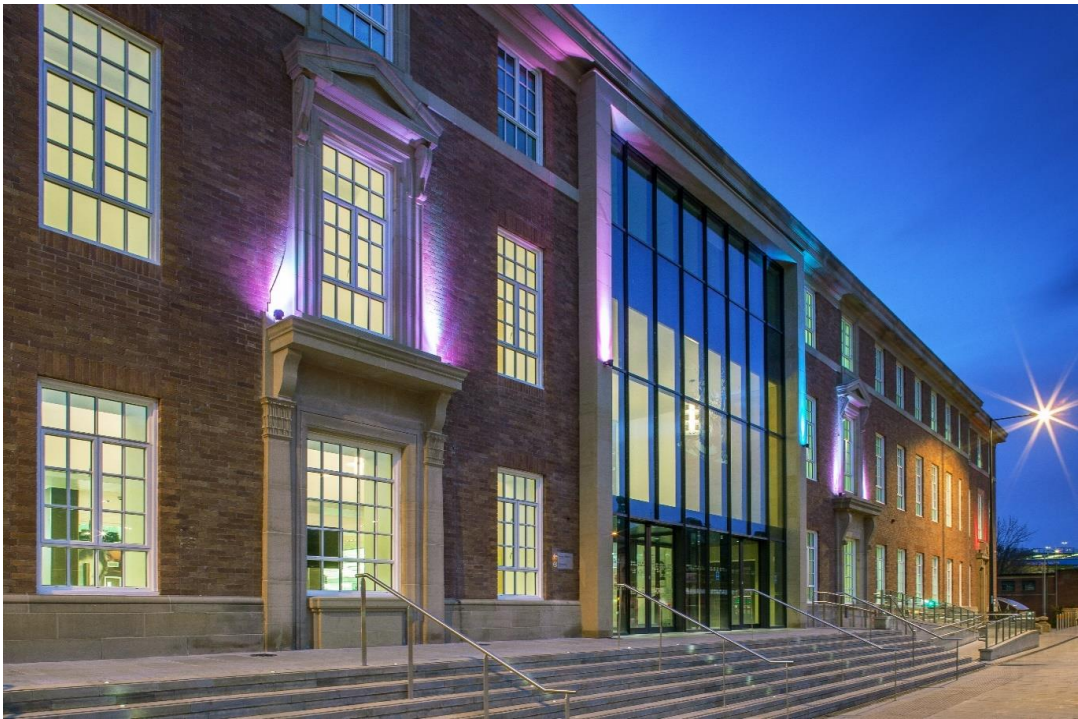


**DERBY CITY COUNCIL**

**FINAL**

**STATEMENT OF ACCOUNTS**

**2022 - 2023**



Derby City Council



**Financial Statements  
Derby City Council 2022/23**

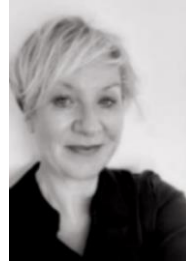
	<b>Page</b>
<b>Contents</b>	
<b>Narrative Statement</b>	<b>1</b>
<b>Statement of Responsibilities</b>	<b>18</b>
<b>Core Financial Statements</b>	<b>19</b>
Balance Sheet	
Comprehensive Income and Expenditure Statement	
Movement in Reserves Statement	
Cash Flow Statement	
<b>Notes to the Core Financial Statements</b>	<b>23</b>
1 Expenditure and Funding Analysis and supporting notes	
2 Accounting Policies	
3 Accounting Standards Issued, Not Adopted	
4 Events After the Reporting Period	
5 Critical Judgements in Applying Accounting Policies	
6 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	
7 Adjustments between Accounting Basis and Funding Basis under Regulations	
8 Expenditure and Income Analysed by Nature	
9 Other Operating Expenditure	
10 Financing and Investment Income and Expenditure	
11 Taxation and Non-Specific Grant Income	
12 Accounting for Local Government Schools	
13 Dedicated Schools Grant	
14 Grant Income	
15 External Audit Costs	
16 Property, Plant and Equipment	
17 Heritage Assets	
18 Investment Properties	
19 Capital Expenditure and Capital Financing	
20 Leases	
21 PFI and Similar Contracts	
22 Financial Instruments	
23 Nature and Extent of Risks Arising from Financial Instruments	
24 Assets Held for Sale	
25 Debtors	
26 Cash and Cash Equivalents	
27 Creditors	
28 Other Long Term Liabilities	
29 Provisions	
30 Transfers to/from Earmarked Reserves	
31 Usable Reserves	
32 Unusable Reserves	

33	Related Parties	
34	Members' Allowances	
35	Officers' Remuneration	
36	Termination Benefits	
37	Pension Schemes Accounted for as Defined Contribution Schemes	
38	Defined Benefit Pension Schemes	
39	Contingent Liabilities	
40	Contingent Assets	
41	Adjustments for Non-cash Movements	
42	Adjustments for items that are Investing or Financing Activities	
43	Operating Activities	
44	Investing Activities	
45	Financing Activities	
46	Transport Act 2000	
47	Pooled Budgets	
48	Intangible Assets	
49	Trust Funds	
	<b>Housing Revenue Account</b>	<b>127</b>
	Housing Revenue Account Income and Expenditure Statement	
	Movement in Housing Revenue Account Statement	
	Notes to the Housing Revenue Account	
	1 The Number and Type of Dwelling	
	2 Council Dwellings Vacant Possession Value	
	3 Major Repairs Reserve	
	4 Capital Expenditure and Financing	
	5 Depreciation	
	6 Impairment	
	7 Revenue Expenditure Funded from Capital under Statute	
	8 Rent Arrears in Respect of Uncollectible Debt	
	9 Analysis of HRA Share of Contributions to/from the Pensions Reserve	
	<b>The Collection Fund</b>	<b>134</b>
	The Collection Fund	
	Notes to the Collection Fund	
	1 Council Tax	
	2 Income from Business Ratepayers	
	<b>Group Accounts</b>	<b>136</b>
	Group Balance Sheet	
	Group Comprehensive Income and Expenditure Statement	
	Group Movement in Reserves Statement	
	Group Cash Flow Statement	
	Group Defined Benefit Pension Schemes	
	Group Expenditure and Income Analysed by Nature	
	Group Property, Plant and Equipment	
	<b>Glossary</b>	<b>154</b>
	<b>Audit Opinion</b>	<b>161</b>

## **Narrative Statement**

### **Introduction**

I am pleased to present you with Derby City Council's Statement of Accounts for 2022/23. 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 2022/23 (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 2022/23 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 reports on during the year.

The narrative report aims to provide context to the accounts in respect of the 2022/23 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, was able to deliver £11.8 million of its planned £13.2m savings against the backdrop of a significant overspend of £13.7m . This overspend is primarily driven by pressures in Childrens Social Care, which is consistent with many other Local Authorities, with Social Care responsibilities, across the country. In addition, the impacts of high inflation have also affected on areas such as fuel and utility costs across the Council .

Due to the on-going audits of previous years accounts, these Accounts will be provided to the Auditor for the Audit to commence in due course. I wish to thank all Council Members, Officers and especially the finance team for their support and contributions in what continues to be a challenging environment.

**Alison Parkin, CPFA**

## **Organisational Overview**

Derby City Council is a Unitary Council comprising of 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. 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, with the D2N2 and the Local Enterprise Partnership. These partnerships are aimed at boosting the local economies in the East Midlands and helping to create jobs.

The Council's delivery plan has the following themes:

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

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

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

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

## **Operational Model**

The Council has 3 directorates, Corporate Resources, People Services and Communities and Place. However, the Council operates on a 'One Council' model.

**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, Education & Skills, Adult Social Care and Public Health. It is the largest of the 3 directorates both in terms of staff and budget.

**Communities and Place** provides customer facing services such as Cultural and Leisure Services Public Protection, Street Pride and Planning. 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 2022/23 the Council was led by a Conservative administration. The leader was Cllr Chris Poulter and the Finance Portfolio Holder was Cllr Jonathan Smale.

## Performance Management

The Council Plan 2022–2025, approved by Cabinet in February 2022 and Council in March 2022, sets out our vision for the city:

### *Ambitious for Derby - “working together with the city, for the city”*

The plan is focused on four priority areas / themes that form the basis of our future ways of working, and ambitions for the city from 2022 onwards.



These four priority themes are supported by two enabling programmes of ‘better together’ and ‘working smarter’; which provide the focus for our internal improvement and transformation activities.

The supporting annual delivery plan for 2022/23 was approved by Cabinet in July 2022.

At the end of March 2023, 72% of measures within the Plan had met or exceeded them. 73% of priority milestones/actions were assessed as ‘on track’ or ‘completed’, and 67% of the priority projects being monitored as part of the Recovery Plan have been evaluated at the end of March as either ‘green’ or ‘amber / green’.

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

### Green City

- 39.7% of household waste was recycled, composted or reused between April 2022 and the end of December 2022, which is 3% higher than the comparable period in 2021.
- Improvements have been delivered on Stafford Street to reduce roadside NO2 air quality and this project has now been closed.
- The full business case for our strategic cycle link is now complete and the scheme is moving towards the delivery phase, alongside the Raynesway cycleway being in the final stages of delivery.

### City of Growth

- 226 dwellings and shared houses have been improved to acceptable standards after statutory or informal action, with 78 delivered over the final three months of the year.
- 99 new affordable homes have also been delivered over the last 12-months.
- 248.8 jobs have been created through Derby City Council initiatives this year, and 198 businesses have been supported by Derby City Council through access to finance, advice and indirect support.

- Nearly £26 million of investments were generated in Derby as a result of Council interventions over the last 12-months, in addition to over £6 million in additional external public funding.
- Following an application process, VisitDerby and Visit Peak District and Derbyshire are now one of England's first Local Visitor Economy Partnerships.
- On 21 March 2023, it was announced that Derby will be the home of the Great British Railways Head Quarters.
- Permanent exclusions from schools have fallen. New processes offered through the Behaviour Strategy have given school leaders alternative strategies to permanent exclusion.
- The combined 4.5% for young people years 12 and 13 who are not in education, training or employment (NEET) or whose activity is Not Known this quarter is a 0.7% improvement year on year.
- 98% of adult learners, on average, have received a pass rate so far this year.

### Vibrant City

- Work has commenced on the establishment of Culture Derby, with the Chair and Vice Chair being confirmed. Opportunities for potential funding sources to contribute to operational costs are being explored and a Partnership Agreement is in development.
- There have been 365,671 attendances at Derby Live produced, presented and supported events and performances (including the Darley Park Weekender), with 111,794 visitors to Derby Arena in 2022/23.
- In 2022/23, 1,298 cases were completed by the Handyperson Service, 750 households were assisted through the Healthy Housing Hub with repairs, improvements, adaptations and advice, and 275 Disabled Facilities Grant adaptations have been completed. We have also delivered 39 new supported / adapted homes.

### Resilient City

- A ground breaking ceremony marked the official start of the £11.9m Football Hub project on Derby Racecourse.
- 961 NHS health checks have been completed by Livewell this year.
- 24,013 universal health assessments (0-5 years) have been completed, alongside 98.4% of 6 to 8 week Public Health Nursing reviews.
- 395 people participated in our falls prevention activities to maintain independence within homes.
- 96% of families worked at Early Help levels achieved positive outcomes as a result of support provided.
- We have reduced the percentage of young people in foster care placed with an Independent Fostering Agency by increasing those with Derby City Foster Carers from 24.5% at the end of September 2022 to 37% at the end of March 2023.
- The percentage of Adult Social Care clients that received short-term, support and subsequently required no further support improved from 58.9% at the end of March 2022 to the current position of 66.22%.

- In March 2023, Derby City, Derbyshire, Nottingham City and Nottinghamshire all individually considered the outcomes of consultation activities on the proposal for “East Midlands Combined County Authority Proposal to Government”.
- Our new Financial System went live in early April 2023.
- 93.1% of Council Tax was collected in-year, with a focus on those that wouldn't pay, with targeted support provided for those that couldn't.
- 96.3% of business rates were collected in-year, alongside support for business that required financial support and advice.

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

It should also be noted that, In March 2023, Central Midlands Audit Partnership issued their final report on assurances relating to performance monitoring. The “audit focused on the data quality assurance arrangements in place, to successfully manage and monitor performance throughout the authority. Processes for managing individual performance indicators and quality checks were examined to ensure accuracy and validity of performance data”.

The report found “substantial assurances” reporting – “A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited”.

There were three low risk areas of recommendation, which are being progressed in 2023/24 as part of established monitoring and development activities.

### **Risk Management**

Work has continued over the last 12-months to strengthen our risk management framework, including the refresh of our Risk Management Strategy and supporting Handbook.

In March 2023, Audit and Governance Committee approved the updated documents, which have been developed to further embed and mature our risk culture.

Changes to the Risk Management Strategy, which provides the architecture for our risk framework, included:

- a reviewed and updated definition of risk (internal audit recommendation).
- refreshed roles and responsibilities including:
  - ◇ further information on the role of Risk Champions
  - ◇ the role of Leaders has been updated in line with the Leadership Accountabilities
  - ◇ updated the Corporate Risk Management Group and Assurance Team roles to include training and support, in line with the Handbook
  - ◇ added the Project Manager Network and Assurance and Development Group, which have been introduced over the last 12 months
- strengthened alignment to programme and project roles and responsibilities
- the inclusion of our agreed risk appetite boundaries
- an initial risk maturity assessment overview, which was used to inform the refresh of the Strategy and Handbook, a summary of which was reported to the Committee in January 2023.



In line with this, the Risk Management Handbook, which supports our colleagues in the practical application of risk management and has been strengthened in several areas:

- risk appetite statements have been developed and included alongside our agreed risk appetite boundaries (aligning to the Strategy);
- further guidance has been added on the difference between risk tolerance and target scores, in addition to risk appetite and risk tolerance;
- guidance has been updated to reflect the wider definition of risks, aiding a more holistic and informed approach to risk identification;
- further information has been added on risks versus issues to support appropriate risk identification and analysis, and details of the emerging risk log and issues log have been updated in line with current arrangements;
- risk and opportunity identification sections have been updated alongside supporting information on risk indicators;
- guidance on how to escalate and de-escalate risks, alongside the possible reasons for escalation and de-escalation have been included;
- completing the risk register and risk templates sections have been updated to reflect revisions made to our register templates over the last two years, alongside an overview of the PMP risk log format differences, and exceptions on using alternative templates where a clear process for approving their use has been added;
- there is more guidance on department risk registers and how they strengthen the risk framework;
- project risk management sections have been aligned to the strengthened Programme Management Office including the introduction of the Project Management Platform (PMP);
- there are now clearer expectations of risk monitoring frequency, and an additional risk review tools section added with a 'review of risk scores' and 'project risk review' template included; and
- partnership risk management has been included in the framework.

In the process of developing our risk management Strategy, Handbook and overall approach all audit recommendations from the 2021 Risk Management Audit have been completed and closed; with reporting on each recommendation to the Audit and Governance Committee, as part of our 6-monthly risk management assurance monitoring updates.

## **Financial Performance**

In February 2022, the Council agreed a net revenue budget for 2022/23 of £259.554m.

The table below shows that the Council's actual spending was £273.929m prior to movements in reserves and utilisation of other funding. The final outturn is a balanced position after utilising £13.665m from reserves.

