>Balance at end of Year</b>    | <b>16,910</b>           | <b>22,593</b>           |

\*The previous year has been restated due to incorrect classification of assets under construction expenditure

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

|                       | <b>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|-----------------------|-------------------------|-------------------------|
| Dwellings             | 9,684                   | 9,484                   |
| <b>Total Receipts</b> | <b>9,684</b>            | <b>9,484</b>            |

The Capital receipts figure in this note is gross and is prior to the allowable deduction of £0.220m capital pooling administration expenditure.

#### **5. Depreciation**

|                                      | <b>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--------------------------------------|-------------------------|-------------------------|
| <b>Operational</b>                   |                         |                         |
| Council Dwellings                    | 14,303                  | 14,490                  |
| Other operational land and buildings | 397                     | 423                     |
| Infrastructure                       | 48                      | 48                      |
| Community Assets                     | 18                      | 18                      |
| <b>Total Depreciation HRA</b>        | <b>14,766</b>           | <b>14,979</b>           |
|                                      |                         |                         |
| <b>Net Charge to HRA</b>             | <b>14,766</b>           | <b>14,979</b>           |

## 6. Impairment and Revaluation Losses

The HRA impairment charges are summarised below:

|  | Asset Category            |                                  |                        |                                   |
|--|---------------------------|----------------------------------|------------------------|-----------------------------------|
|  | Council Dwellings<br>£000 | Other Land and Buildings<br>£000 | Surplus Assets<br>£000 | Assets Under Construction<br>£000 |
| <b>HRA Impairment Charges 2018/19</b>  |                           |                                  |                        |                                   |
| Impairment charge recognised against Cost/ Valuation                           | 7,715                     | 325                              | 20                     | 35                                |
| <b>Total HRA Impairment charges</b>  | <b>7,715</b>              | <b>325</b>                       | <b>20</b>              | <b>35</b>                         |
|  |                           |                                  |                        |                                   |
| Impairments charged directly to Revaluation Reserve                            | 712                       | 259                              | 0                      | 0                                 |
| Impairments and revaluation losses charged to HRA Income & Expenditure Account | 7,003                     | 66                               | 20                     | 35                                |
|  | <b>7,715</b>              | <b>325</b>                       | <b>20</b>              | <b>35</b>                         |

|  | Asset Category            |                                  |                        |                                   |
|--|---------------------------|----------------------------------|------------------------|-----------------------------------|
|  | Council Dwellings<br>£000 | Other Land and Buildings<br>£000 | Surplus Assets<br>£000 | Assets Under Construction<br>£000 |
| <b>HRA Impairment Charges 2019/20</b>  |                           |                                  |                        |                                   |
| Impairment charge recognised against Cost/ Valuation                           | 21,640                    | 0                                | 84                     | 0                                 |
| <b>Total HRA Impairment charges</b>  | <b>21,640</b>             | <b>0</b>                         | <b>84</b>              | <b>0</b>                          |
|  |                           |                                  |                        |                                   |
| Impairments charged directly to Revaluation Reserve                            | 21,495                    | 0                                | 62                     | 0                                 |
| Impairments and revaluation losses charged to HRA Income & Expenditure Account | 145                       | 0                                | 22                     | 0                                 |
|  | <b>21,640</b>             | <b>0</b>                         | <b>84</b>              | <b>0</b>                          |

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

There has been no Revenue Expenditure Funded from Capital under Statute attributable to the HRA for 2019/20 (nil in 2018/19).

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

|  | <b>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--|-------------------------|-------------------------|
| <b>Amount of rent arrears</b>                                    | <b>3,902</b>            | <b>3,839</b>            |
| <b>Balance sheet provision in respect of uncollectable debts</b> | <b>3,529</b>            | <b>3,407</b>            |

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

|   | <b>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---|-------------------------|-------------------------|
| Current Service Cost  | 100                     | 154                     |
| Reversal of net charges made to the Surplus or Deficit for the Provision of services for post employment benefits in accordance with the Code | (109)                   | (11)                    |
| <b>HRA share of Contributions to/from the Pensions Reserve</b>  | <b>(9)</b>              | <b>143</b>              |