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

a) Actual Net Spending against Budget for 2022/23 (per Revenue Outturn report):

	Final Approved Budget £000	Actual £000	Final (Under) / Overspend £000
People Services	173,829	185,172	11,343
Communities and Place	43,557	45,505	1,948
Corporate Resources	42,878	43,252	374
Sub Total	260,264	273,929	13,665
Approved Transfer from Reserves	(5,302)	(5,302)	0
Pay and Inflation Reserve	0	(1,200)	(1,200)
Covid Reserve	0	(2,265)	(2,265)
Approved Transfer from Reserves	0	(10,200)	(10,200)
<b>Budget Requirement</b>	<b>254,962</b>	<b>254,962</b>	<b>0</b>

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

**Peoples Services**

Home to School Transport (net)	3,600
Increase in costs for looked after children supported by the Council	7,350
Other net variances	393
	<hr/>
	<b>11,343</b>

**Communities and Place**

Overachievement of income	(453)
Fuel and Utility Costs	602
PFI Inflation Impact	509
Pay pressure	1,314
Other net variances	(24)
	<hr/>
	<b>1,948</b>

**Corporate Resources**

Increased Housing Benefit bad debt provision	961
Underspends across Property Services	(615)
Other net variances	28
	<hr/>
	<b>374</b>

**Total General Fund Variances 13,665**

**Summary of HRA Variances**

Estimated outturn	2,700
Variances at outturn:	
Overachievement of rents / service charges	(1,190)
Reduced provision for bad debts	(884)
Higher than anticipated costs	(843)
	<hr/>
	<b>(217)</b>

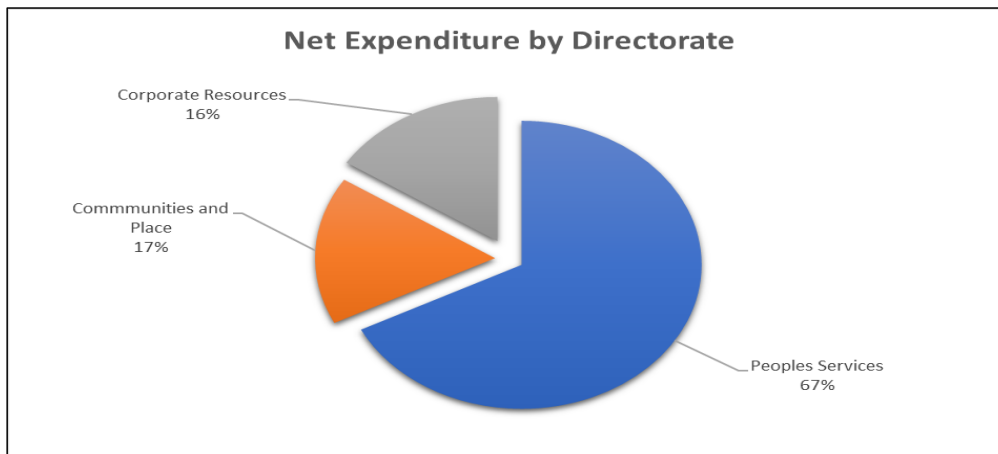
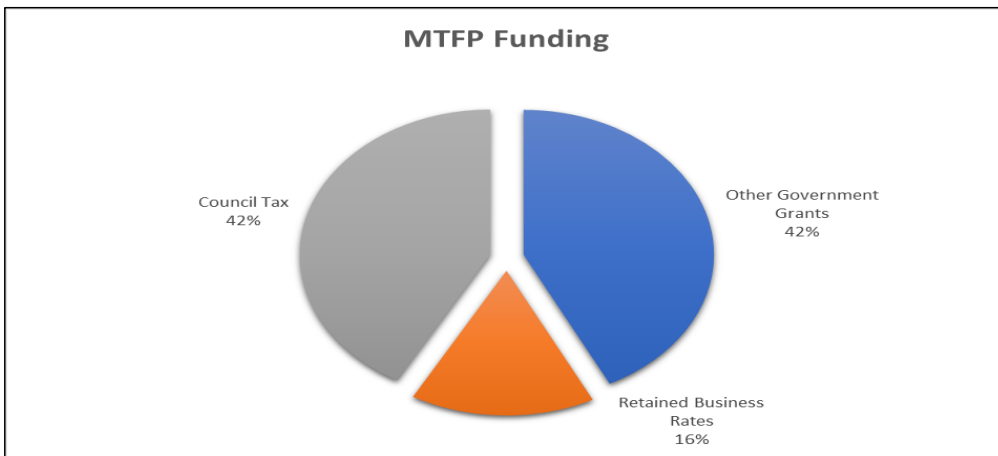
Further details of the Council's financial spend in 2022/23, including the impacts of higher inflation and demand pressures, are detailed in the outturn report presented to Cabinet in July 2023 (see link below)

**Reconciliation of Final (Under)/Overspend to Total Comprehensive Income and Expenditure 2022/23:**

	<b>£000</b>
<b>Breakdown of (Under)/Overspend:</b>	
General Fund (Under)/Overspend	13,665
HRA (Under)/Overspend	(217)
<b>Overall (Under)/Overspend</b>	<b>13,448</b>
Less: Appropriations to General Fund reserves	11,383
Plus: Movements in schools balances	(746)
Plus: Adjustment between GF and HRA accounting basis and funding	(3,936)
Plus: Remeasurement of the net defined benefit liability	(436,110)
Plus: Surplus/deficit on revaluation of Property, Plant & Equipment	(91,676)
<b>Total Comprehensive (Income) and Expenditure</b>	<b>(507,637)</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 surplus of (£0.217m) (£0192m deficit in 2021/22), against a forecasted budget shortfall of £2.700m (£2.769m in 2021/22).

### d) Revenue Reserves

The Council holds a number of Revenue Reserves to fund projects and unbudgeted costs. These

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 2022/23 is in excess of the minimum level recommended by the Chief Finance Officer. At 31 March 2023 the Unallocated General Fund Balance stands at £8.933m.

The Council also holds a number of revenue earmarked reserves to fund specific projects included within the Council's budget and priorities, such as the Council's regeneration programme. As at 31 March 2023 revenue earmarked reserves held by the Council total £64.473m.

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 £4.985m at 31 March 2023. 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.

#### Earmarked Reserves at 31st March 2023

Reserve	Balance at 31 March 2022 £000	In year movement £000	Balance at 31 March 2023 £000
Unallocated General Fund Balance	(8,933)	0	(8,933)
Balances held by schools under a scheme of delegation	(8,577)	(746)	(9,323)
Budget Risk Reserve	(20,523)	15,452	(5,071)
PFI Reserves	(29,767)	4,191	(25,576)
Other Revenue Earmarked	(44,215)	5,404	(38,811)
Capital Reserves	(75,593)	(6,860)	(82,453)
HRA Reserves	(45,959)	3,608	(42,351)
<b>TOTAL</b>	<b>(233,567)</b>	<b>21,049</b>	<b>(212,518)</b>

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

In addition to the general fund reserves, the Council also holds ring fenced HRA reserves of £42.351m used to support HRA investment over the long-term.

## **Capital Income and Expenditure**

Alongside our day-to-day costs, the Council spends money on capital assets such as buildings, roads, major maintenance, vehicles and ICT. During 2022/23 the Council spent **£105.797m on capital schemes.**

### **Major Areas of Capital Spend in 2022/23:**

<b>Section</b>	<b>Scheme</b>	<b>£000</b>
Corporate Resources	Capital Flexibility Transformation Receipts	637
Corporate	Wilson Street Surgery S106 contribution	33
Children & Young People	New build, extensions and modernisation of schools and	9,683
Highways & Transport	Highways and transportation	17,293
Property Improvements	Improvements to council buildings including the council house,	7,822
Regeneration	Regeneration of the public realm areas of the city, regeneration of	31,952
Housing General Fund	Grant aid for private sector tenants for disabled adaptations and	7,143
HRA	Maintenance to the decent homes standard on all council dwelling	22,947
Vehicles Plant and Equipment	Refuse vehicles, street cleaning and grounds plant and equipment	5,949
Flood Defence	Improvements to the Councils flood defences and culverts	177
ICT	Information and communication technology	2,161
<b>Total</b>		<b>105,797</b>

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

New Build schemes within the HRA of new council houses at various locations around the city,  
Market Hall Improvements,  
Flood Defence Work,  
Transforming Cities Fund,  
Manufacturing Research Centre (MRC) - Nuclear AMRC Midlands,  
New Performance Venue - Becketwell Regeneration.

Capital expenditure is financed from the following sources:

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

Unapplied capital resources, excluding capital receipts, stand at £51.597m at 31 March 2023. These consist of £48.031m unapplied capital grants and £3.566m earmarked capital reserves. The unapplied capital receipts reserve stands at £34.422m at 31 March 2023.

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

### **Borrowing Facilities**

In 2022/23 the Council had an authorised limit for external debt of £850.6m, the actual level of debts outstanding at 31 March 2023 was £434.6m.

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

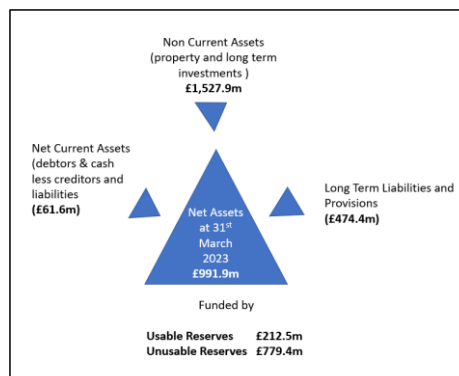
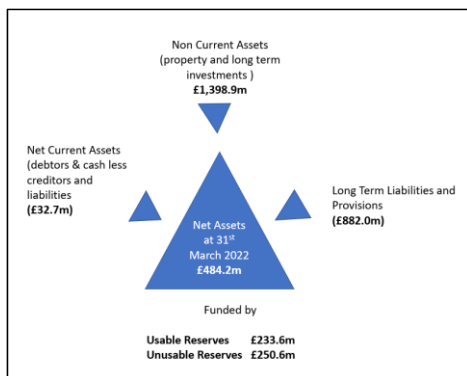
	2021/22 £m	2022/23 £m
Short-Term Borrowing (i.e. due within 1 year)	13.5	34.0
Long-Term Borrowing	329.5	325.5
Long-Term PFI and finance leases	75.7	70.3
Short-Term PFI and finance leases	4.3	4.6
Debt managed by Erewash Borough Council	0.2	0.2
<b>Total</b>	<b>423.2</b>	<b>434.6</b>

### **Explanation of the Statements**

The following core financial statements summarise the Council's finances for 2022/23 (1 April 2022 to 31 March 2023) alongside the Expenditure and Funding Analysis note:

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

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



The Council maintains a strong balance sheet despite financial challenges, with net assets of £991.871m at 31st March 2023 (£484.233m at 31st March 2022).

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

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

## **c) Movement in Reserves Statement**

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 2022/23. 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 2022/23. 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 £6.891m (£4.849m in 2021/22) for the repayment of any successful NDR appeals upheld by the Government's Valuation Office Agency.

### **(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 £91.7m (which has affected the revaluation reserve) on a total Long Term Asset base of £1.53bn. Impairments and revaluation movements of £3.7m have been charged to the CIES in 2021/22. A gain of £398.203m has been recognised on the net pension liability of £6.412m from the movement in investment values and forecasts of future investment growth. Although these amounts are significant in size and impact on the accounts, due to statutory requirements they do not affect the usable resources the Council controls.

### **(c) Private Finance Initiatives**

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

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

### **(d) Pensions Liability**

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

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

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

### (e) Trade Union Facility Time

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

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

### (f) Waste Disposal

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

### 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.

In February 2023 the Council agreed a MTFS for the financial years 2023/24 to 2025/26 (see link below). Despite the legacy of the pandemic, on-going national funding challenges, high inflation and increased demand for services, this still evidenced a balanced budget for 2023/24. However, to achieve this balanced position, significant on-going savings of £16.2m were required and budget gaps remain of around £8.5m 2024/25 rising to £17.1m in 2025/26. With the on-going funding uncertainties and ever-increasing demand pressures the financial outlook for the Council remains extremely challenging.

[Introduction \(derby.gov.uk\)](#)

<b>Proposed MTFP</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>
Net Budget Requirement	284.106	306.781	320.022
Total Resources Available (funding)	284.106	298.265	302.867
<b>Budget Gap</b>	0	(8.516)	(17.155)

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

## **Going Concern**

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

The cashflow modelling we have undertaken demonstrates that we are able to work within the limits set out within our treasury management strategy. As at 31st March 2023 we had short term investment balances of £17m and short term borrowing balances of £30m for cashflow purposes. As at 31st March 2023 the council was in an under borrowed position of £310m, meaning that we are using £310m of reserves and working capital to meet our capital financing requirement. Should the need arise we are able to swap this use of internal resources for actual borrowing which would further improve our cashflow position. Worst case scenario we could borrow the full £310m although this would have significant ongoing revenue implications. Our borrowing operational boundary is £709m compared to actual borrowing of £359m (this includes a balance of £30m temporary borrowing to be repaid in Quarter 1 2023/24) leaving headroom of £350m for further borrowing during 2022/23. Forecast borrowing costs to fund the capital programme are built into our revenue budget. The timing and value of any borrowing will be subject to continual review as and when new information becomes available. Borrowing will be taken either from the PWLB or another source, depending on which offers the best value at the time.

Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern throughout the assessment period of 12 months from the date of approval of these financial statements to May 2024.

## **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 2022/23 present a true and fair financial position of Derby City Council for the financial year ending 31st March 2023. Up to date and proper accounting records have been maintained in accordance with the accounting policies detailed.

Alison Parkin, CPFA



## Balance Sheet

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

31 March 2022		Notes	31 March 2023
£000			£000
1,300,705	Property, Plant & Equipment	16	1,435,830
80,944	Heritage Assets	17	80,944
5,240	Investment Property	18	1,230
198	Intangible Assets	48	106
315	Long Term Investments	22	302
11,482	Long Term Debtors	25b	9,514
<b>1,398,884</b>	<b>Long Term Assets</b>		<b>1,527,926</b>
1,674	Assets Held for Sale	24	1,051
7,014	Short Term Investments	22	6
1,539	Inventories		1,637
51,767	Short Term Debtors	25a	45,042
21,252	Cash and Cash Equivalents	26	11,069
<b>83,246</b>	<b>Current Assets</b>		<b>58,805</b>
(16,692)	Short Term Borrowing	22	(37,136)
(4,277)	Short Term Finance Lease Liabilities	22	(4,869)
(89,730)	Short Term Creditors	27	(71,382)
(5,216)	Provisions	29	(7,113)
<b>(115,915)</b>	<b>Current Liabilities</b>		<b>(120,500)</b>
(75,687)	Long Term Finance Lease Liabilities	22	(71,249)
(70)	Provisions	29	(70)
(329,450)	Long Term Borrowing	22	(325,451)
(411,397)	Other Long Term Liabilities	28	(7,108)
(65,376)	Capital Grants Receipts in Advance	14	(70,482)
<b>(881,980)</b>	<b>Long Term Liabilities</b>		<b>(474,360)</b>
<b>484,235</b>	<b>Net Assets</b>		<b>991,871</b>
(233,567)	Usable Reserves	30	(212,518)
(250,668)	Unusable Reserves	32	(779,353)
<b>(484,235)</b>	<b>Total Reserves</b>		<b>(991,871)</b>

The final financial statements were approved for issue on 17th December 2024 by the Director of Finance.