## THE COLLECTION FUND

| Business Rates<br>£000 | Council Tax<br>£000 | Total<br>2018/19<br>£000 | INCOME AND EXPENDITURE                              | Business Rates<br>£000 | Council Tax<br>£000 | Total<br>2019/20<br>£000 |
|------------------------|---------------------|--------------------------|---|------------------------|---------------------|--------------------------|
|                        |                     |                          | <b>Income:</b>                                      |                        |                     |                          |
| 0                      | (113,310)           | (113,310)                | Council Tax   | 0                      | (119,841)           | (119,841)                |
| (93,228)               | 0                   | (93,228)                 | Business Rates                                      | (93,439)               | 0                   | (93,439)                 |
|                        |                     |                          |   |                        |                     |                          |
| <b>(93,228)</b>        | <b>(113,310)</b>    | <b>(206,538)</b>         | <b>Total Income</b>                                 | <b>(93,439)</b>        | <b>(119,841)</b>    | <b>(213,280)</b>         |
|                        |                     |                          |   |                        |                     |                          |
|                        |                     |                          | <b>Expenditure:</b>                                 |                        |                     |                          |
|                        |                     |                          | <b>Precepts and Demands</b>                         |                        |                     |                          |
| 0                      | 0                   | 0                        | Payment to National Pool                            | 45,267                 | 0                   | 45,267                   |
| 93,502                 | 93,027              | 186,529                  | Derby City Council                                  | 44,397                 | 97,323              | 141,720                  |
| 0                      | 13,022              | 13,022                   | Derbyshire Police Precept                           | 0                      | 14,876              | 14,876                   |
| 944                    | 5,053               | 5,997                    | Fire Precept  | 906                    | 5,235               | 6,141                    |
|                        |                     |                          |   |                        |                     |                          |
|                        |                     |                          | <b>Charges to the Collection Fund:</b>              |                        |                     |                          |
| 319                    | 0                   | 319                      | Costs of Collection                                 | 318                    | 0                   | 318                      |
| 1,292                  | 1,973               | 3,265                    | Write offs  | 883                    | 1,065               | 1,948                    |
| (469)                  | 460                 | (9)                      | Increase / (Decrease) in bad debt provision         | 838                    | 1,670               | 2,508                    |
| 3,109                  | 0                   | 3,109                    | Increase / (Decrease) in appeals provision          | 4,442                  | 0                   | 4,442                    |
| 850                    | 0                   | 850                      | Disregarded Amounts                                 | 847                    | 0                   | 847                      |
|                        |                     |                          |   |                        |                     |                          |
|                        |                     |                          | <b>Transfer of previous years estimated surplus</b> |                        |                     |                          |
| (1,947)                | 0                   | (1,947)                  | Central Government                                  | 245                    | 0                   | 245                      |
| (1,908)                | 0                   | (1,908)                  | Derby City Council                                  | (6,247)                | 588                 | (5,659)                  |
| 0                      | 0                   | 0                        | Derbyshire Police Authority                         | 0                      | 82                  | 82                       |
| (39)                   | 0                   | (39)                     | Derbyshire Fire Authority                           | (61)                   | 32                  | (29)                     |
|                        |                     |                          |   |                        |                     |                          |
| <b>95,653</b>          | <b>113,535</b>      | <b>209,188</b>           | <b>Total Expenditure</b>                            | <b>91,835</b>          | <b>120,871</b>      | <b>212,706</b>           |
| 2,425                  | 225                 | 2,650                    | (Surplus) / Deficit for the year                    | (1,604)                | 1,030               | (574)                    |
| 3,402                  | 221                 | 3,623                    | (Surplus) / Deficit brought forward                 | 5,827                  | 446                 | 6,273                    |
| <b>5,827</b>           | <b>446</b>          | <b>6,273</b>             | <b>(Surplus) / Deficit at the end of the year</b>   | <b>4,223</b>           | <b>1,476</b>        | <b>5,699</b>             |
|                        |                     |                          |   |                        |                     |                          |
|                        |                     |                          | <b>Share of Collection Fund</b>                     |                        |                     |                          |
| (245)                  | 0                   | (245)                    | Central Government                                  | 2,211                  | 0                   | 2,211                    |
| 6,014                  | 374                 | 6,388                    | Derby City Council                                  | 1,969                  | 1,224               | 3,193                    |
| 0                      | 52                  | 52                       | Derbyshire Police Authority                         | 0                      | 187                 | 187                      |
| 58                     | 20                  | 78                       | Derbyshire Fire Authority                           | 43                     | 65                  | 108                      |
|                        |                     |                          |   |                        |                     |                          |
| <b>5,827</b>           | <b>446</b>          | <b>6,273</b>             | <b>(Surplus) / Deficit at the end of the year</b>   | <b>4,223</b>           | <b>1,476</b>        | <b>5,699</b>             |

## **NOTES TO THE COLLECTION FUND**

### **1. Council Tax**

The Council's tax base for 2019/20 was 68,679.00, (67,610.42 in 2018/19). 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<br/>Equivalent<br/>Dwellings</b> |
|------------------------------------|--------------|--|
| A                                  | 6/9          | 26,439.29                                  |
| B                                  | 7/9          | 13,749.73                                  |
| C                                  | 8/9          | 12,736.87                                  |
| D                                  | 9/9          | 7,730.08                                   |
| E                                  | 11/9         | 5,127.05                                   |
| F                                  | 13/9         | 3,140.22                                   |
| G                                  | 15/9         | 973.89                                     |
| H                                  | 18/9         | 40.75                                      |
|                                    |              |  |
|                                    |              | <b>69,937.88</b>                           |
|                                    |              |  |
| Less adjustment for non-collection |              | (1,258.88)                                 |
|                                    |              |  |
| <b>Council Tax Base</b>            |              | <b>68,679.00</b>                           |

The Council collects council tax on behalf of the preceptors. The Council's local share is 84% and the remainder is distributed to Derbyshire Fire and Rescue Service (4%) and the Police and Crime Commissioner (12%).

### **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 2020 was £230.295m (£229.535m in 2018/19).

The national non-domestic multiplier for 2019/20 was 50.4p (49.3p in 2018/19).



## **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 2019<br/>£000</b> |                                      | <b>31 March 2020<br/>£000</b> |
|-------------------------------|--------------------------------------|-------------------------------|
| 1,169,527                     | Property, Plant & Equipment          | 1,157,064                     |
| 76,200                        | Heritage Assets                      | 76,234                        |
| 4,140                         | Investment Property                  | 4,073                         |
| 2,116                         | Intangible Assets                    | 1,400                         |
| 325                           | Long Term Investments                | 325                           |
| 11,926                        | Long Term Debtors                    | 9,916                         |
| <b>1,264,234</b>              | <b>Long Terms Assets</b>             | <b>1,249,012</b>              |
| 20,070                        | Short Term Investments               | 29,056                        |
| 2,525                         | Assets Held for Sale                 | 905                           |
| 1,671                         | Inventories                          | 2,300                         |
| 56,956                        | Short Term Debtors                   | 41,478                        |
| 59,518                        | Cash and Cash Equivalents            | 55,237                        |
| <b>140,740</b>                | <b>Current Assets</b>                | <b>128,976</b>                |
| (15,232)                      | Short Term Borrowing                 | (24,450)                      |
| (3,899)                       | Short Term Finance Lease Liabilities | (4,321)                       |
| (50,056)                      | Short Term Creditors                 | (64,953)                      |
| (8,000)                       | Provisions                           | (7,531)                       |
| <b>(77,187)</b>               | <b>Current Liabilities</b>           | <b>(101,255)</b>              |
| (87,436)                      | Long Term Finance Lease Liabilities  | (84,711)                      |
| (1,609)                       | Provisions                           | (70)                          |
| (342,280)                     | Long Term Borrowing                  | (339,947)                     |
| (499,793)                     | Other Long Term Liabilities          | (286,695)                     |
| (31,537)                      | Capital Grants Receipts in Advance   | (33,439)                      |
| <b>(962,655)</b>              | <b>Long Term Liabilities</b>         | <b>(744,862)</b>              |
| <b>365,132</b>                | <b>Net Assets</b>                    | <b>531,871</b>                |
| (253,285)                     | Usable Reserves                      | (235,596)                     |
| (111,847)                     | Unusable Reserves                    | (296,275)                     |
| <b>(365,132)</b>              | <b>Total Reserves</b>                | <b>(531,871)</b>              |

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

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

| <b>2018/19</b>                    |                              |                     |  | <b>2019/20</b>                    |                              |                     |
|-----------------------------------|------------------------------|---------------------|--|-----------------------------------|------------------------------|---------------------|
| <b>Gross Expenditure<br/>£000</b> | <b>Gross Income<br/>£000</b> | <b>Net<br/>£000</b> |  | <b>Gross Expenditure<br/>£000</b> | <b>Gross Income<br/>£000</b> | <b>Net<br/>£000</b> |
| 354,739                           | (216,315)                    | 138,424             | People Services  | 359,485                           | (186,113)                    | 173,372             |
| 99,069                            | (34,874)                     | 64,195              | Communities and Place  | 112,996                           | (36,610)                     | 76,386              |
| 127,071                           | (93,448)                     | 33,623              | Corporate Resources  | 114,683                           | (82,668)                     | 32,015              |
| 987                               | (908)                        | 79                  | Corporate  | 1,293                             | (9,681)                      | (8,388)             |
| 53,484                            | (58,654)                     | (5,170)             | Local authority housing (HRA)  | 44,278                            | (58,974)                     | (14,696)            |
| (5,232)                           | 5,712                        | 480                 | Derby Homes  | (5,119)                           | 6,247                        | 1,128               |
| <b>630,118</b>                    | <b>(398,487)</b>             | <b>231,631</b>      | <b>Cost of Services</b>  | <b>627,616</b>                    | <b>(367,799)</b>             | <b>259,817</b>      |
| 75,225                            | (10,078)                     | 65,147              | Other operating expenditure  | 63,565                            | (12,991)                     | 50,574              |
| 54,561                            | (23,494)                     | 31,067              | Financing and investment income and expenditure  | 54,578                            | (21,708)                     | 32,870              |
| 37                                | (257,806)                    | (257,769)           | Taxation and non-specific grant income   | 14                                | (246,795)                    | (246,781)           |
| <b>759,941</b>                    | <b>(689,865)</b>             | <b>70,076</b>       | <b>(Surplus) or Deficit on Provision of Services</b>   | <b>745,773</b>                    | <b>(649,293)</b>             | <b>96,480</b>       |
|                                   |                              | (16,095)            | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets                    |                                   |                              | (4,131)             |
|                                   |                              | 249                 | Impairment losses on non-current assets charged to the Revaluation Reserve                     |                                   |                              | 313                 |
|                                   |                              | 9                   | Gains and losses arising from the derecognition of financial assets measured at amortised cost |                                   |                              | 0                   |
|                                   |                              | 92,631              | Remeasurement of the net defined benefit liability   |                                   |                              | (259,401)           |
|                                   |                              | <b>76,794</b>       | <b>* Other Comprehensive (Income) and Expenditure</b>  |                                   |                              | <b>(263,219)</b>    |
|                                   |                              | <b>146,870</b>      | <b>Total</b>   |                                   |                              | <b>(166,739)</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.

**2018/19**

|   | General Fund<br>Balance<br>restated | Housing<br>Revenue<br>Account | Capital<br>Receipts<br>Reserve | Major Repairs<br>Reserve | Capital Grants<br>Unapplied | Total Usable<br>Reserves | Unusable<br>Reserves<br>restated | Total Council<br>Reserves | Council's share<br>of Reserves of<br>subsidiary | Total Group<br>Reserves |
|---|-------------------------------------|-------------------------------|--------------------------------|--------------------------|-----------------------------|--------------------------|----------------------------------|---------------------------|---|-------------------------|
|   | £000                                | £000                          | £000                           | £000                     | £000                        | £000                     | £000                             | £000                      | £000  | £000                    |
| <b>Balance at 31 March 2018<br/>brought forward</b>                                   | (121,075)                           | (47,734)                      | (30,988)                       | (6,279)                  | (33,208)                    | (239,284)                | (277,947)                        | (517,231)                 | 5,230   | (512,001)               |
| <b>Movement in Reserves during<br/>2018/19</b>  |                                     |                               |                                |                          |                             |                          |                                  |                           |   |                         |
| Total Comprehensive Income and<br>Expenditure   | 64,945                              | 3,850                         | 0                              | 0                        | 0                           | 68,795                   | 68,346                           | 137,141                   | 9,728   | 146,869                 |
| Adjustments between accounting<br>basis & funding basis under<br>regulations (Note 7) | (64,753)                            | (4,117)                       | 1,560                          | (309)                    | 2,747                       | (64,872)                 | 64,872                           | 0                         | 0   | 0                       |
| <b>(Increase)/ Decrease in 2018/19</b>  | <b>192</b>                          | <b>(267)</b>                  | <b>1,560</b>                   | <b>(309)</b>             | <b>2,747</b>                | <b>3,923</b>             | <b>133,218</b>                   | <b>137,141</b>            | <b>9,728</b>                                    | <b>146,869</b>          |
| <b>Balance at 31 March 2019 carried<br/>forward</b>                                   | <b>(120,883)</b>                    | <b>(48,001)</b>               | <b>(29,428)</b>                | <b>(6,588)</b>           | <b>(30,461)</b>             | <b>(235,361)</b>         | <b>(144,729)</b>                 | <b>(380,090)</b>          | <b>14,958</b>                                   | <b>(365,132)</b>        |