Alison Parkin S151 Officer

## Comprehensive Income and Expenditure Statement

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

2021/22				2022/23		
FINAL	Gross Inc £000	Net £000		Gross Exp £000	Gross Inc £000	Net £000
			<b>Directorate</b>			
376,049	(199,789)	176,260	People Services	399,957	(207,400)	192,557
131,974	(38,887)	93,087	Communities and Place	109,992	(37,092)	72,900
121,634	(83,510)	38,124	Corporate Resources	125,268	(81,283)	43,985
1,393	(1,488)	(95)	Corporate	1,300	(1,067)	233
50,044	(59,812)	(9,768)	Local authority housing (HRA)	53,166	(62,716)	(9,550)
<b>681,094</b>	<b>(383,486)</b>	<b>297,608</b>	<b>Cost of Services</b>	<b>689,683</b>	<b>(389,558)</b>	<b>300,125</b>
28,739	(16,900)	11,839	Other operating expenditure (Note 9)	14,839	(17,893)	(3,054)
50,229	(20,357)	29,872	Financing and investment income and expenditure (Note 10)	59,930	(29,537)	30,393
0	(287,618)	(287,618)	Taxation and non-specific grant income (Note 11)	0	(307,318)	(307,318)
<b>760,062</b>	<b>(708,361)</b>	<b>51,701</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>764,452</b>	<b>(744,306)</b>	<b>20,146</b>
		(70,234)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 32)			(91,676)
		109	Impairment losses on non-current assets charged to the Revaluation Reserve (Note 32)			0
		(133,008)	Remeasurement of the net defined benefit liability (Note 38)			(436,110)
		<b>(203,133)</b>	<b>* Other Comprehensive (Income) and Expenditure</b>			<b>(527,786)</b>
		<b>(151,432)</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>			<b>(507,640)</b>

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

### Movement in Reserves Statement

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

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance at 31 March 2021 brought forward</b>	<b>(132,295)</b>	<b>(46,151)</b>	<b>(31,305)</b>	<b>(2,090)</b>	<b>(41,253)</b>	<b>(253,089)</b>	<b>(79,709)</b>	<b>(332,798)</b>
<b>Movement in Reserves during 2021/22</b>								
Total Comprehensive Income and Expenditure	53,241	(1,540)	0	0	0	<b>51,701</b>	(203,134)	(151,433)
Adjustments between accounting basis & funding basis under regulations (Note 7)	(32,961)	1,732	(561)	465	(849)	<b>(32,174)</b>	32,174	<b>0</b>
<b>(Increase)/ Decrease in 2021/22</b>	<b>20,280</b>	<b>192</b>	<b>(561)</b>	<b>465</b>	<b>(849)</b>	<b>19,527</b>	<b>(170,960)</b>	<b>(151,433)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(112,015)</b>	<b>(45,959)</b>	<b>(31,866)</b>	<b>(1,625)</b>	<b>(42,102)</b>	<b>(233,562)</b>	<b>(250,669)</b>	<b>(484,231)</b>
<b>2022/23</b>								
Total Comprehensive Income and Expenditure	21,882	(1,736)	0	0	0	20,146	(527,786)	(507,640)
Adjustments between accounting basis & funding basis under regulations (Note 7)	1,342	5,349	(2,560)	1,625	(4,858)	898	(898)	0
<b>(Increase)/ Decrease in 2022/23</b>	<b>23,224</b>	<b>3,613</b>	<b>(2,560)</b>	<b>1,625</b>	<b>(4,858)</b>	<b>21,044</b>	<b>(528,684)</b>	<b>(507,640)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(88,791)</b>	<b>(42,346)</b>	<b>(34,426)</b>	<b>0</b>	<b>(46,960)</b>	<b>(212,518)</b>	<b>(779,353)</b>	<b>(991,871)</b>



## Cash Flow Statement

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

2021/22 £000		2022/23 £000
51,701	Net (surplus) or deficit on the provision of services	20,146
(91,638)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 41)	(46,185)
65,521	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 42)	50,326
<b>25,584</b>	<b>Net cash flows from Operating Activities</b>	<b>24,287</b>
(29,803)	Investing Activities (Note 44)	(7,025)
5,925	Financing Activities (Note 45)	(7,080)
<b>1,706</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>10,182</b>
22,958	Cash and cash equivalents at the beginning of the reporting period	21,251
<b>21,252</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 26)</b>	<b>11,069</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.

FINAL	2021/22				
	Net expenditure Chargeable to the General Fund and HRA Balances - reported (note 1b)	Net expenditure Chargeable to the General Fund and HRA Balances - not reported	Total net expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (note 1a)	Net Expenditure in the CI&ES
	£000	£000	£000	£000	£000
<b>Directorate</b>					
People Services	174,791	(19,171)	155,620	20,640	176,260
Communities and Place	43,399	4,301	47,700	45,385	93,085
Corporate Resources	31,727	(1,472)	30,255	7,869	38,124
Corporate	7,844	(4,536)	3,308	(3,401)	(93)
Local authority housing (HRA)	(9,866)	0	(9,866)	98	(9,768)
	<b>247,895</b>	<b>(20,878)</b>	<b>227,017</b>	<b>70,591</b>	<b>297,608</b>
Other income and expenditure	(206,545)		(206,545)	(39,362)	(245,907)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>41,350</b>	<b>(20,878)</b>	<b>20,472</b>	<b>31,229</b>	<b>51,701</b>
Opening General Fund and HRA Balance			(178,446)		
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year			20,472		
<b>Closing General Fund and HRA Balance at 31 March*</b>			<b>(157,974)</b>		

	2022/23				
	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	188,383	(22,431)	165,952	26,605	192,557
Communities and Place	45,526	3,643	49,170	23,730	72,900
Corporate Resources	34,798	(1,706)	33,092	10,893	43,985
Corporate	8,455	(3,950)	4,505	(4,272)	233
Local authority housing (HRA)	(10,511)	0	(10,511)	961	(9,550)
<b>Cost of Services</b>	<b>266,651</b>	<b>(24,444)</b>	<b>242,208</b>	<b>57,917</b>	<b>300,125</b>
Other income and expenditure	(215,367)	0	(215,367)	(64,612)	(279,979)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>51,284</b>	<b>(24,444)</b>	<b>26,841</b>	<b>(6,695)</b>	<b>20,146</b>
Opening General Fund and HRA Balance			(157,978)		
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year			26,841		
<b>Closing General Fund and HRA Balance at 31 March*</b>			<b>(131,137)</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.

	2021/22			
	Adjustments for Capital Purposes (note 1)	Net change for the Pensions Adjustments (note 2)	Other Differences (note 3)	Total Adjustments
	£000	£000	£000	£000
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>				
People Services	3,258	16,583	799	20,640
Communities and Place	38,037	7,017	332	45,386
Corporate Resources	4,507	3,089	273	7,869
Corporate	(3,401)	0	0	(3,401)
Local authority housing (HRA)	(97)	187	8	98
<b>Net Cost of Services</b>	<b>42,304</b>	<b>26,876</b>	<b>1,412</b>	<b>70,592</b>
Other income and expenditure	(35,666)	10,251	(13,948)	(39,363)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Service</b>	<b>6,638</b>	<b>37,127</b>	<b>(12,536)</b>	<b>31,229</b>
	2022/23			
	Adjustments for Capital Purposes (note 1)	Net change for the Pensions Adjustments (note 2)	Other Differences (note 3)	Total Adjustments
	£000	£000	£000	£000
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>				
People Services	8,961	13,660	3,984	26,605
Communities and Place	17,967	5,739	25	23,731
Corporate Resources	4,907	6,035	(48)	10,894
Corporate	(4,273)	0	0	(4,273)
Local authority housing (HRA)	865	113	(16)	962
<b>Net Cost of Services</b>	<b>28,427</b>	<b>25,547</b>	<b>3,945</b>	<b>57,919</b>
Other income and expenditure	(64,442)	11,279	(11,447)	(64,610)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Service</b>	<b>(36,015)</b>	<b>36,826</b>	<b>(7,502)</b>	<b>(6,691)</b>

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

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. This also includes adjustments for the use of capital receipts towards administrative costs of non-current capital receipts pool.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## **Note 2 - Net change for the removal of pension contributions and the addition of pension IAS19 related expenditure and income**

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

## **Note 3 - Other Differences**

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

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

The charge under Taxation and non-specific grant income and expenditure includes the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

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

<b>2021/22</b>	<b>Recharge Income</b>	<b>Interest Revenue</b>	<b>External Income</b>	<b>Total Income</b>	<b>Interest Expense</b>	<b>Other Expenditure</b>	<b>Total Expenditure</b>	<b>Net Expenditure</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
People Services	(9,723)	0	(181,130)	(190,853)	0	365,644	365,644	174,791
Communities and Place	(5,140)	0	(40,525)	(45,665)	0	89,064	89,064	43,399
Corporate Resources	(3,401)	(479)	(84,963)	(88,843)	20,039	100,531	120,570	31,727
Corporate	0	0	(1,837)	(1,837)	0	9,681	9,681	7,844
Local authority housing (HRA)	0	0	(59,812)	(59,812)	0	49,946	49,946	(9,866)
<b>Reported net cost of Services</b>	<b>(18,264)</b>	<b>(479)</b>	<b>(368,267)</b>	<b>(387,010)</b>	<b>20,039</b>	<b>614,866</b>	<b>634,905</b>	<b>247,895</b>

<b>2022/23</b>	<b>Recharge Income</b>	<b>Interest Revenue</b>	<b>External Income</b>	<b>Total Income</b>	<b>Interest Expense</b>	<b>Other Expenditure</b>	<b>Total Expenditure</b>	<b>Net Expenditure</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
People Services	(11,024)	0	(188,089)	(199,113)	0	387,497	387,497	188,384
Communities and Place	(6,056)	0	(39,305)	(45,361)	0	90,886	90,886	45,525
Corporate Resources	(3,213)	(937)	(83,157)	(87,307)	19,941	102,164	122,105	34,798
Corporate	0	0	(2,064)	(2,064)	0	10,519	10,519	8,455
Local authority housing (HRA)	0	0	(62,716)	(62,716)	0	52,205	52,205	(10,511)
	<b>(20,293)</b>	<b>(937)</b>	<b>(375,331)</b>	<b>(396,561)</b>	<b>19,941</b>	<b>643,271</b>	<b>663,212</b>	<b>266,651</b>

## **2. Accounting Policies 2022/23**

### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23 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 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 2022/23.

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 2022/23 will not be subject to an MRP charge until 2023/24 provided the works are completed.

## **vi. Employee Benefits**

### **Benefits Payable During Employment**

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

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

### **Termination Benefits**

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

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

### **Post Employment Benefits**

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

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

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

However, the arrangements for the Teachers' scheme and NHS Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes 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 2022/23 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 2022/23, PPE assets are only recognised if it is probable that future economic benefits or service potential associated with the item will flow to the Council. The PPE assets of the Council's Community, Voluntary Controlled, Voluntary Aided (excluding land) and Foundation schools are considered to meet the IFRS definition for recognition and are included in the Council's balance sheet. Land at Voluntary Aided school sites does not meet this criteria and so is excluded. In addition as Academy schools are not owned or fully funded by the Council, they are also not considered to meet the recognition criteria and are therefore not included in the Council's Balance Sheet.

## **Derecognition**

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

## **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

## **Impairment**

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

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

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

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

## **Depreciation**

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

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

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

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

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



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

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement) Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

The Code requires that, where expenditure is capitalised in relation to the replacement of a component of an item of Property, Plant and Equipment, the carrying amount of the replaced component shall be written out of the balance sheet as a disposal. For infrastructure assets, the Authority has determined the carrying value of any components replaced during the accounting period to be nil, in accordance with the provisions of the Local Authorities (Capital Finance and Accounting) (Amendment) Regulations 2022. Further detail regarding the accounting arrangements for infrastructure assets is provided at Note 16 Property, Plant and Equipment.

## **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 2023 are included in the balance sheet of the Council as any unspent delegated schools budgets remain the property of the Council.

### **PFI Schemes**

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

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

## **xx. VAT**

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

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

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

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

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

## **xxii. Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either;

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

### **xxiii. Investment Property**

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

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

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

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

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

## **xxv. Intangible Assets**

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

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

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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. There are 6 Accounting Standards that have been issued and not yet applied in the preparation of the accounts these are:

a) IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2023/24 year).

b) Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.

c) Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.

d) Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

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

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

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

The Statement of Accounts was authorised for issue by the Director of Finance on 13th July 2023. Events taking place after this date are not reflected in the financial statements or notes.

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

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

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

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

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



## 2) PFI Schemes:

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

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

The Code of Practice on Local Authority Accounting 2022/23 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 2022/23 requires that the Council accounts for its tangible and intangible heritage assets. As a result, values for these assets are recognised in the Council's balance sheet position, except where valuations are not available and the cost of obtaining valuations would be disproportionate to the benefits to the users of the Statement of Accounts.

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

### 5) Group Accounts

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

### 6) Pooled Budgets

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

### 7) Reporting Segments

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

### 8) IFRS 15 - Revenue Recognition

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

### 9) Derby and Derbyshire Waste Treatment Centre (DDWTC)

The Council has considered the accounting treatment for the DDWTC and has determined that it will be recognised on the balance sheet at 31 March 2023 as an Asset under Construction due to the asset not yet having been brought into service. The Council has incurred capital expenditure of £2.3m during 22/23 (£2.2m during 21/22) securing, managing and preserving the site.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment - Valuation	<p>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.</p>	<p>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 £3.816 million.</p>
Pensions Liability	<p>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.</p>	<p>Details of the effect of changes in the key actuarial assumptions are included in the Defined Benefit Pension Schemes note (note 38).</p>
Arrears	<p>At 31 March 2023, the Council had a balance of gross short-term debtors of £70.900 million. The Council has applied an impairment of doubtful debts of £25.858 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.</p>	<p>If collection rates were to deteriorate a 10% increase in the number of bad and doubtful debts would require an additional £2.586 million to be set aside as an allowance. The Council's impairment of doubtful debts include £13.163m in relation to Council Tax and NDR based on assumed collection rates. A 1% reduction in these rates would require an additional impairment of £0.132m to be put aside.</p>

## **Operational Assets**

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

## 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.

2021/22	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(21,260)	(14,882)				36,142
Revaluation losses on Property Plant and Equipment	(15,270)	(326)				15,596
Revaluation gains matched to prior years impairments	4,296	392				(4,688)
Movements in the market value of Investment Properties	1,530					(1,530)
Impairment charges for Assets Held for Sale						0
Amortisation of intangible assets	(785)					785
Capital grants and contributions applied	25,604					(25,604)
Revenue expenditure funded from capital under statute	(19,235)					19,235
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(18,657)	(8,836)				27,493
Statutory provision for the financing of capital investment						
Statutory provision for the financing of capital investment	8,262	39				(8,301)
Capital expenditure charged against the General Fund and HRA balances	5,766	(7)				(5,759)

2021/22 Comparative Figures	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	16,188				(16,188)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					15,339	(15,339)
Adjustment primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,235	10,665	(16,900)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	15,686	0	0	(15,686)
Use of the Capital Receipts Reserve towards administrative costs of non-current capital receipts pool	(1,239)	0	1,239	0	0	0
Receipt of Capital loan repayments	0	0	(532)	0	0	532
Transfer from deferred capital receipts reserve upon receipt of cash	0	0	(54)	0	0	54
Adjustment primarily involving the Major Repair Reserve:						
Posting of revenue resource to/(from) HRA for Major Repairs Reserve	0	14,882	0	(14,882)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	15,347	0	(15,347)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	28	0	0	0	0	(28)

2021/22 Comparative Figures	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(61,289)	(340)	0	0	0	61,629
Employers pensions contributions and direct payments to pensioners payable in the year	24,349	153	0	0	0	(24,502)
Adjustable primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	13,947	0	0	0	0	(13,947)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(663)	(8)	0	0	0	671
Adjustment primarily involving the Dedicated Schools Grant Adjustment Account:						
School budget deficit transferred from General Fund in accordance with statutory requirements	(768)	0	0	0	0	768
<b>Total Adjustments</b>	<b>(32,961)</b>	<b>1,732</b>	<b>(561)</b>	<b>465</b>	<b>(849)</b>	<b>32,174</b>