2019/20

|   | General Fund<br>Balance | Housing<br>Revenue<br>Account | Capital Receipts<br>Reserve | Major Repairs<br>Reserve | Capital Grants<br>Unapplied | Total Usable<br>Reserves | Unusable<br>Reserves | Total Council<br>Reserves | Council's share<br>of Reserves of<br>subsidiary | Total Group<br>Reserves |
|---|-------------------------|-------------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|----------------------|---------------------------|---|-------------------------|
|   | £000                    | £000                          | £000                        | £000                     | £000                        | £000                     | £000                 | £000                      | £000  | £000                    |
| <b>Balance at 31 March 2019<br/>brought forward</b>                                   | (120,883)               | (48,001)                      | (29,428)                    | (6,588)                  | (30,461)                    | (235,361)                | (144,729)            | (380,090)                 | 14,958  | (365,132)               |
| <b>Movement in Reserves during<br/>2019/20</b>  |                         |                               |                             |                          |                             |                          |                      |                           |   |                         |
| Total Comprehensive Income and<br>Expenditure   | 101,236                 | (6,890)                       | 0                           | 0                        | 0                           | 94,346                   | (245,038)            | (150,692)                 | (16,047)  | (166,739)               |
| Adjustments between accounting<br>basis & funding basis under<br>regulations (Note 7) | (81,971)                | 7,573                         | (2,849)                     | 3,704                    | (994)                       | (74,537)                 | 74,537               | 0                         | 0   | 0                       |
| <b>(Increase)/ Decrease in 2019/20</b>  | <b>19,265</b>           | <b>683</b>                    | <b>(2,849)</b>              | <b>3,704</b>             | <b>(994)</b>                | <b>19,809</b>            | <b>(170,501)</b>     | <b>(150,692)</b>          | <b>(16,047)</b>                                 | <b>(166,739)</b>        |
| <b>Balance at 31 March 2020 carried<br/>forward</b>                                   | <b>(101,618)</b>        | <b>(47,318)</b>               | <b>(32,277)</b>             | <b>(2,884)</b>           | <b>(31,455)</b>             | <b>(215,552)</b>         | <b>(315,230)</b>     | <b>(530,782)</b>          | <b>(1,089)</b>                                  | <b>(531,871)</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>2018/19<br/>£000</b> |   | <b>2019/20<br/>£000</b> |
|-------------------------|---|-------------------------|
| 70,076                  | Net (surplus) or deficit on the provision of services   | 96,480                  |
| (95,660)                | Adjustments to net surplus or deficit on the provision of services for non-cash movements   | (159,227)               |
| 34,710                  | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 36,224                  |
| <b>9,126</b>            | <b>Net cash flows from Operating Activities</b>   | <b>(26,523)</b>         |
| (10,660)                | Investing Activities  | 33,487                  |
| 15,390                  | Financing Activities  | (2,683)                 |
| <b>13,856</b>           | <b>Net (increase) or decrease in cash and cash equivalents</b>  | <b>4,281</b>            |
| 73,374                  | Cash and cash equivalents at the beginning of the reporting period  | 59,518                  |
| <b>59,518</b>           | <b>Cash and cash equivalents at the end of the reporting period</b>   | <b>55,237</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>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---|-------------------------|-------------------------|
| <b>Comprehensive Income and Expenditure Statement</b>   |                         |                         |
| <b>Cost of Services:</b>  |                         |                         |
| Current service cost  | 45,723                  | 52,349                  |
| Past service cost   | 5,827                   | 577                     |
| Settlements and curtailments  | (6,009)                 | (12,889)                |
| <b>Financing and Investment Income and Expenditure:</b>   |                         |                         |
| Net interest expense  | 10,633                  | 12,372                  |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services  | 56,174                  | 52,409                  |
| <b>Remeasurement of the net defined benefit liability:</b>  |                         |                         |
| Return on plan assets (excluding the amounts included in net interest)  | (26,860)                | 1,509                   |
| Actuarial gain and losses arising on changes in demographic assumptions   | 0                       | (49,835)                |
| Actuarial gain and losses arising on changes in financial assumptions   | 119,241                 | (121,088)               |
| Actuarial gain and losses arising from other experience   | 250                     | (89,987)                |
| <b>Total Post Employment Benefit Charged to the Comprehensive and Expenditure Statement</b>   | <b>148,805</b>          | <b>(206,992)</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 | (15,025)                | (59,233)                |
| <b>Actual amount charged against the General Fund Balance</b>   |                         |                         |
| Employers' contributions payable to scheme  | 47,158                  | 6,065                   |

## Pension Assets and Liabilities Recognised in the Balance Sheet

|  | 2018/19<br>£000  | 2019/20<br>£000  |
|--|------------------|------------------|
| <b>Present value of the defined benefit obligation</b>       |                  |                  |
| Local Government Pension Scheme                              | (1,422,147)      | (1,208,990)      |
| Discretionary Benefits                                       | (37,156)         | (31,223)         |
| Fair value of assets in the Local Government Pension Scheme  | 959,869          | 953,836          |
|  |                  |                  |
| <b>Net liability arising from defined benefit obligation</b> |                  |                  |
| Local Government Pension Scheme                              | (462,278)        | (255,154)        |
| Discretionary Benefits                                       | (37,156)         | (31,223)         |
| <b>Total</b>   | <b>(499,434)</b> | <b>(286,377)</b> |