2022/23	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(21,626)	(14,779)	0	0	0	36,405
Revaluation losses on Property Plant and Equipment	(20,637)	(888)	0	0	0	21,525
Revaluation gains matched to prior years impairments	18,159	525	0	0	0	(18,684)
Movements in the market value of Investment Properties	(20)	0	0	0	0	20
Amortisation of intangible assets	(92)	0	0	0	0	92
Capital grants and contributions applied	22,739	0	0	0	0	(22,739)
Revenue expenditure funded from capital under statute	(11,891)	0	0	0	0	11,891
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	(4,456)	(10,260)	0	0	0	14,716
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	8,435	40	0	0	0	(8,475)
Capital expenditure charged against the General Fund and HRA balances	1,843	11	0	0	0	(1,854)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	35,150	0	0	0	(35,150)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	30,292	(30,292)



2022/23	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,903	12,744	(17,647)	0	0	0
Movement between Capital Reserves and Capital Receipts Reserve	(1,937)		1,937			
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	14,074	0	0	(14,074)
Receipt of capital loan repayments	0	0	(888)	0	0	888
Transfer from deferred capital receipts reserve upon receipt of cash	0	0	(36)	0	0	36
Transfer between reserves	0	0	0	0	0	0
Adjustment primarily involving the Deferred Capital Receipts Reserve:						
Deferred Sales Proceeds	0	0	0	0	0	0
Adjustment primarily involving the Major Repair Reserve:						
Posting of revenue resource to/(from) HRA for Major Repairs Reserve	0	14,227	0	(14,227)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	15,852	0	(15,852)
Transfer between reserves	0	3,826	0	0	0	(3,826)
Adjustment primarily involving the Financial Instruments Adjustment Account:						

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	28	0	0	0	0	(28)
---	----	---	---	---	---	------

2022/23	Usable					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(62,654)	(234)	0	0	0	62,888
Employers pensions contributions and direct payments to pensioners payable in the year	25,941	121	0	0	0	(26,062)
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	11,447	0	0	0	0	(11,447)
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	(315)	16	0	0	0	299
Adjustment primarily involving the Dedicated Schools Grant Adjustment Account:						
School budget deficit transferred from General Fund in accordance with statutory requirements	(3,675)	0	0	0	0	3,675
<b>Total Adjustments</b>	<b>1,342</b>	<b>5,349</b>	<b>(2,560)</b>	<b>1,625</b>	<b>(4,858)</b>	<b>(898)</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
2021/22	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>							
Employee expenses	126,350	40,959	33,219	616	989	0	<b>202,133</b>
Employee expenses for Voluntary Aided and Foundation Schools	14,450	0	0	0	0	0	<b>14,450</b>
Other service expenses	240,536	73,341	87,636	777	34,238	0	<b>436,530</b>
Depreciation, amortisation and impairment	4,436	22,814	4,180	0	14,817	59	<b>46,306</b>
Interest payments	0	0	0	0	0	20,039	<b>20,039</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1,239	<b>1,239</b>
Gain or Loss on Disposal of non current assets	0	0	0	0	0	27,500	<b>27,500</b>
Internal Trading	(9,723)	(5,140)	(3,401)	0	0	0	<b>(18,264)</b>
Pension Interest Cost	0	0	0	0	0	30,129	<b>30,129</b>
<b>Total expenditure</b>	<b>376,049</b>	<b>131,974</b>	<b>121,634</b>	<b>1,393</b>	<b>50,044</b>	<b>78,966</b>	<b>760,062</b>
<b>Income</b>							
Fees, charges & other service income	(35,246)	(31,634)	(20,723)	(1,366)	(59,812)	0	<b>(148,781)</b>
Interest and Investment Income	0	0	0	0	0	(479)	<b>(479)</b>
Income from council tax, non-domestic rates	0	0	0	0	0	(174,286)	<b>(174,286)</b>
Government Grants and Contributions	(174,267)	(12,393)	(66,188)	(122)	0	(112,903)	<b>(365,873)</b>
PFI Deferred Income	0	0	0	0	0	(428)	<b>(428)</b>
Internal Trading	9,723	5,140	3,401	0	0	0	<b>18,264</b>
Gain or Loss on Disposal of non current assets	0	0	0	0	0	(16,900)	<b>(16,900)</b>
Pension interest income	0	0	0	0	0	(19,878)	<b>(19,878)</b>
<b>Total income</b>	<b>(199,790)</b>	<b>(38,887)</b>	<b>(83,510)</b>	<b>(1,488)</b>	<b>(59,812)</b>	<b>(324,874)</b>	<b>(708,361)</b>
<b>Surplus or deficit on the provision of services</b>	<b>176,259</b>	<b>93,087</b>	<b>38,124</b>	<b>(95)</b>	<b>(9,768)</b>	<b>(245,908)</b>	<b>51,701</b>

	People Services	Communities & Place	Corporate Resources	Corporate	Local Authority Housing (HRA)	Other Income and Expenditure	TOTAL
2022/23	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>							
Employee expenses	128,319	41,595	35,883	633	858	0	<b>207,288</b>
Employee expenses for Voluntary Aided and Foundation Schools	15,783	0	0	0	0	0	<b>15,783</b>
Other service expenses*	256,884	64,728	88,212	667	37,166	0	<b>447,657</b>
Depreciation, amortisation and impairment	9,995	9,725	4,386	0	15,142	110	<b>39,358</b>
Interest payments	0	0	0	0	0	19,941	<b>19,941</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	<b>0</b>
Gain or Loss on Disposal of non current assets	0	0	0	0	0	14,839	<b>14,839</b>
Internal Trading	(11,024)	(6,056)	(3,213)	0	0	0	<b>(20,293)</b>
Pension Interest Cost	0	0	0	0	0	39,879	<b>39,879</b>
<b>Total expenditure</b>	<b>399,957</b>	<b>109,992</b>	<b>125,268</b>	<b>1,300</b>	<b>53,166</b>	<b>74,769</b>	<b>764,452</b>
<b>Income</b>							
Fees, charges & other service income*	(43,586)	(31,787)	(19,830)	(1,067)	(62,716)	0	<b>(158,987)</b>
Interest and Investment Income	0	0	0	0	0	(937)	<b>(937)</b>
Income from council tax, non-domestic rates	0	0	0	0	0	(181,874)	<b>(181,874)</b>
Government Grants and Contributions	(174,838)	(11,361)	(64,666)	0	0	(125,011)	<b>(375,876)</b>
PFI Deferred Income	0	0	0	0	0	(432)	<b>(432)</b>
Internal Trading	11,024	6,056	3,213	0	0	0	<b>20,293</b>
Gain or Loss on Disposal of non current assets	0	0	0	0	0	(17,893)	<b>(17,893)</b>
Pension interest income	0	0	0	0	0	(28,600)	<b>(28,600)</b>
<b>Total income</b>	<b>(207,400)</b>	<b>(37,092)</b>	<b>(81,283)</b>	<b>(1,067)</b>	<b>(62,716)</b>	<b>(354,747)</b>	<b>(744,306)</b>
<b>Surplus or deficit on the provision of services</b>	<b>192,557</b>	<b>72,900</b>	<b>43,985</b>	<b>233</b>	<b>(9,550)</b>	<b>(279,978)</b>	<b>20,146</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>2021/22 £000</b>		<b>2022/23 £000</b>
1,239	Payments to the Government Housing Capital Receipts Pool	0
10,600	(Gains)/losses on the disposal of non-current assets	(3,054)
<b>11,839</b>	<b>Total</b>	<b>(3,054)</b>

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

<b>2021/22 £000</b>		<b>2022/23 £000</b>
20,039	Interest payable and similar charges	19,941
10,251	Net interest on the net defined benefit liability	11,279
(367)	Interest receivable and similar income	(757)
(111)	Income and expenditure in relation to investment properties and changes in their fair value	(179)
60	Financial Instrument Impairments	109
<b>29,872</b>	<b>Total</b>	<b>30,393</b>

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

<b>2021/22 £000</b>		<b>2022/23 £000</b>
(428)	PFI Deferred rental income	(432)
(107,597)	Council tax income	(110,504)
8,200	Share of prior year Collection Fund (Surplus)/Deficit	834
(12,799)	Revenue Support Grant	(13,195)
(45,537)	Retained Business Rates	(42,458)
(16,552)	Business Rates Retention (Top Up)	(16,552)
(71,113)	Non-ring-fenced government grants	(67,122)
(41,792)	Capital grants and contributions	(57,889)
<b>(287,618)</b>	<b>Total</b>	<b>(307,318)</b>

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

The Council has the following maintained schools:

<b>2021/22</b>	<b>Community</b>	<b>Voluntary Aided</b>	<b>Foundation</b>	<b>Special</b>	<b>Total</b>
Number of schools, (including nursery schools and excluding PFI schools)	32	1	3	1	<b>37</b>
FINAL	£73.8m	£0.7m	£49.7m	£3.8m	<b>£128.0m</b>

<b>2022/23</b>	<b>Community</b>	<b>Voluntary Aided</b>	<b>Foundation</b>	<b>Special</b>	<b>Total</b>
Number of schools, (including nursery schools and excluding PFI schools)	32	1	3	1	<b>37</b>
Value of land and buildings at 31st March 2023	£81.0m	£0.4m	£45.1m	£4.4m	<b>£131.0m</b>

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

The buildings of VA schools with a carrying value of £0.4m (£0.7m in 2021/22), while included in the Council's financial statements due to the control arrangements, are owned by individual diocese. The Council would be unable to use these assets to settle future liabilities.

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

Where a school proposes to transfer to Academy Status, the Council will continue to retain any asset subject to transfer on the basis of its last revaluation and maintains both the asset value and the anticipated useful life until the date of transfer. The Council has taken the view that any asset transferring will continue to be used for the provision of education services thus supporting the Council's statutory obligation for the provision of education. On transfer to an Academy, assets are derecognised in the Council's financial statements for nil consideration. During 2022/23 no schools converted to academy status (compared to two in 2021/22).

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 2022/23.

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 2023 are included in the balance sheet of the Council under the heading Usable Reserves. Where the DSG is in a deficit position, new statutory regulations have been introduced to provide time for government and local authorities to look at budgetary and financial management strategies to reduce the deficits, the regulations are limited to the financial reporting periods 2020/21, 2021/22 and 2022/23. This deficit is included in the balance sheet of the Council under the heading of Unusable Reserves.

### PFI Schemes

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

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

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



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

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2020. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

<b>Schools Budget Funded by Dedicated Schools Grant 2021/22</b>			
	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for 2021/22 before Academy recoupment			(271,324)
Academy figure recouped for 2021/22			160,675
Total DSG after Academy recoupment for 2021/22			<b>(110,649)</b>
plus: brought forward from 2020/21			(4,211)
Agreed initial budgeted distribution in 2021/22	(30,834)	(84,025)	<b>(114,859)</b>
In year adjustments	678	(678)	<b>0</b>
Final budget distribution for 2021/22	(30,156)	(84,703)	<b>(114,859)</b>
Actual central expenditure	30,925		<b>30,925</b>
Actual ISB deployed to schools		84,703	<b>84,703</b>
Carried forward to 2022/23	769	0	<b>769</b>
DSG unusable reserve at the end of 2020/21			<b>0</b>
Addition to DSG unusable reserve at the end of 2021/22			<b>769</b>
Total of DSG unusable reserve at the end of 2021/22			<b>769</b>
Net DSG position at the end of 2022/23			<b>769</b>

<b>Schools Budget Funded by Dedicated Schools Grant 2022/23</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 2022/23 before academy and high needs recoupment			(286,652)
Academy and high needs figure recouped for 2022/23			168,226
Total DSG after academy and high needs recoupment for 2022/23			<b>(118,426)</b>
plus: brought forward from 2021/22			0
less: carry forward to 2023/24 agreed in advance			4,081
Agreed initial budgeted distribution in 2022/23	(36,420)	(86,087)	<b>(122,507)</b>
In year adjustments	(436)	252	<b>(184)</b>
Final budget distribution for 2022/23	(36,856)	(85,835)	<b>(122,691)</b>
Actual central expenditure	36,449		<b>36,449</b>
Actual ISB deployed to schools		85,835	<b>85,835</b>
Carried forward to 2023/24*	(407)	0	<b>(407)</b>
Plus/Minus: Carry-forward to 2023/24 agreed in advance			4,081
Carry-forward to 2023/24			0
DSG unusable reserve at the end of 2021/22			769
Addition to DSG unusable reserve at the end of 2022/23			3,674
Total of DSG unusable reserve at the end of 2022/23			4,443
Net DSG position at the end of 2022/23			4,443

## 14. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23.

	2021/22	2022/23
FINAL	£000	£000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Non Specific Grants	44,497	58,636
COVID Funding*	9,333	0
S31 Grant funding for extended retail and nursery relief*	8,033	0
PFI Grant	9,249	8,471
Capital Grants	41,792	57,889
<b>Total</b>	<b>112,904</b>	<b>124,996</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	36,379	35,923
Rent Rebate - Housing Benefit	23,873	22,835
Public Health Grant	19,889	20,516
Housing Benefit Administration	1,086	1,075
COVID-19 LA Support Grant	208	0
COVID-19 Household Support Fund*	2,225	4,241
COVID-19 Winter Pressures Funding*	33	0
COVID Public Health funding*	1,763	76
COVID Infection Control Funding*	7,529	1,065
COVID Home to School Transport funding*	952	0
Other COVID funding (including new burdens)*	1,982	66
COVID Grant Funding for Businesses*	6,246	0
DfE -ESFA	3,551	3,851
Schools Improvement	5,470	5,705
6th form funding	2,043	2,259
Dedicated Schools Grant	109,925	118,316
Unaccompanied Asylum Seekers	2,200	2,060
PFI Grants Credited to Service	3,495	4,268
Other Communities and Place	6,227	9,634
Other People's Service - Children and Young People	9,284	12,265
Other People's Service - Adults	8,015	5,442
Other Corporate Resources	594	1,283
<b>Total</b>	<b>252,969</b>	<b>250,880</b>

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

\*The Council received additional funding in 2022/23 due to the COVID-19 pandemic.

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

	2021/22 £000	2022/23 £000
<b>Capital Grants Receipts in Advance</b>		
Children & Young People (CYP) Grants	408	699
Housing General Fund (HGF) Grants	1,711	1,818
HGF Housing Intelligence 4 East Midlands - CLG Grant	33	0
Communities and Place Grants	422	1,668
Communities and Place Contributions	26	19
Environment Agency - Our City Our River	5,001	3,332
D2N2 - Our City Our River	7,941	11,882
Transforming Cities	28,141	23,440
Football Foundation - Parklife Project	31	0
Getting Building Fund	5,971	825
Future House Street Fund	0	3,823
School's Devolved Contributions	39	2,361
Section 106 contributions	14,476	19,439
Capital Receipts - CPO	1,176	1,176
<b>Total</b>	<b>65,376</b>	<b>70,482</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 :

	2021/22 £000	2022/23 £000
Fees payable to Ernst and Young with regard to external audit services carried out by the appointed auditor for the year*	110	110
Fees payable to Ernst and Young for the certification of grant claims and returns for the year	32	21
Public Sector Audit Appointments (PSAA) rebate	(22)	0
Funding for implementation of the Redmond Review	(57)	(55)
<b>Total</b>	<b>63</b>	<b>76</b>

## 16. Property, Plant and Equipment

### a) Movements on Balances

Movements in 2021/22	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Cost of Valuation</b>									
<b>At 1 April 2021</b>	<b>522,318</b>	<b>344,493</b>	<b>35,080</b>		<b>6,935</b>	<b>15,403</b>	<b>49,596</b>	<b>973,825</b>	<b>42,176</b>
Recategorisations	2,571	0	0		85	0	(5,830)	<b>(3,174)</b>	0
Additions	18,200	8,822	2,099		32	963	48,041	<b>78,157</b>	1,520
Revaluation increases/(decreases) recognised in the Revaluation Reserve	28,563	15,656	0		0	448	0	<b>44,667</b>	102
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	24	(14,521)	0		0	(430)	(20)	<b>(14,947)</b>	967
Derecognition - disposals	0	0	(462)		0	0	0	<b>(462)</b>	0
Derecognition - other	0	(15,722)	(445)		0	0	0	<b>(16,167)</b>	0
Assets reclassified (to)/from Held for Sale	(8,791)	(483)	0		0	(1,784)	0	<b>(11,058)</b>	0
Other reclassifications	179	6,895	17		0	(273)	(6,801)	<b>17</b>	0
<b>At 31 March 2022</b>	<b>563,064</b>	<b>345,140</b>	<b>36,289</b>		<b>7,052</b>	<b>14,327</b>	<b>84,986</b>	<b>1,050,858</b>	<b>44,765</b>

Movements in 2021/22	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2021</b>	<b>0</b>	<b>(4,556)</b>	<b>(20,328)</b>		<b>(5,092)</b>	<b>0</b>	<b>(2)</b>	<b>(29,978)</b>	<b>(7,229)</b>
Depreciation charge	(14,389)	(8,307)	(4,268)		(442)	0	0	(27,406)	(943)
Depreciation written out to the Revaluation Reserve	14,345	6,520	0		0	0	0	20,865	15
Depreciation written out to the Surplus/Deficit on the Provision of Services	61	3,285	0		0	5	0	3,351	163
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0		0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0		0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	6	0		0	0	0	6	0
Derecognition - disposals	0	0	458		0	0	0	458	0
Derecognition - Other	0	208	372		0	0	0	580	0
Other reclassifications	(17)	22	(2)		0	(5)	0	(2)	0
<b>At 31 March 2022</b>	<b>0</b>	<b>(2,822)</b>	<b>(23,768)</b>		<b>(5,534)</b>	<b>0</b>	<b>(2)</b>	<b>(32,126)</b>	<b>(7,994)</b>
<b>Net Book Value</b>									
<b>At 31 March 2022</b>	<b>563,064</b>	<b>342,318</b>	<b>12,521</b>		<b>1,518</b>	<b>14,327</b>	<b>84,984</b>	<b>1,018,732</b>	<b>36,771</b>
<b>At 1 April 2021</b>	<b>522,318</b>	<b>339,937</b>	<b>14,752</b>		<b>1,843</b>	<b>15,403</b>	<b>49,594</b>	<b>943,847</b>	<b>34,947</b>

Movements in 2022/23:	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Cost of Valuation at 1 April 2022</b>	<b>563,064</b>	<b>345,140</b>	<b>36,289</b>		<b>7,052</b>	<b>14,327</b>	<b>84,986</b>	<b>1,050,858</b>	<b>44,765</b>
Recategorisations	162	47,440	0		0	0	(48,904)	(1,302)	0
Additions	19,920	8,361	5,520		0	1,762	48,335	83,898	544
Revaluation increases/(decreases) recognised in the Revaluation Reserve	87,586	(14,454)	0		0	(1,272)	0	71,860	87
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(1,527)	0		0	(2,337)	(495)	(4,359)	392
Derecognition - disposals	0	0	(1,527)		0	(30)	0	(1,557)	0
Derecognition - other	0	0	(1,735)		0	0	0	(1,735)	0
Assets reclassified (to)/from Held for Sale	(10,371)	(465)	0		0	(350)	0	(11,186)	0
Other reclassifications	0	0	0		0	0	0	0	0
<b>At 31 March 2023</b>	<b>660,361</b>	<b>384,495</b>	<b>38,547</b>		<b>7,052</b>	<b>12,100</b>	<b>83,922</b>	<b>1,186,477</b>	<b>45,788</b>

Movements in 2022/23	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Accumulated Depreciation and Impairment at 1 April 2022</b>	<b>0</b>	<b>(2,822)</b>	<b>(23,768)</b>		<b>(5,534)</b>	<b>0</b>	<b>(2)</b>	<b>(32,126)</b>	<b>(7,994)</b>
Depreciation charge	(13,631)	(8,875)	(4,046)		(246)	0	0	(26,798)	(1,012)
Depreciation written out to the Revaluation Reserve	13,349	6,481	0		0	0	0	19,830	17
Depreciation written out to the Surplus/Deficit on the Provision of Services	61	2,298	0		0	0	0	2,359	179
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(14)	0		0	0	0	(14)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(11)	0		0	0	0	(11)	0
Assets reclassified (to)/from Held for Sale	221	4	0		0	0	0	225	0
Derecognition - disposals	0	0	1,273		0	0	0	1,273	0
Derecognition - other	0	0	1,354		0	0	0	1,354	0
Other reclassifications	0	0	0		0	0	0	0	0
<b>At 31 March 2023</b>	<b>0</b>	<b>(2,939)</b>	<b>(25,187)</b>		<b>(5,780)</b>	<b>0</b>	<b>(2)</b>	<b>(33,908)</b>	<b>(8,810)</b>
<b>Net Book Value</b>									
<b>At 31 March 2023</b>	<b>660,361</b>	<b>381,556</b>	<b>13,360</b>		<b>1,272</b>	<b>12,100</b>	<b>83,920</b>	<b>1,152,569</b>	<b>36,978</b>
<b>At 1 April 2022</b>	<b>563,064</b>	<b>342,318</b>	<b>12,521</b>		<b>1,518</b>	<b>14,327</b>	<b>84,984</b>	<b>1,018,732</b>	<b>36,771</b>



## b) Depreciation

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

## c) Capital Commitments

As at 31 March 2023 the Council had entered into a number of contracts for the enhancement of property, plant and equipment with future costs estimated as £57.655 million. The equivalent figure as at 31 March 2022 was £57.684 million. The major commitments are summarised by directorate:

Strategy Area	Major Schemes	Scheme Commitment £000	Total Commitment £000
Highways & Transport		0	2,307
Housing		0	719
Property (including Parks & Open Spaces)		0	7,985
Regeneration	New Performance Venue at Becketwell and MRC Midlands (NAMRC)	43,792	44,005
ICT		0	1,472
VPE	Purchases of Vehicles and Equipment	0	402
HRA		0	765
<b>Total</b>		<b>43,792</b>	<b>57,655</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 2022/23 revaluation is £10,000.

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000
<b>Carried at Historical Cost</b>			13,360		1,183		83,920	98,463	80,944
<b>Valued at Fair Value as at:</b>									
Pre 31 March 2020		19,241			75			19,316	
31 March 2021		18,800						18,800	
31 March 2022		17,460				180		17,640	
31 March 2023	660,361	326,055			14	11,920		998,350	
<b>Total cost or Valuation</b>	660,361	381,556	13,360		1,272	12,100	83,920	1,152,569	80,944

#### e) Highways Infrastructure Assets

In November 2022, CIPFA issued an Update to the 2021/22 (and 2022/23) Code of Practice on Local Authority Accounting. This Update allows for the movement between the opening and closing balance of infrastructure assets to be presented on a net book value (rather than gross cost/accumulated depreciation) basis for a temporary period up to and including 2024/25, in recognition that authorities do not typically hold sufficiently granular detail regarding historical expenditure on their infrastructure assets in order to accurately account for derecognitions on a gross basis.

Furthermore, an amendment to the Local Authorities (Capital Finance and Accounting) Regulations was also laid in November 2022 which permits local authorities, when they replace a component of an infrastructure asset, to determine the carrying amount to be derecognised in respect of that replaced component as nil. This statutory override also applies up to and including 2024/25. Derby City Council has made this determination in respect of its 2022/23 Statement of Accounts.

Infrastructure assets have therefore been excluded from the previous tables which analyse the movement on Property, Plant and Equipment on a gross book value/accumulated depreciation basis. The movement on infrastructure assets is instead presented in the following note, along with a reconciliation to total Property, Plant and Equipment as reported on the Balance Sheet and elsewhere in these financial statements. In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements

Infrastructure Asset	2021/22 £000	2022/23 £000
<b>Net book value (modified historical cost)</b>		
<b>at 1 April</b>	272,054	281,972
Recategorisations	3,174	683
Additions	14,816	9,164
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(57)
Derecognition	0	0
Depreciation charge	(8,057)	(8,522)
Impairment	0	21
Other Movement in cost	(15)	0
<b>Net book value</b>		
<b>at 31 March</b>	<b>281,972</b>	<b>283,261</b>

Reconciliation to Balance Sheet	2021/22 £000	2022/23 £000
Infrastructure Assets	281,972	283,261
Other PPE Assets	1,018,733	1,152,569
<b>Total PPE per Balance Sheet</b>	<b>1,300,705</b>	<b>1,435,830</b>

### **17. Heritage Assets**

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

	Civic Regalia £000	Art Collection £000	Decorative Art Collection £000	Industrial Collection £000	Natural History Collection £000	Other £000	Total £000
<b>Cost or Valuation</b>							
<b>31 March 2021</b>	<b>770</b>	<b>64,969</b>	<b>3,992</b>	<b>1,037</b>	<b>1,237</b>	<b>4,346</b>	<b>76,351</b>
Revaluations recognised in the Revaluation Reserve	0	5,013	0	0	(420)	0	4,593
<b>31 March 2022</b>	<b>770</b>	<b>69,982</b>	<b>3,992</b>	<b>1,037</b>	<b>817</b>	<b>4,346</b>	<b>80,944</b>
Revaluations recognised in the Revaluation Reserve	0	0	0	0	0	0	0
<b>31 March 2023</b>	<b>770</b>	<b>69,982</b>	<b>3,992</b>	<b>1,037</b>	<b>817</b>	<b>4,346</b>	<b>80,944</b>

## **18. Investment Properties**

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

FINAL	2021/22 £000	2022/23 £000
Rental income from investment property	(111)	(179)
<b>Net (gain)/loss</b>	<b>(111)</b>	<b>(179)</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.

	2021/22 £000	2022/23 £000
Balance at start of the year	3,710	5,240
Net gain/losses from fair value adjustments	1,530	(20)
Derecognition - Disposals in year	0	(3,990)
<b>Balance at the end of the year</b>	<b>5,240</b>	<b>1,230</b>

### **Fair Value Hierarchy**

All the Council's investment properties have been value assessed as Level 2 (£1.23m) 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 2023 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>2021/22 £000</b>	<b>2022/23 £000</b>
<b>Opening Capital Financing Requirement</b>	<b>(696,395)</b>	<b>(722,567)</b>
Capital Investment:		
Property, Plant and Equipment	(92,973)	(93,059)
Assets Held for Sale	0	(398)
Intangible Assets	0	0
Revenue Expenditure Funded from Capital Under Statute	(19,235)	(11,891)
LAMS/Long Term Debtors	532	888
Sources of finance:		
Capital Receipts	15,686	16,013
Receipt of capital loan repayments	(532)	(888)
Capital Reserves	15,347	19,678
Government grants and other contributions	40,943	53,031
Direct revenue contributions	5,759	1,854
Minimum Revenue Provision	8,301	8,475
<b>Closing capital financing requirement</b>	<b>(722,567)</b>	<b>(728,864)</b>
<b>Explanation of movements in year</b>		
Increase/(decrease) in underlying need to borrow (supported by government financial assistance)	731	710
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	34,548	16,220
HRA capital receipts set aside for redemption of debt	(4,361)	(6,975)
Assets acquired under finance leases	(162)	324
Assets acquired under PFI/PPP contracts	(4,584)	(3,982)
<b>Increase/(decrease) in capital financing requirement</b>	<b>26,172</b>	<b>6,297</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.

	2021/22		2022/23	
	NBV £000	Depn £000	NBV £000	Depn £000
Other Land and Buildings	384	(22)	362	(22)
Vehicles, Plant, Furniture and Equipment	871	(252)	590	(280)
<b>Total</b>	<b>1,255</b>	<b>(274)</b>	<b>952</b>	<b>(302)</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:

	2021/22 £000	2022/23 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	296	248
Non-current	837	1,021
Finance costs payable in future years	226	452
<b>Minimum lease payments</b>	<b>1,359</b>	<b>1,721</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/2022 £000	31/03/2023 £000	31/03/2022 £000	31/03/2023 £000
Not later than one year	332	361	296	246
Later than one year and not later than five years	655	992	596	796
Later than five years	372	368	241	240
	<b>1,359</b>	<b>1,721</b>	<b>1,133</b>	<b>1,282</b>

## Operating Leases

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

	31/03/2022 £000	31/03/2023 £000
No later than one year	626	659
Later than one year and not later than five years	1,896	2,014
Later than five years	1,255	768
<b>Total</b>	<b>3,777</b>	<b>3,440</b>

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

	31/03/2022 £000	31/03/2023 £000
Minimum lease payments	990	1,126
<b>Total</b>	<b>990</b>	<b>1,126</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:

	31/03/2022 £000	31/03/2023 £000
Finance lease debtors (net present value of minimum lease payments):		
Current	4	4
Non-current	1,154	1,118
Unearned finance income	1,734	1,671
Unguaranteed residual value of property	(19)	(19)
<b>Gross investment in the lease</b>	<b>2,873</b>	<b>2,774</b>

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

	Gross Investment		Minimum Lease	
	31/03/2022 £000	31/03/2023 £000	31/03/2022 £000	31/03/2023 £000
Not later than one year	30	29	4	4
Later than one year and not later	121	117	17	16
Later than five years	2,722	2,627	1,118	1,083
<b>Total</b>	<b>2,873</b>	<b>2,773</b>	<b>1,139</b>	<b>1,103</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:

	31/03/2022 £000	31/03/2023 £000
No later than one year	1,335	1,230
Later than one year and not later	3,691	2,952
Later than five years	19,686	18,548
<b>Total</b>	<b>24,712</b>	<b>22,730</b>

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



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

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

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

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

### **Street Lighting**

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

The rentals payable in 2022/23 were £5.442m (2021/22 £4.867m), of which £0.984m related to write down of obligations, £1.206m finance costs and the remainder to service charges/prepayments/contingent rent.

The 2022/23 rental payments included a reduction of £10,931 per month following negotiations with Connect Roads regarding contract performance.

Outstanding obligations to make payments under the Street Lighting PFI finance lease at 31 March 2023, accounted for as part of long-term liabilities, are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2023/24	1,946	1,452	1,375	4,773
Payable within two to five years	8,071	6,567	4,565	19,203
Payable within six to ten years	9,111	9,063	5,793	23,967
Payable within eleven to fifteen years	636	34	(34)	636
<b>Total</b>	<b>19,764</b>	<b>17,116</b>	<b>11,699</b>	<b>48,579</b>

The above table reflects costs and income at 2022/23 levels. The amount are partially subject to indexation (RPIx) and to date cumulative inflation applied to some elements of the scheme is 43%. A 1% variation in RPIx would result in a £0.028m change in payments for 2023/24.