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

|   | 2018/19<br>£000    | 2019/20<br>£000    |
|---|--------------------|--------------------|
| <b>Opening balance at 1 April</b>   | <b>(1,289,473)</b> | <b>(1,459,303)</b> |
| Current service cost  | (45,723)           | (52,349)           |
| Settlements and curtailments  | 13,805             | 23,989             |
| Interest cost   | (34,824)           | (35,092)           |
| Contributions from scheme participants                                    | (7,754)            | (7,523)            |
| <b>Remeasurement gains or losses:</b>                                     |                    |                    |
| Actuarial gains or losses arising from changes in demographic assumptions | 0                  | 49,835             |
| Actuarial gains or losses arising from changes in financial assumptions   | (119,241)          | 121,088            |
| Actuarial gains or losses arising from other experience                   | (250)              | 89,987             |
| Benefits paid   | 29,984             | 29,732             |
| Past services costs   | (5,827)            | (577)              |
| <b>Closing balance at 31 March</b>  | <b>(1,459,303)</b> | <b>(1,240,213)</b> |



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

|   | 2018/19<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| <b>Opening fair value of scheme assets at 1 April</b>                               | <b>891,686</b>  | <b>959,869</b>  |
| Interest income   | 24,191          | 22,720          |
| The return on plan assets excluding the amount included in the net interest expense | 26,860          | (1,509)         |
| Contributions from employer   | 47,158          | 6,065           |
| Contributions from employees into the scheme  | 7,754           | 7,523           |
| Settlements and curtailments  | (7,796)         | (11,100)        |
| Unfunded benefits paid  | (2,037)         | (1,973)         |
| Benefits paid   | (27,947)        | (27,759)        |
| <b>Closing balance at 31 March</b>  | <b>959,869</b>  | <b>953,836</b>  |

The total employer contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2021 are £24.046m.

## Pension Scheme Assets

|  | 2018/19        |             | 2019/20        |             |
|--|----------------|-------------|----------------|-------------|
|  | £000           | %           | £000           | %           |
| <b>Quoted prices in active markets</b>     |                |             |                |             |
| Equity Investments                         |                |             |                |             |
| Consumer                                   | 58,309         | 6%          | 26,008         | 3%          |
| Manufacturing                              | 60,578         | 6%          | 14,876         | 2%          |
| Energy                                     | 42,429         | 4%          | 6,983          | 1%          |
| Financial Institutions                     | 46,742         | 5%          | 10,500         | 1%          |
| Health                                     | 30,412         | 3%          | 15,008         | 1%          |
| ICT  | 22,930         | 2%          | 22,347         | 2%          |
| Other                                      | 102,592        | 12%         | 79,075         | 8%          |
| Government Bonds                           | 89,428         | 9%          | 94,766         | 10%         |
| Other Bonds                                | 18,687         | 2%          | 23,868         | 2%          |
| Private Equity                             | 13,384         | 1%          | 11,293         | 1%          |
| Investment Funds - Equities                | 169,072        | 18%         | 292,576        | 31%         |
| Infrastructure                             | 15,133         | 2%          | 15,952         | 2%          |
| <b>Quoted prices not in active markets</b> |                |             |                |             |
| Corporate Bonds                            | 101,236        | 11%         | 120,706        | 13%         |
| Private Equity                             | 12,820         | 1%          | 20,522         | 2%          |
| Property                                   | 76,566         | 8%          | 83,829         | 9%          |
| Investment Funds - Infrastructure          | 23,300         | 2%          | 54,726         | 6%          |
| Cash                                       | 76,251         | 8%          | 60,801         | 6%          |
| <b>Total</b>                               | <b>959,869</b> | <b>100%</b> | <b>953,836</b> | <b>100%</b> |

| Change in assumptions at 31 March 2020     | Approximate % increase to employer liability |     | Approximate Monetary Amount £000 |        |
|--|--|-----|----------------------------------|--------|
|  | DCC  | DH  | DCC                              | DH     |
| 0.5% decrease in real discount rate        | 10%  | 12% | 111,524                          | 11,749 |
| 0.5% increase in Salary Increase Rate      | 1%   | 10% | 10,426                           | 1,817  |
| 0.5% increase in the Pension Increase Rate | 9%   | 2%  | 100,174                          | 9,789  |