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

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The balance outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	<b>2021/22</b>	<b>2022/23</b>
Balance outstanding at start of year	19,583	18,099
Payments during the year	(1,484)	(984)
<b>Balance outstanding at year end</b>	<b>18,099</b>	<b>17,115</b>

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

### **Affordable Housing**

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

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

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

The total unitary charge payable in 2022/23 was £1.239m (2021/22 £1.235m) of which £0.403m related to the write down of obligations (i.e. repayment of principal), £0.531m interest costs and the remainder to service charges/prepayments.

The total Derby City Council capital repayment to Riverside (to be met through the unitary charge) for the whole of the contract is £12.960m. The table below shows the outstanding obligations to make payments at 31 March 2023.

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2023/24	337	402	510	1,249
Payable within two to five years	1,508	1,663	1,828	4,999
Payable within six to ten years	2,235	2,215	1,799	6,249
Payable within eleven to fifteen years	2,436	2,628	1,185	6,249
Payable within sixteen to twenty years	2,935	2,879	435	6,249
Payable twenty one to twenty five years	204	5	0	209
<b>Total</b>	<b>9,655</b>	<b>9,792</b>	<b>5,757</b>	<b>25,204</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>2021/22 £000</b>	<b>2022/23 £000</b>
Balance outstanding at start of year	10,563	10,183
Payments during the year	(380)	(392)
<b>Balance outstanding at year end</b>	<b>10,183</b>	<b>9,791</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>2021/22 £000</b>	<b>2022/23 £000</b>
Balance outstanding at start of year	9,883	9,455
Payments during the year	(428)	(432)
<b>Balance outstanding at year end</b>	<b>9,455</b>	<b>9,023</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. Home Housing Association have since transferred stock to Derwent Living in 22/23. Gross service charge payments of £0.5m have been made in 2022/23. Future cash payments between 2023/24 and the end of the contract are expected to be approximately £4.6m.

### **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 £5.072m in 2022/23 (£5.078m in 2021/22) of which £1.367m related to write down of obligations (i.e. repayment of principal), £0.830m 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 2023, accounted for as part of long-term liabilities, are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2023/24	2,548	1,445	831	4,824
Payable within two to five years	10,190	5,533	2,827	18,550
Payable within six to ten years	8,897	5,841	1,686	16,424
<b>Total</b>	<b>21,635</b>	<b>12,819</b>	<b>5,344</b>	<b>39,798</b>

The above table reflects costs and income at 2022/23 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 £0.027m change in payments for services in 2023/24.

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>2021/22 £000</b>	<b>2022/23 £000</b>
Balance outstanding at start of year	15,481	14,109
Payments during the year	(1,372)	(1,289)
<b>Balance outstanding at year end</b>	<b>14,109</b>	<b>12,820</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 £5.642m in 2022/23 (£5.431m in 2021/22) of which £0.882m related to write down of obligations (i.e. repayment of principal), £2.487m 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 2023, accounted for as part of long-term liabilities, are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2023/24	1,885	966	3,506	6,357
Payable within two to five years	7,563	4,818	14,004	26,385
Payable within six to ten years	9,725	8,746	17,234	35,705
Payable within eleven to fifteen years	8,635	11,647	15,181	35,463
Payable within sixteen to twenty years	0	0	0	0
<b>Total</b>	<b>27,808</b>	<b>26,177</b>	<b>49,925</b>	<b>103,910</b>

The above table reflects costs and income at 2022/23 levels. The amounts are partially subject to indexation (RPIx) and to date cumulative inflation applied to some elements of the scheme is 33%. A 1% variation in RPIx would result in a £0.025m change in payments for 2023/24

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>2021/22 £000</b>	<b>2022/23 £000</b>
Balance outstanding at start of year	27,872	27,059
Payments during the year	(813)	(882)
<b>Balance outstanding at year end</b>	<b>27,059</b>	<b>26,177</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:

Financial Assets	Long - term		Current	
	31/03/22 £000	31/03/23 £000	31/03/22 £000	31/03/23 £000
At amortised cost:				
Principal	315	302	7,000	0
Accrued Interest	0	0	14	6
<b>Total investments</b>	<b>315</b>	<b>302</b>	<b>7,014</b>	<b>6</b>
At amortised cost:				
Cash including bank			2,984	2,386
Accrued Interest			0	6
At fair value through profit & loss:				
Fair value			18,268	8,677
<b>Total Cash and Cash Equivalents</b>			<b>21,252</b>	<b>11,069</b>
At amortised cost:				
Trade receivables	1,209	2,182	30,096	31,650
Lease receivables	1,134	1,099	0	0
Loans made for service purposes	1,058	810	577	0
Loans to subsidiary	2,859	2,797	0	0
PFI arrangements	3,916	3,151	0	0
Loss Allowance	(383)	(525)	(14,363)	(12,695)
<b>Included in debtors</b>	<b>9,793</b>	<b>9,514</b>	<b>16,310</b>	<b>18,955</b>
<b>Total Financial Assets</b>	<b>10,108</b>	<b>9,816</b>	<b>44,576</b>	<b>30,030</b>
Debtors that are not financial instruments	1,689	0	35,457	0
<b>Total</b>	<b>11,797</b>	<b>9,816</b>	<b>80,033</b>	<b>30,030</b>

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

Financial Liabilities	Long - term		Current	
	31/03/22 £000	31/03/23 £000	31/03/22 £000	31/03/23 £000
Loans at amortised cost:				
Principal	(329,450)	(325,451)	(13,478)	(33,999)
Accrued Interest	0	0	(3,214)	(3,137)
<b>Total Borrowing</b>	<b>(329,450)</b>	<b>(325,451)</b>	<b>(16,692)</b>	<b>(37,136)</b>
Liabilities at amortised cost:				
Finance Leases	(837)	(1,021)	(296)	(248)
PFI arrangements	(74,850)	(70,228)	(3,981)	(4,621)
<b>Total Other Long-term</b>	<b>(75,687)</b>	<b>(71,249)</b>	<b>(4,277)</b>	<b>(4,869)</b>
Liabilities at amortised cost:				
Trade payables	0	0	(48,948)	(52,545)
Pension Liability	(369,057)	(6,078)	0	0
Transferred Debt	(235)	(192)	(42)	(44)
<b>Included in creditors</b>	<b>(369,292)</b>	<b>(6,270)</b>	<b>(48,990)</b>	<b>(52,589)</b>
<b>Total Financial Liabilities</b>	<b>(774,429)</b>	<b>(402,970)</b>	<b>(69,959)</b>	<b>(94,594)</b>
Creditors that are not financial instruments	(5,800)	(838)	(40,740)	(18,793)
<b>Total</b>	<b>(780,229)</b>	<b>(403,808)</b>	<b>(110,699)</b>	<b>(113,387)</b>



## Income, Expense, Gains and Losses

	2021/22			2022/23		
	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	(20,039)	0	(20,039)	(19,941)	0	(19,941)
<b>Total expense</b>	<b>(20,039)</b>	<b>0</b>	<b>(20,039)</b>	<b>(19,941)</b>	<b>0</b>	<b>(19,941)</b>
Interest Income	0	478	478	0	936	936
<b>Total income</b>	<b>0</b>	<b>478</b>	<b>478</b>	<b>0</b>	<b>936</b>	<b>936</b>
<b>Net gain/(loss)</b>	<b>(20,039)</b>	<b>478</b>	<b>(19,561)</b>	<b>(19,941)</b>	<b>936</b>	<b>(19,005)</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 2023, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rate 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 2022			31 March 2023		
	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	(283,752)	(368,354)	2	(280,051)	(261,319)
Other Long term loans	2	(45,697)	(55,102)	2	(45,631)	(41,911)
Short Term Loans	N/A	(16,692)	(20,597)	N/A	(37,136)	(37,190)
PFI	2	(78,831)	(93,477)	2	(75,423)	(76,096)
Short-term creditors	N/A	(48,990)	(48,990)	N/A	(52,589)	(52,589)
<b>Total</b>		<b>(473,962)</b>	<b>(586,520)</b>		<b>(490,830)</b>	<b>(469,105)</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 2022			31 March 2023		
	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	9,998	9,998	N/A	2,398	2,398
Short Term Debtors	N/A	16,310	16,310	N/A	18,955	18,955
<b>Financial Assets at fair value:</b>						
Money Market Funds	N/A	18,268	18,268	N/A	8,677	8,677
<b>Total</b>		<b>44,576</b>	<b>44,576</b>		<b>30,030</b>	<b>30,030</b>

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

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

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

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

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

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

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

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

## Credit Risk

### Credit Risk: Treasury Management

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

A limit of £7m was placed on the amount of money that can be invested with a single counterparty in 2022/23. A group of banks under the same ownership are treated as a single organisation for limit purposes. During 2022/23, no investments were made for a period of more than one year.

The table below summarises 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 2022 £000	Amount at 31 March 2023 £000
	Short Term	Short Term
AAA rated	18,268	8,822
AA rated	0	0
A rated	2,591	3,133
Local Authorities	7,000	0
UK Government	4,000	2,500
<b>Total</b>	<b>31,859</b>	<b>14,455</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 2022/23, approved by Council Cabinet on 16th February 2022.

The table below summarises the nominal value of the Council's investment portfolio at 31st March 2023, 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 2023	Balance Invested as at 31 March 2023		Total £000
			Up to 1 month £000	Over 1 month £000	
Other Local Authorities and Public Sector Organisations	Yes	Yes	2,500	0	2,500
Money Market Funds	Yes	Yes	8,822	0	8,822
Call Accounts	Yes	Yes	3,133	0	3,133
<b>Total</b>			<b>14,455</b>	<b>0</b>	<b>14,455</b>

The Council does not generally allow credit for its trade debtors, such that £7.635m of the £21.150m balance, as at 31 March 2023, is past its due date for payment. The past due amount can be analysed by age as follows:

	2021/22 £000	2022/23 £000
Less than 3 months	2,744	2,523
Three to six months	870	1,029
Six months to one year	523	742
More than one year	4,200	3,341
	<b>8,337</b>	<b>7,635</b>

## Credit Risk: Loans provided by the Council

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

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

The total expected credit loss (ECL) allowance at 31 March 2023 was £0.571m. A reconciliation of the movement on the total credit loss allowance held for service loans in 2022/23 is shown below.

Service Loans at amortised cost	Loss Allowance				
	12-month expected credit losses	Lifetime expected credit losses			Total loss allowance
		Credit risk has increased significantly	Credit Risk in default	In default - written off	
	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Opening Balance 01/04/22</b>	9.7	414	100.1	(84.1)	439.7
New loans made	142.2	0	0	0	142.2
Less expected credit loss for loans written-off in year	0	0	0	0	0
Less expected credit loss removed for loans derecognised as fully repaid	(2.0)	(6.8)	(16.1)	0	(24.9)
+/- Change in expected risk in year	(5.3)	20	0	0	14
<b>Closing balance 31/03/23</b>	144.6	426.7	84.0	(84.1)	571.2

## 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:

	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Less than one year	16,692	37,137
Between one and two years	14,081	10,290
Between two and five years	4,678	10,153
Between five and ten years	45,885	47,617
More than ten years	264,806	257,390
	<b>346,142</b>	<b>362,587</b>

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

## Market Risk

### Interest Rate Risk

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

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

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

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Council monitor market and forecast interest rates within the year to adjust exposures accordingly. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

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

	£000
Increase in interest receivable on variable rate investments	(149)
<b>Impact on (Surplus) of Deficit on the Provision of Services</b>	<b>(149)</b>

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

	Current	
	2021/22 £000	2022/23 £000
<b>Balance outstanding at start of year</b>	2,455	1,674
Assets newly classified as held for sale:		
Property, plant and equipment	11,052	10,961
Recategorisations	0	620
Revaluation gains recognised in the surplus/deficit on the provision of services	69	(1,769)
Assets sold	(11,902)	(10,435)
<b>Balance outstanding at year-end</b>	<b>1,674</b>	<b>1,051</b>

## **Fair Value Hierarchy**

	2021/22 £000	2022/23 £000
Value Assessed as Level 2	1,674	1,051
Value Assessed as Level 2 and 3	0	0
<b>Balance outstanding at year-end</b>	<b>1,674</b>	<b>1,051</b>

The Council's £1.051m assets held for sale properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Accounting Policies for an explanation of the fair value levels).



## 25. Debtors

### 25a. Current Debtors

	31 March 2022		31 March 2023	
	£000		£000	
Central government bodies	13,208		5,253	
<b>Central government bodies</b>		<b>13,208</b>		<b>5,253</b>
Other local authorities	4,167		3,983	
<b>Other local authorities</b>		<b>4,167</b>		<b>3,983</b>
NHS Bodies	2,328		1,939	
<b>NHS Bodies</b>		<b>2,328</b>		<b>1,939</b>
Council Taxpayers	24,744		24,390	
Less Impairment Allowance	(12,326)		(11,133)	
<b>Council Taxpayers</b>		<b>12,418</b>		<b>13,257</b>
NNDR	3,098		3,040	
Less Impairment Allowance	(1,802)		(2,030)	
<b>NNDR</b>		<b>1,296</b>		<b>1,010</b>
Housing Rents	4,353		4,578	
Less Impairment Allowance	(3,950)		(4,179)	
<b>Housing Rents</b>		<b>403</b>		<b>399</b>
Sundry Debtors	19,825		21,150	
Prepayments	8,535		6,567	
Less Impairment Allowance	(10,413)		(8,516)	
<b>Sundry Debtors</b>		<b>17,947</b>		<b>19,201</b>
<b>Total</b>		<b>51,767</b>		<b>45,042</b>

### 25b. Long Term Debtors

	31 March 2022 £000	31 March 2023 £000
Loans to Derby Homes	2,859	2,797
Regeneration Loans	1,058	810
Other Long Term Receivables	1,209	2,182
Long Term Prepayments	238	0
PFI Prepayments	3,916	3,151
Finance Lease Receivables	1,134	1,099
Long Term element of preceptors share of Collection Fund deficit	1,451	0
Less Impairment Allowance	(383)	(525)
<b>Total</b>	<b>11,482</b>	<b>9,514</b>

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

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

	<b>31 March 2022 £000</b>	<b>31 March 2023 £000</b>
Cash held by the Council	24	31
Bank current accounts	(3,631)	(3,452)
Short-term deposits	24,859	14,490
<b>Total</b>	<b>21,252</b>	<b>11,069</b>

## **27. Creditors**

	<b>31 March 2022 £000</b>	<b>31 March 2023 £000</b>
Central government bodies	(9,551)	(6,008)
Other local authorities	(5,231)	(9,838)
NHS Bodies	(221)	(886)
Council Taxpayers	(2,049)	(2,284)
Short-term Employee Benefits	(2,962)	(3,261)
Sundry Creditors	(69,716)	(49,105)
<b>Total</b>	<b>(89,730)</b>	<b>(71,382)</b>

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

	<b>31 March 2022 £000</b>	<b>31 March 2023 £000</b>
Share of liability for a proportion of the County Council's debt charges on becoming a Unitary Authority on 1 April 1997	(36)	(34)
Loans transferred from neighbouring authorities in 1968	(199)	(158)
Long Term Sundry Receipts in Advance	(5,800)	(838)
Net Pensions Liability (Defined Benefit Pension Scheme Note)	(405,362)	(6,078)
<b>Total Long Term Liabilities</b>	<b>(411,397)</b>	<b>(7,108)</b>

## **29. Provisions**

The Council is carrying a significant provision of £6.891m (£4.849m in 2021/22) for the repayment of any successful NDR appeals upheld by the VOA. The timing of these appeals is uncertain and outside the control of the Council as they are dependant upon reviews of cases conducted by the VOA.

The Council also holds £0.292m of other provisions. Included in these provisions are a provision for historic pension liabilities with Derbyshire County Council and an insurance provision.