#### Defined Benefit Obligation

|                   | Liability Split |
|-------------------|-----------------|
|                   |                 |
| Active members    | 40.4%           |
| Deferred members  | 22.4%           |
| Pensioner members | 37.2%           |
| <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            |
|--|------------------|---------------------|----------------------|--------------|-------------------------------|------------------------------|--------------------------|-----------------|------------------|
| 2018/19  | £000             | £000                | £000                 | £000         | £000                          | £000                         | £000                     | £000            | £000             |
| <b>Expenditure</b>   |                  |                     |                      |              |                               |                              |                          |                 |                  |
| Employee expenses  | 137,094          | 32,969              | 26,702               | 741          | 454                           | 0                            | 197,960                  | 19,346          | 217,306          |
| Employee expenses for Voluntary Aided and Foundation Schools | 17,385           | 0                   | 0                    | 0            | 0                             | 0                            | 17,385                   | 0               | 17,385           |
| Other service expenses                                       | 200,139          | 55,611              | 103,883              | 246          | 32,334                        | 0                            | 392,213                  | 23,669          | 415,882          |
| Depreciation, amortisation and impairment                    | 4,850            | 17,573              | 1,868                | 0            | 20,696                        | 248                          | 45,235                   | 424             | 45,659           |
| Interest payments  | 0                | 0                   | 0                    | 0            | 0                             | 21,400                       | 21,400                   | 162             | 21,562           |
| Payments to Housing Capital Receipts Pool                    | 0                | 0                   | 0                    | 0            | 0                             | 1,333                        | 1,333                    | 0               | 1,333            |
| Gain or Loss on Disposal of non current assets               | 0                | 0                   | 0                    | 0            | 0                             | 73,892                       | 73,892                   | 0               | 73,892           |
| Internal Trading   | (4,729)          | (7,084)             | (5,382)              | 0            | 0                             | 0                            | (17,195)                 | 0               | (17,195)         |
| Pension Interest Cost  | 0                | 0                   | 0                    | 0            | 0                             | 32,149                       | 32,149                   | 0               | 32,149           |
| <b>Total expenditure</b>                                     | <b>354,739</b>   | <b>99,069</b>       | <b>127,071</b>       | <b>987</b>   | <b>53,484</b>                 | <b>129,022</b>               | <b>764,372</b>           | <b>43,601</b>   | <b>807,973</b>   |
| <b>Income</b>  |                  |                     |                      |              |                               |                              |                          |                 |                  |
| Fees, charges & other service income                         | (32,240)         | (36,196)            | (19,295)             | (599)        | (58,653)                      | 0                            | (146,983)                | (42,320)        | (189,303)        |
| Interest and Investment Income                               | 0                | 0                   | 0                    | 0            | 0                             | (1,376)                      | (1,376)                  | 0               | (1,376)          |
| Income from council tax, non-domestic rates                  | 0                | 0                   | 0                    | 0            | 0                             | (173,633)                    | (173,633)                | 0               | (173,633)        |
| Government Grants and Contributions                          | (188,803)        | (5,761)             | (79,536)             | (309)        | (2)                           | (83,775)                     | (358,186)                | 0               | (358,186)        |
| PFI Deferred Income  | 0                | 0                   | 0                    | 0            | 0                             | (398)                        | (398)                    | 0               | (398)            |
| Internal Trading   | 4,729            | 7,084               | 5,382                | 0            | 0                             | 0                            | 17,195                   | 0               | 17,195           |
| Gain or Loss on Disposal of non current assets               | 0                | 0                   | 0                    | 0            | 0                             | (10,078)                     | (10,078)                 | 0               | (10,078)         |
| Pension interest income                                      | 0                | 0                   | 0                    | 0            | 0                             | (22,118)                     | (22,118)                 | 0               | (22,118)         |
| <b>Total income</b>  | <b>(216,314)</b> | <b>(34,873)</b>     | <b>(93,449)</b>      | <b>(908)</b> | <b>(58,655)</b>               | <b>(291,378)</b>             | <b>(695,577)</b>         | <b>(42,320)</b> | <b>(737,897)</b> |
| <b>Surplus or deficit on the provision of services</b>       | <b>138,425</b>   | <b>64,196</b>       | <b>33,622</b>        | <b>79</b>    | <b>(5,171)</b>                | <b>(162,356)</b>             | <b>68,795</b>            | <b>1,281</b>    | <b>70,076</b>    |

|  | People Services  | Communities & Place | Corporate Governance | Corporate      | Local Authority Housing (HRA) | Other Income and Expenditure | Derby City Council Total | Derby Homes     | TOTAL            |
|--|------------------|---------------------|----------------------|----------------|-------------------------------|------------------------------|--------------------------|-----------------|------------------|
| 2019/20  | £000             | £000                | £000                 | £000           | £000                          | £000                         | £000                     | £000            | £000             |
| <b>Expenditure</b>   |                  |                     |                      |                |                               |                              |                          |                 |                  |
| Employee expenses  | 140,501          | 45,305              | 24,621               | 891            | 704                           | 0                            | 212,022                  | 25,122          | 237,144          |
| Employee expenses for Voluntary Aided and Foundation Schools | 15,003           | 0                   | 0                    | 0              | 0                             | 0                            | 15,003                   | 0               | 15,003           |
| Other service expenses                                       | 207,079          | 53,600              | 91,474               | 402            | 34,277                        | 0                            | 386,832                  | 23,337          | 410,169          |
| Depreciation, amortisation and impairment                    | 6,629            | 19,785              | 2,799                | 0              | 9,297                         | 32                           | 38,542                   | 330             | 38,872           |
| Interest payments  | 0                | 0                   | 0                    | 0              | 0                             | 21,306                       | 21,306                   | 160             | 21,466           |
| 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                             | 62,325                       | 62,325                   | 0               | 62,325           |
| Internal Trading   | (9,727)          | (5,694)             | (4,211)              | 0              | 0                             | 0                            | (19,632)                 | 0               | (19,632)         |
| Pension Interest Cost  | 0                | 0                   | 0                    | 0              | 0                             | 32,249                       | 32,249                   | 0               | 32,249           |
| <b>Total expenditure</b>                                     | <b>359,485</b>   | <b>112,996</b>      | <b>114,683</b>       | <b>1,293</b>   | <b>44,278</b>                 | <b>117,151</b>               | <b>749,886</b>           | <b>48,949</b>   | <b>798,835</b>   |
| <b>Income</b>  |                  |                     |                      |                |                               |                              |                          |                 |                  |
| Fees, charges & other service income                         | (39,041)         | (35,443)            | (17,548)             | (1,173)        | (58,974)                      | 0                            | (152,179)                | (46,815)        | (198,994)        |
| Interest and Investment Income                               | 0                | 0                   | 0                    | 0              | 0                             | (999)                        | (999)                    | 0               | (999)            |
| Income from council tax, non-domestic rates                  | 0                | 0                   | 0                    | 0              | 0                             | (168,777)                    | (168,777)                | 0               | (168,777)        |
| Government Grants and Contributions                          | (156,799)        | (6,861)             | (69,331)             | (8,508)        | 0                             | (77,598)                     | (319,097)                | 0               | (319,097)        |
| PFI Deferred Income  | 0                | 0                   | 0                    | 0              | 0                             | (420)                        | (420)                    | 0               | (420)            |
| Internal Trading   | 9,727            | 5,694               | 4,211                | 0              | 0                             | 0                            | 19,632                   | 0               | 19,632           |
| Gain or Loss on Disposal of non current assets               | 0                | 0                   | 0                    | 0              | 0                             | (12,991)                     | (12,991)                 | 0               | (12,991)         |
| Pension interest income                                      | 0                | 0                   | 0                    | 0              | 0                             | (20,709)                     | (20,709)                 | 0               | (20,709)         |
| <b>Total income</b>  | <b>(186,113)</b> | <b>(36,610)</b>     | <b>(82,668)</b>      | <b>(9,681)</b> | <b>(58,974)</b>               | <b>(281,494)</b>             | <b>(655,540)</b>         | <b>(46,815)</b> | <b>(702,355)</b> |
| <b>Surplus or deficit on the provision of services</b>       | <b>173,372</b>   | <b>76,386</b>       | <b>32,015</b>        | <b>(8,388)</b> | <b>(14,696)</b>               | <b>(164,343)</b>             | <b>94,346</b>            | <b>2,134</b>    | <b>96,480</b>    |