	Non Domestic Rates		Other		Total	
	Current £000	Non- Current £000	Current £000	Non- Current £000	Current £000	Non-Current £000
<b>Balance at 1 April 2022</b>	<b>4,850</b>	<b>0</b>	<b>366</b>	<b>70</b>	<b>5,216</b>	<b>70</b>
Additional provisions made in 2022/23	4,168	0	267	0	4,435	0
Amounts used in 2022/23	(2,127)	0	(411)	0	(2,538)	0
<b>Balance at 31 March 2023</b>	<b>6,891</b>	<b>0</b>	<b>222</b>	<b>70</b>	<b>7,113</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 2022/23

	Balance at 31 March 2021	Transfers Out 2021/22	Transfers In 2021/22	Movement between earmarked reserves 2021/22	Balance at 31 March 2022	Transfers Out 2022/23	Transfers In 2022/23	Movement between earmarked reserves 2022/23	Balance at 31 March 2023
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>General Fund</b>									
Unallocated General Fund Balance	(8,933)	0	0	0	(8,933)	0	0	0	(8,933)
Balances held by schools under a scheme of delegation	(8,868)	8,794	(8,504)	0	(8,578)	8,502	(9,248)	0	(9,324)
Budget Risk Reserve	(18,269)	215	(2,469)	0	(20,523)	17,041	(840)	(749)	(5,071)
<b>TOTAL</b>	<b>(36,070)</b>	<b>9,009</b>	<b>(10,973)</b>	<b>0</b>	<b>(38,034)</b>	<b>25,543</b>	<b>(10,088)</b>	<b>(749)</b>	<b>(23,328)</b>
<b>Revenue Earmarked Reserves</b>									
COVID19 Impact Reserve	(4,041)	6,116	(4,340)	0	(2,265)	2,266	0	0	0
General Insurance Reserve	(2,655)	0	(3)	0	(2,658)	0	(146)	0	(2,804)
Trading Services Reserve	(155)	117	0	0	(38)	38	0	0	0
Year end grants with restrictions Reserve	(10,653)	7,066	(647)	0	(4,234)	1,914	(2,070)	0	(4,390)
Regeneration Fund Reserve	(1,136)	218	0	0	(918)	303	0	0	(615)
DEGF Interest Reserve	(483)	431	(156)	0	(208)	30	(75)	0	(253)
Adult Social Care Reserve	(1,011)	702	(2,127)	0	(2,436)	727	(130)	0	(1,839)
Assembly Rooms Reserve	(2,030)	60	(120)	0	(2,090)	160	0	0	(1,930)
Achieving Change Reserve	(1,074)	133	0	0	(941)	142	0	749	(50)
Public Health Reserve	(1,334)	0	(2,535)	0	(3,869)	91	0	0	(3,778)
PFI Reserves	(30,176)	1,845	(1,436)	0	(29,767)	951	(550)	3,790	(25,576)
Business Rate Pilot Reserve	(134)	51	0	0	(83)	83	0	0	0
Business Rates Smoothing Reserve	(759)	759	0	0	0	0	0	0	0
Collection Fund Deficit Smoothing Reserve	(21,444)	21,444	(8,208)	0	(8,208)	8,208	(580)	0	(580)
Ravensdale Insurance Reserve	(198)	4,198	(4,000)	0	0	(2,019)	2,019	0	0
Cost of Change Reserve	0	0	0	0	0	0	0	(4,000)	(4,000)
Other Service Reserves	(13,797)	2,508	(2,912)	0	(14,206)	3,838	(4,638)	0	(15,006)
Earmarked Reserves to support the capital programme	(1,911)	207	(356)	0	(2,060)	324	(2,039)	210	(3,565)
<b>Total</b>	<b>(92,991)</b>	<b>45,854</b>	<b>(26,841)</b>	<b>0</b>	<b>(73,981)</b>	<b>17,056</b>	<b>(8,209)</b>	<b>749</b>	<b>(64,386)</b>

	Balance at 31 March 2021	Transfers Out 2021/22	Transfers In 2021/22	Movement between earmarked reserves 2021/22	Balance at 31 March 2022	Transfers Out 2022/23	Transfers In 2022/23	Movement between earmarked reserves 2022/23	Balance at 31 March 2023
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>General Fund</b>									
<b>RESERVES</b>	<b>(129,061)</b>	<b>54,863</b>	<b>(37,814)</b>	<b>0</b>	<b>(112,015)</b>	<b>42,599</b>	<b>(18,297)</b>	<b>0</b>	<b>(87,714)</b>
<b>CAPITAL RESERVES</b>									
Usable Capital Receipts	(31,305)	16,925	(17,486)	0	(31,866)	11,711	(14,267)		(34,422)
Capital Grants Unapplied	(41,253)	40,943	(41,792)	0	(42,102)	55,139	(61,068)		(48,031)
Major Repairs Reserve (HRA)	(2,090)	15,347	(14,882)	0	(1,625)	19,678	(18,053)	0	0
<b>TOTAL CAPITAL RESERVES</b>	<b>(74,648)</b>	<b>73,215</b>	<b>(74,160)</b>	<b>0</b>	<b>(75,593)</b>	<b>86,528</b>	<b>(93,388)</b>	<b>0</b>	<b>(82,453)</b>
<b>HRA</b>									
Housing Revenue Account	(46,151)	192	0	0	(45,959)	3,826	(218)	0	(42,351)
<b>TOTAL HRA RESERVES</b>	<b>(46,151)</b>	<b>192</b>	<b>0</b>	<b>0</b>	<b>(45,959)</b>	<b>3,826</b>	<b>(218)</b>	<b>0</b>	<b>(42,351)</b>
<b>TOTAL USABLE RESERVES</b>	<b>(249,860)</b>	<b>128,270</b>	<b>(111,974)</b>	<b>0</b>	<b>(233,567)</b>	<b>132,953</b>	<b>(111,903)</b>	<b>0</b>	<b>(212,518)</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.

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

Collection Fund Deficit Smoothing Reserve - reserve established to hold section 31 grant funding received. This will be used to smooth the impact of the Collection Fund deficit across the three years of the MTFP period.

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 21 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

31 March 2022		31 March 2023
£000		£000
(473,770)	Revaluation Reserve (note 32a)	(550,462)
(197,051)	Capital Adjustment Account (note 32b)	(242,294)
(102)	Financial Instruments Adjustment Account	(130)
405,362	Pensions Reserve (note 32c)	6,078
(1,119)	Deferred Capital Receipts Reserve	(1,084)
12,282	Collection Fund Adjustment Account (note 32d)	835
769	Dedicated Schools Grant Adjustment Account	4,443
2,961	Accumulated Absences Account	3,261
<b>(250,668)</b>	<b>Total Unusable Reserves</b>	<b>(779,353)</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.

2021/22 £000		2022/23 £000
<b>(417,464)</b>	<b>Balance at 1 April</b>	<b>(473,770)</b>
(82,859)	Upward revaluation of assets	(133,023)
12,734	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	41,347
(70,125)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(91,676)
9,145	Difference between fair value depreciation and historical cost depreciation	10,958
4,674	Accumulated gains on assets sold or scrapped	4,026
13,819	Amount written off to the Capital Adjustment Account	14,984
<b>(473,770)</b>	<b>Balance at 31 March</b>	<b>(550,462)</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>2021/22 £000</b>		<b>2022/23 £000</b>
<b>(190,761)</b>	<b>Balance at 1 April</b>	<b>(197,051)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
35,463	Charges for depreciation of non-current assets	35,319
679	Charges for impairment of non-current assets	1,085
15,596	Revaluation losses on Property, Plant and Equipment	21,524
(4,688)	Revaluation gains matched to prior year impairments	(18,683)
(1,530)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	20
785	Amortisation of intangible assets	92
19,235	Revenue expenditure funded from capital under statute	11,891
27,493	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	14,715
(13,819)	Adjusting amounts written off of the Revaluation Reserve	(14,984)
<b>79,214</b>	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	<b>50,979</b>

2021/22 £000		2022/23 £000
Capital financing applied in the year:		
(15,686)	Use of the capital receipts reserve to finance new capital expenditure	(14,074)
532	Receipt of capital loan repayments	888
(15,347)	Use of the Major Repairs Reserve to finance new capital expenditure	(19,678)
(25,604)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(22,739)
(15,339)	Application of grants to capital financing from the Capital Grants Unapplied Account	(30,291)
(8,301)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(8,434)
0	Transferred Debt	(40)
(5,759)	Capital expenditure charged against the General Fund and HRA balances	(1,854)
<b>(85,504)</b>	<b>Capital financing applied in the year</b>	<b>(96,222)</b>
<b>(197,051)</b>	<b>Capital Adjustment Account Balance at 31 March</b>	<b>(242,294)</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.

2021/22 £000		2022/23 £000
<b>501,243</b>	<b>Balance at 1 April</b>	<b>405,362</b>
(133,008)	Remeasurement of the net defined benefit liability	(436,110)
61,629	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	62,888
(24,502)	Employer's pensions contributions and direct payments to pensioners payable in the year	(26,062)

405,362	Balance at 31 March	6,078
---------	---------------------	-------

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

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

<b>2021/22 £000</b>		<b>2022/23 £000</b>
<b>26,229</b>	<b>Balance at 1 April</b>	<b>12,282</b>
(13,947)	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	(11,447)
<b>12,282</b>	<b>Balance at 31 March</b>	<b>835</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 2022/23 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 2022/23 services to the value of £13.707m were commissioned from companies in which 10 members had interests (this includes £11.732m 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 £0.121m to organisations in which one member has an interest. These grants were made with proper consideration of declarations of interest. For 2022/23 additional Covid related grants of £0.162m were given to organisations for one member has an interest.

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

The Council has a pooled budget arrangement with NHS Derby & Derbyshire ICB for the provision of an integrated disabled children's service. The Council's contribution to this service in 2022/23 was £1.347m.

The Council has entered into a pooled budget arrangement with NHS Derby & Derbyshire ICB 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 £32.978m in 2022/23. 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 an agreement with the Department of Works and Pensions (DWP) for the use of ground floor office space at the Council House for which it received £1.245m (21/22 £0.905m).

### **Subsidiary Companies**

The Council has included £0.608m income (£0.656m in 2021/22) 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 2023 the Council had four on-going loan agreements in operation with Derby Homes totalling £2.797m.

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 2022/23 the Council contributed £1.245m towards the cost of the Coroners service (£1.139m in 2021/22), £0.155m towards Emergency planning (£0.152m in 2021/22) and £5.222m towards the Concessionary Fare Service (£5.086m in 2021/22).

## **34. Members' Allowances**

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

	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Allowances	909	974
Expenses	2	7
<b>Total</b>	<b>911</b>	<b>981</b>

### 35a. Officers' Remuneration

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

		<b>Salary, Fees and Allowances £</b>	<b>Pension Contribution £</b>	<b>Loss of Employment £</b>	<b>Total £</b>
Director of Public Health	2022/23	118,859	16,150	0	<b>135,009</b>
	2021/22	110,934	15,873	0	<b>126,807</b>
Strategic Director for People Services	2022/23	146,137	31,371	0	<b>177,508</b>
	2021/22	144,133	30,941	0	<b>175,074</b>
Strategic Director for Communities and Place	2022/23	137,115	29,434	0	<b>166,549</b>
	2021/22	135,111	29,004	0	<b>164,115</b>
Paul Simpson - Chief Executive Officer	2022/23	179,909	28,931	0	<b>208,840</b>
	2021/22	177,984	38,200	0	<b>216,184</b>
Strategic Director of Corporate Resources	2022/23	128,180	27,516	0	<b>155,696</b>
	2021/22	123,238	26,455	0	<b>149,693</b>
<b>TOTAL</b>	<b>2022/23</b>	<b>710,200</b>	<b>133,402</b>	<b>0</b>	<b>843,602</b>
	<b>2021/22</b>	<b>691,400</b>	<b>140,473</b>	<b>0</b>	<b>831,872</b>

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

Remuneration Band	2021/22 Number of employees	2022/23 Number of employees
£50,000 - £54,999	155	122
£55,000 - £59,999	37	74
£60,000 - £64,999	30	40
£65,000 - £69,999	24	27
£70,000 - £74,999	30	33
£75,000 - £79,999	7	9
£80,000 - £84,999	4	4
£85,000 - £89,999	6	4
£90,000 - £94,999	8	9
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	1	1
£110,000 - £114,999	1	2
£115,000 - £119,999	0	2
<b>Total</b>	<b>303</b>	<b>327</b>

### 35c. Exit Costs

Exit package cost band (including special payments)	Head count number of compulsory redundancies		Head count number of other departures agreed		Total head count by cost band		Total cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	£	£	£	£	£	£	£	£
£0-£20,000	8	5	34	23	42	28	296,785	202,015
£20,001-£40,000	0	2	6	7	6	9	157,400	262,745
£40,001-£100,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>8</b>	<b>7</b>	<b>40</b>	<b>30</b>	<b>48</b>	<b>37</b>	<b>454,185</b>	<b>464,760</b>

### 36. Termination Benefits

During 2022/23 the Council continued with the on-going voluntary redundancy programme to meet the reduced Council funding. This exercise resulted in 21 employees leaving the organisation during 2022/23.

The associated costs of this redundancy programme consisted of £0.250m redundancy payments (£0.348m in 2021/22) and £0.114m pension shortfall costs (£0.170m in 2021/22). 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.

this purpose and the use of 111 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 2022/23 the Council paid £6.805m to Teachers' Pensions in respect of teachers' retirement benefits representing 23.68% of pensionable pay, the figures for 2021/22 were £6.673m and 23.68%. Contributions for 2023/24 are expected to be £6.869m.

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 2022/23 the Council paid £0.073m to the NHS in respect of retirement benefits for those public health staff who transferred across on 1st April 2014 representing on average 14.38% of pensionable pay. The figures for 2021/22 were £0.087m and 14.38%. The Council expects to pay £0.073m to the NHS in 2023/24 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

	2021/22	2022/23
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	54,430	50,413
Past service cost	147	1,196
Settlements and Curtailments	(3,199)	0
<b>Financing and Investment Income and Expenditure:</b>		
Net interest expense	10,251	11,279
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	61,629	62,888
<b>Remeasurement of the net defined benefit liability:</b>		
Return on plan assets (excluding the amounts included in net interest)	(55,131)	59,053
Actuarial gain and losses arising on changes in demographic assumptions	6,568	(9,325)
Actuarial gain and losses arising on changes in financial assumptions	(88,469)	(564,732)
Actuarial gain and losses arising from other experience	4,024	78,894
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(71,379)</b>	<b>(373,222)</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	(42,139)	(36,826)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contributions payable to scheme	24,502	26,062

The amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2023 is a gain of £436.110m.