## Group Property, Plant and Equipment

### a) Movements on Balances

| <b>Movements in 2018/19</b>  | <b>Council Dwellings<br/>£000</b> | <b>Other Land &amp; Buildings<br/>£000</b> | <b>Vehicles, Plant, Furniture &amp; Equipment<br/>£000</b> | <b>Infrastructure Assets<br/>£000</b> | <b>Community Assets<br/>£000</b> | <b>Surplus Assets<br/>£000</b> | <b>Assets under Construction<br/>£000</b> | <b>Total Property, Plant &amp; Equipment<br/>£000</b> |
|--|-----------------------------------|--|--|---------------------------------------|----------------------------------|--------------------------------|---|---|
| <b>Cost of Valuation at 1 April 2018</b>   | <b>506,303</b>                    | <b>446,361</b>                             | <b>29,891</b>  | <b>240,295</b>                        | <b>6,346</b>                     | <b>19,634</b>                  | <b>43,200</b>                             | <b>1,292,030</b>                                      |
| Recategorisations  | 601                               | 0  | 0  | 9,441                                 | 164                              | 486                            | (12,771)                                  | <b>(2,079)</b>  |
| Additions  | 14,565                            | 18,592                                     | 2,632  | 9,889                                 | 201                              | 2,321                          | 15,360                                    | <b>63,560</b>   |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | (1,805)                           | (545)                                      | 0  | 0                                     | 0                                | 21                             | 0   | <b>(2,329)</b>  |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (5,137)                           | (5,790)                                    | 0  | (610)                                 | 0                                | (3,780)                        | (5)                                       | <b>(15,322)</b>                                       |
| Derecognition - disposals  | 0                                 | 0  | (973)  | 0                                     | 0                                | 0                              | 0   | <b>(973)</b>  |
| Derecognition - other  | 0                                 | 0  | (1,132)  | 0                                     | 0                                | 0                              | 0   | <b>(1,132)</b>  |
| Assets reclassified (to)/from Held for Sale  | (7,483)                           | (66,928)                                   | 0  | 0                                     | 0                                | (1,300)                        | 0   | <b>(75,711)</b>                                       |
| Other movements in cost or valuation   | 742                               | (1,244)                                    | 0  | 0                                     | 60                               | (1,740)                        | (606)                                     | <b>(2,788)</b>  |
| <b>At 31 March 2019</b>  | <b>507,786</b>                    | <b>390,446</b>                             | <b>30,418</b>  | <b>259,015</b>                        | <b>6,771</b>                     | <b>15,642</b>                  | <b>45,178</b>                             | <b>1,255,256</b>                                      |

|  | Council<br>Dwellings<br>£000 | Other<br>Land &<br>Buildings<br>£000 | Vehicles,<br>Plant,<br>Furniture &<br>Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | Surplus<br>Assets<br>£000 | Assets under<br>Construction<br>£000 | Total<br>Property,<br>Plant &<br>Equipment<br>£000 |
|--|------------------------------|--------------------------------------|---|----------------------------------|-----------------------------|---------------------------|--------------------------------------|--|
| <b>Movements in 2018/19</b>  |                              |                                      |   |                                  |                             |                           |                                      |  |
| <b>Accumulated Depreciation and<br/>Impairment<br/>at 1 April 2018</b>             | <b>(549)</b>                 | <b>(1,471)</b>                       | <b>(17,755)</b>   | <b>(53,577)</b>                  | <b>(3,663)</b>              | <b>0</b>                  | <b>0</b>                             | <b>(77,015)</b>                                    |
| Depreciation charge  | (14,430)                     | (8,491)                              | (3,820)   | (5,481)                          | (476)                       | 0                         | 0                                    | (32,698)   |
| Depreciation written out to the<br>Revaluation Reserve                             | 13,287                       | 4,853                                | 0   | 0                                | 0                           | 0                         | 0                                    | 18,140   |
| Depreciation written out to the<br>Surplus/Deficit on the Provision of<br>Services | 1,016                        | 1,757                                | 0   | 0                                | 0                           | 0                         | 0                                    | 2,773  |
| Assets reclassified (to)/from Held for<br>Sale                                     | 0                            | 961                                  | 0   | 0                                | 0                           | 0                         | 0                                    | 961  |
| Derecognition - disposals  | 0                            | 0                                    | 972   | 0                                | 0                           | 0                         | 0                                    | 972  |
| Derecognition - other  | 0                            | 0                                    | 917   | 0                                | 0                           | 0                         | 0                                    | 917  |
| <b>At 31 March 2019</b>  | <b>(676)</b>                 | <b>(2,391)</b>                       | <b>(19,686)</b>   | <b>(59,058)</b>                  | <b>(4,139)</b>              | <b>0</b>                  | <b>0</b>                             | <b>(85,950)</b>                                    |
| <b>Net Book Value</b>  |                              |                                      |   |                                  |                             |                           |                                      |  |
| <b>At 31 March 2019</b>  | <b>507,110</b>               | <b>388,055</b>                       | <b>10,732</b>   | <b>199,957</b>                   | <b>2,632</b>                | <b>15,642</b>             | <b>45,178</b>                        | <b>1,169,306</b>                                   |
| <b>At 1 April 2018</b>   | <b>505,754</b>               | <b>444,890</b>                       | <b>12,136</b>   | <b>186,718</b>                   | <b>2,683</b>                | <b>19,634</b>             | <b>43,200</b>                        | <b>1,215,015</b>                                   |

|  |                              |                                      | Vehicles,<br>Plant,<br>Furniture &<br>Equipment | Infrastructure<br>Assets | Community<br>Assets | Surplus<br>Assets | Assets under<br>Construction | Total<br>Property,<br>Plant &<br>Equipment |
|--|------------------------------|--------------------------------------|---|--------------------------|---------------------|-------------------|------------------------------|--|
| Movements in 2019/20:  | Council<br>Dwellings<br>£000 | Other<br>Land &<br>Buildings<br>£000 | £000  | £000                     | £000                | £000              | £000                         | £000                                       |
| <b>Cost of Valuation<br/>at 1 April 2019</b>   | <b>507,786</b>               | <b>390,446</b>                       | <b>30,418</b>                                   | <b>259,015</b>           | <b>6,771</b>        | <b>15,642</b>     | <b>45,178</b>                | <b>1,255,256</b>                           |
| Recategorisations  | 186                          | 0                                    | 54  | 17                       | 18                  | 0                 | (275)                        | 0  |
| Additions  | 19,629                       | 11,888                               | 7,745   | 6,276                    | 144                 | 5,182             | 31,652                       | 82,516                                     |
| Revaluation increases/(decreases)<br>recognised in the Revaluation Reserve                             | (19,147)                     | 3,013                                | 0   | 0                        | 0                   | 1,120             | 0                            | (15,014)                                   |
| Revaluation increases/(decreases)<br>recognised in the Surplus/Deficit on<br>the Provision of Services | 2,910                        | (4,679)                              | 0   | (21)                     | 0                   | (4,050)           | 0                            | (5,840)                                    |
| Derecognition - disposals  | 0                            | 0                                    | (1,779)   | 0                        | 0                   | 0                 | 0                            | (1,779)                                    |
| Derecognition - other  | 0                            | 0                                    | (2,021)   | 0                        | 0                   | 0                 | 0                            | (2,021)                                    |
| Assets reclassified (to)/from Held for<br>Sale   | (7,171)                      | (52,632)                             | 0   | 0                        | 0                   | (2,521)           | (148)                        | (62,472)                                   |
| Other reclassifications  | 1                            | (954)                                | 213   | (256)                    | 1                   | 953               | (1)                          | (43)                                       |
| <b>At 31 March 2020</b>  | <b>504,194</b>               | <b>347,082</b>                       | <b>34,630</b>                                   | <b>265,031</b>           | <b>6,934</b>        | <b>16,326</b>     | <b>76,406</b>                | <b>1,250,603</b>                           |

|  | Council<br>Dwellings<br>£000 | Other<br>Land &<br>Buildings<br>£000 | Vehicles,<br>Plant,<br>Furniture &<br>Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Community<br>Assets<br>£000 | Surplus<br>Assets<br>£000 | Assets under<br>Construction<br>£000 | Total<br>Property,<br>Plant &<br>Equipment<br>£000 |
|--|------------------------------|--------------------------------------|---|----------------------------------|-----------------------------|---------------------------|--------------------------------------|--|
| <b>Movements in 2019/20</b>  |                              |                                      |   |                                  |                             |                           |                                      |  |
| <b>Accumulated Depreciation and<br/>Impairment<br/>at 1 April 2019</b>                             | <b>(676)</b>                 | <b>(2,391)</b>                       | <b>(19,686)</b>   | <b>(59,058)</b>                  | <b>(4,139)</b>              | <b>0</b>                  | <b>0</b>                             | <b>(85,950)</b>                                    |
| Depreciation charge  | (14,621)                     | (9,418)                              | (3,839)   | (5,944)                          | (490)                       | 0                         | 0                                    | <b>(34,312)</b>                                    |
| Depreciation written out to the<br>Revaluation Reserve   | 13,462                       | 5,334                                | 0   | 0                                | 0                           | 0                         | 0                                    | <b>18,796</b>                                      |
| Depreciation written out to the<br>Surplus/Deficit on the Provision of<br>Services                 | 1,029                        | 1,542                                | 0   | 0                                | 0                           | 0                         | 0                                    | <b>2,571</b>                                       |
| Impairment losses/(reversals)<br>recognised in the Revaluation Reserve                             | 0                            | 2                                    | 0   | 0                                | 0                           | 0                         | 0                                    | <b>2</b>   |
| Impairment losses/(reversals)<br>recognised in the Surplus/Deficit on<br>the Provision of Services | 0                            | 16                                   | 0   | 0                                | 0                           | 0                         | 0                                    | <b>16</b>  |
| Assets reclassified (to)/from Held for<br>Sale   | 0                            | 1,768                                | 22  | 0                                | 0                           | 0                         | 0                                    | <b>1,790</b>                                       |
| Derecognition - disposals  | 0                            | 0                                    | 1,660   | 0                                | 0                           | 0                         | 0                                    | <b>1,660</b>                                       |
| Derecognition - other  | 0                            | 0                                    | 1,845   | 0                                | 0                           | 0                         | 0                                    | <b>1,845</b>                                       |
| <b>At 31 March 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>                                    |
| <b>Net Book Value</b>  |                              |                                      |   |                                  |                             |                           |                                      |  |
| <b>At 31 March 2020</b>  | <b>503,387</b>               | <b>343,937</b>                       | <b>14,667</b>   | <b>200,036</b>                   | <b>2,305</b>                | <b>16,326</b>             | <b>76,406</b>                        | <b>1,157,064</b>                                   |
| <b>At 1 April 2019</b>   | <b>507,110</b>               | <b>388,055</b>                       | <b>10,732</b>   | <b>199,957</b>                   | <b>2,632</b>                | <b>15,642</b>             | <b>45,178</b>                        | <b>1,169,306</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 Allowance (MRA):** The MRA is an element of housing subsidy, and 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.