## 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:

	2021/22 £000	2022/23 £000
<b>Present value of the defined benefit obligation</b>		
Local Government Pension Scheme	(1,434,506)	(1,014,136)
Discretionary Benefits	(29,004)	(23,337)
Fair value of assets in the Local Government Pension Scheme	1,058,148	1,031,395
<b>Total</b>	<b>(405,362)</b>	<b>(6,078)</b>
<b>Net liability arising from defined benefit obligation</b>		
Local Government Pension Scheme	(376,358)	17,259
Discretionary Benefits	(29,004)	(23,337)
<b>Total</b>	<b>(405,362)</b>	<b>(6,078)</b>

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

	2021/22 £000	2022/23 £000
<b>Opening balance at 1 April</b>	<b>(1,499,294)</b>	<b>(1,463,510)</b>
Current service cost	(54,430)	(50,413)
Settlements and Curtailments	7,723	0
Interest cost	(30,129)	(39,879)
Contributions from scheme participants	(6,882)	(7,320)
<b>Remeasurement gains or losses:</b>		
Actuarial gains or losses arising from changes in demographic assumptions	(6,568)	9,325
Actuarial gains or losses arising from changes in financial assumptions	88,469	564,732
Actuarial gains or losses arising from other experience	8,710	(78,894)
Benefits paid	29,038	29,682
Past services costs	(147)	(1,196)
<b>Closing balance at 31 March</b>	<b>(1,463,510)</b>	<b>(1,037,473)</b>

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

	2021/22 £000	2022/23 £000
<b>Opening fair value of scheme assets at 1 April</b>	<b>998,051</b>	<b>1,058,148</b>
Interest income	19,878	28,600
The return on plan assets excluding the amount included in the net interest expense	55,131	(59,053)
Other Experience	(12,734)	0
Contributions from employer	24,502	26,062
Contributions from employees into the scheme	6,882	7,320
Settlements and Curtailments	(4,524)	0
Unfunded Benefits paid	(1,813)	(1,761)
Benefits paid	(27,225)	(27,921)
<b>Closing balance at 31 March</b>	<b>1,058,148</b>	<b>1,031,395</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 2022/23 was (£30.453m). This is based on an actual loss of (£59.053m) and interest of £28.600m. The return for 2020/21 was £75.008m.

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £1,037m 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 £6.078m. 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

	2021/22		2022/23	
	£000	%	£000	%
Equity Investments				
Consumer	4,189	0.4%	3,238	0.2%
Manufacturing	2,693	0.3%	1,290	0.2%
Energy	1,332	0.1%	949	0.1%
Financial Institutions	2,016	0.2%	1,293	0.1%
Health	2,775	0.3%	1,791	0.2%
ICT	3,790	0.4%	2,137	0.2%
Other	37,038	3.5%	30,191	2.9%
Government Bonds	88,800	8.4%	83,400	7.6%
Other Bonds	18,786	1.8%	17,154	1.8%
Private Equity	50,794	4.8%	50,158	5.0%
Investment Funds - Equities	490,070	46.3%	484,846	46.6%
Infrastructure	87,190	8.2%	111,043	10.8%
Corporate Bonds	137,717	13.0%	132,175	12.7%
Property	83,409	7.9%	81,403	8.0%
Cash	47,550	4.5%	30,329	3.6%
<b>Total</b>	<b>1,058,148</b>	<b>100%</b>	<b>1,031,395</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 2023.

For 2022/23 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:

	2021/22	2022/23
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.3	21.0
Women	24.3	24.0
Longevity at 65 for future pensioners:		
Men	22.2	21.8
Women	25.8	25.5
Rate of increase in salaries	4.2%	3.95%
Rate of increase in pensions (CPI)	3.2%	2.95%
Rate of discounting scheme liabilities	2.7%	4.75%

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

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

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

### Sensitivity

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

Change in assumptions at 31 March 2023	Approximate % increase to employer liability	Approximate Monetary Amount £000
0.1% decrease in real discount rate	2%	18,631
1 year increase in members	4%	41,499
0.1% increase in Salary Increase Rate	0%	2,074
0.1% increase in the Pension Increase Rate	2%	16,824

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 2023.

	<b>Liability Split</b>
Active members	35.1%
Deferred members	21.3%
Pensioner members	43.6%
<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 2024 are £23.227m.



### **39. Contingent Liabilities**

As at 31 March 2023, 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 surplus was (£9.225m) as at 31 March 2023.

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

Contracts have 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.

During 2022/23 work progressed on the facility to determine its condition and capability and to preserve the facility pending any future rectification and operation. In February 2023 both councils resolved to move forward with procuring a contractor(s) to rectify and then operate the DDWTC. Work continues to resolve the "estimated fair value" (EFV) of the contract, which is a complex and time-consuming process.

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

### **40. Contingent Assets**

The Council does not have any contingent assets in 2022/23 (nil in 2021/22).

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

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
(36,248)	Depreciation and amortisation	(35,411)
(10,057)	Impairment and downward valuations	(3,726)
42	(Increase)/decrease in impairment for provision for bad debt	2,010
(2,490)	(Increase)/decrease in creditors	14,987
3,553	Increase/(decrease) in debtors	(8,134)
251	Increase/(decrease) in stock	99
1,176	(Increase)/decrease in provisions	(1,897)
(37,127)	Pension liability	(36,826)
(27,493)	Carrying amount of PP&E, investment property and intangible assets sold	(15,090)
16,755	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	37,803
<b>(91,638)</b>	<b>Total Non-Cash Movements</b>	<b>(46,185)</b>

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

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
16,900	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	17,647
48,621	Capital grants credited to surplus or deficit on provision of services	32,679
<b>65,521</b>	<b>Total adjustments for items that are investing and financing activities</b>	<b>50,326</b>

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

The cash flows for operating activities include the following items:

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
(341)	Interest Received	(678)
20,039	Interest Paid	19,942
<b>19,698</b>		<b>19,264</b>

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

<b>2021/22 £000</b>		<b>2022/23 £000</b>
93,259	Purchase of property, plant and equipment, investment property and intangible assets	93,231
(5,002)	Proceeds from the sale of short and long term investments	(7,021)
(16,900)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(17,647)
(101,160)	Capital grants (cash) received	(75,588)
<b>(29,803)</b>	<b>Net Cash Flows from Investing activities</b>	<b>(7,025)</b>

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

<b>2021/22 £000</b>		<b>2022/23 £000</b>
(6,000)	Cash receipts of short and long-term borrowing	(45,000)
6,380	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	4,837
5,545	Repayments of short- and long-term borrowing	33,083
<b>5,925</b>	<b>Net cash flows from financing activities</b>	<b>(7,080)</b>

#### **46. Transport Act 2000 - Concessionary Fares**

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

<b>Service Description</b>	<b>Exp £000</b>	<b>Inc £000</b>	<b>Net £000</b>
Concessionary fares for public transport – English National Concessionary Travel Scheme for older and disabled people (and b-line scheme for young people) administrated by Derbyshire County Council.	5,327	(3)	5,324

## 47. Pooled Budgets

### Better Care Fund (BCF)

The Council has entered into a pooled budget arrangement with Derby & Derbyshire ICB to continue to support integration of health and care services to benefit the people of Derby. The BCF pooled budget operates under Section 75 of the National Health Service Act. The 2022 BCF comprises a Pooled Budget made up of contributions from Derby & Derbyshire ICB, and Derby City Council. The total pooled budget for 2022/23 was £32.978m. Within the Pooled Budget, provision has to be made to ensure that funding has been allocated and agreed for use against a number of specific components, namely concerning Care Act duties, Carers, Reablement, Disabled Facilities Grant, Winter Pressures Grant and the IBCF.

<b>£000</b>		<b>£000</b>
	<b>Funding provided to the pooled budget:</b>	
14,284	Derby City Council	15,605
19,515	Derby and Derbyshire ICB	21,807
<b>33,799</b>		<b>37,412</b>
	<b>Expenditure met from the pooled budget:</b>	
27,841	Derby City Council	29,921
5,958	Derby and Derbyshire ICB	7,341
<b>33,799</b>		<b>37,262</b>
<b>0</b>	Net surplus / (deficit) arising from pooled budget:	<b>150</b>
<b>0</b>	Derby City Council share net surplus / (deficit) arising from pooled budget:	<b>0</b>

## 48. Intangible Assets

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

FINAL

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:

2021/22 £000		2022/23 £000
	Balance at start of year:	
7,438	Gross Carrying Amounts	7,438
(6,455)	Accumulated Amortisation	(7,240)
<b>983</b>	<b>Net Carrying Amount at Start of Year</b>	<b>198</b>
0	Recategorisations	0
0	Additions - Purchases	0
(785)	Amortisation for the Year	(92)
	Balance at end of year:	
7,438	Gross Carrying Amounts	7,438
(7,240)	Accumulated Amortisation	(7,332)
<b>198</b>	<b>Net Carrying Amount at end of year</b>	<b>106</b>

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.092m charged to revenue in 2022/23 was charged as an overhead across the relevant service headings:

2021/22 £000		2022/23 £000
23	Cultural, Environmental, Regulatory and Planning Services	23
762	Corporate Resources	69
<b>785</b>	<b>Total Amortisation for the Year</b>	<b>92</b>

## 49. Trust Funds

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

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

<b>2021/22 £000</b>	<b>Aggregate Revenue Account</b>	<b>2022/23 £000</b>
5,739	Opening balance 1 April	5,977
2,785	Income during the year	2,993
<b>8,524</b>	<b>Total Funds available in the year</b>	<b>8,970</b>
(2,547)	Expenditure during the year	(2,677)
<b>5,977</b>	<b>Closing balance 31 March</b>	<b>6,293</b>

<b>2021/22 £000</b>	<b>The funds are represented by:</b>	<b>2022/23 £000</b>
	<b>Investments</b>	
362	COIF Charity Funds	360
41	Building Society Deposits	46
5,574	Cash	5,887
<b>5,977</b>	<b>Total Assets</b>	<b>6,293</b>
<b>24</b>	<b>Number of Funds</b>	<b>25</b>

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

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

<b>HRA Income and Expenditure Statement</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>		
Repairs and Maintenance	16,807	17,162
Supervision and Management	16,390	17,013
Special Services	1,800	2,986
Depreciation and impairments of non-current assets	14,824	15,181
Debt Management costs	65	78
Movement in allowance for bad debts	41	609
<b>Total Expenditure</b>	<b>49,927</b>	<b>53,029</b>
<b>Income</b>		
Dwelling rents	(53,511)	(55,529)
Non dwelling rents	(580)	(598)
Charges for Services and facilities	(5,681)	(6,393)
Contributions towards expenditure	(40)	(196)
<b>Total Income</b>	<b>(59,812)</b>	<b>(62,716)</b>
<b>Net cost/(income) of HRA Services as included in the Comprehensive Income and Expenditure account</b>	<b>(9,885)</b>	<b>(9,687)</b>
HRA services share of Corporate and Democratic Core	117	137
<b>Net (Income)/Expenditure for HRA Services</b>	<b>(9,768)</b>	<b>(9,550)</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	(1,829)	(2,478)
Interest payable and similar charges	10,083	10,372
Interest and Investment income	(26)	(79)
<b>(Surplus) / Deficit for the year on HRA services</b>	<b>(1,540)</b>	<b>(1,735)</b>

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

Movement on the Housing Revenue Account Balance Statement	2021/22 £000	2022/23 £000
<b>Balance on the HRA at the end of the previous year</b>	<b>(46,151)</b>	<b>(45,959)</b>
(Surplus) or deficit for the year on the HRA income and expenditure statement	(1,540)	(1,735)
<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	39	39
Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with Statute	(8)	(536)
Gain or loss on sale of HRA non-current assets	1,829	2,483
HRA share of contributions to or from the Pensions Reserve	(187)	(116)
Capital expenditure funded by the HRA	0	53
<b>Net (Increase) or decrease before transfers to/from reserves</b>	<b>133</b>	<b>188</b>
<b>Transfers (to) or from reserves:</b>		
Transfers (to)/from the Capital Adjustment Account	59	(405)
Transfers (to)/from other Earmarked Reserves	0	0
<b>(Increase) or decrease in year on the HRA</b>	<b>192</b>	<b>(217)</b>
Transfer to Major Repairs Reserve	0	3,825
<b>Balance on the HRA at the end of the current year</b>	<b>(45,959)</b>	<b>(42,351)</b>



## NOTES TO HOUSING REVENUE ACCOUNT

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

Dwelling Type	31 March 2022	31 March 2023
Houses	6,908	6,752
Flats	4,231	4,212
Bungalows	1,400	1,400
<b>Total</b>	<b>12,539</b>	<b>12,364</b>

### Operational/ Non Operational Assets

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

#### a. Operational Assets

	31 March 2022 £000	31 March 2023 £000
Dwellings	563,064	660,361
Other Land and Buildings	21,751	24,453
Infrastructure	1,404	1,356
Community Assets	0	0
	<b>586,219</b>	<b>686,170</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 2021/22).

#### b. Non Operational Assets

	31 March 2022 £000	31 March 2023 £000
Surplus properties	5,543	5,621
Assets held for sale	0	360
Construction & Work in progress	4,074	5,030
	<b>9,617</b>	<b>11,011</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 2022/23 is 42% (42% for the East Midlands in 2021/22). At 1st April 2022, applying a 42% regional multiplier, the council recognises council dwellings at a value of £599m (£522.3m at 1st April 2021) on the balance sheet. The vacant possession value of council dwellings at the 1st April 2022 was £1.43bn (£1.24bn as at 1st April 2021).

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>2021/22 £000</b>	<b>2022/23 £000</b>
Balance at beginning of the year	(2,090)	(1,625)
Posting of revenue resource to/(from) HRA for Major Repairs Reserve	(14,882)	(18,053)
	<b>(16,972)</b>	<b>(19,678)</b>
Debit to MRA in respect of capital expenditure on properties within the HRA	15,347	19,678
<b>Balance at end of Year</b>	<b>(1,625)</b>	<b>0</b>

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

	2021/22 £000	2022/23 £000
<b>Expenditure</b>		
Council Dwellings	18,200	19,920
Other Land and Buildings	16	96
Assets Under Construction	1,172	2,889
Surplus	120	0
Other	7	42
<b>Total Capital Expenditure</b>	<b>19,515</b>	<b>22,947</b>
<b>Sources of Funding</b>		
Capital Receipts	3,199	2,459
Other Contributions and Grants	969	810
Major Repairs Reserve	15,347	19,678
<b>Balance at end of Year</b>	<b>19,515</b>	<b>22,947</b>

#### 4b. Summary of Capital Receipts

	2021/22 £000	2022/23 £000
Dwellings	10,894	12,744
<b>Total Receipts</b>	<b>10,894</b>	<b>12,744</b>

The Capital receipts figure in this note is gross and is prior to the allowable deduction of £0.242m capital pooling administration expenditure.

#### 5. Depreciation

	2021/22 £000	2022/23 £000
<b>Operational</b>		
Council Dwellings	14,389	13,631
Other operational land and buildings	427	548
Infrastructure	48	48
Community Assets	18	0
<b>Total Depreciation HRA</b>	<b>14,882</b>	<b>14,227</b>
<b>Net Charge to HRA</b>	<b>14,882</b>	<b>14,227</b>

## 6. Impairment and Revaluation Losses

The HRA impairment charges are summarised below:

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

HRA Impairment Charges 2022/23	Asset Category				
	Council Dwellings £000	Other Land and Buildings £000	Non Current Assets Held for Sale £000	Surplus Assets £000	Assets Under Construction £000
Impairments and Revaluation Losses charge recognised against Cost/ Valuation	4,495	1,016	260	938	495
<b>Total HRA Impairment charges</b>	<b>4,495</b>	<b>1,016</b>	<b>260</b>	<b>938</b>	<b>495</b>
Impairments and Revaluation Losses charged directly to Revaluation Reserve	4,495	887	0	382	0
Impairments and Revaluation Losses charged to HRA Income & Expenditure Account	0	129	260	556	495
	<b>4,495</b>	<b>1,016</b>	<b>260</b>	<b>938</b>	<b>495</b>

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

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

There has been no Revenue Expenditure Funded from Capital under Statute attributable to the HRA for 2022/23 (nil in 2021/22).

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

	2021/22	2022/23
	£000	£000
Amount of rent arrears	4,353	2,681
Balance sheet provision in respect of uncollectable debts	3,925	2,273

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

	2021/22	2022/23
	£000	£000
Current Service Cost	340	235
Reversal of net charges made to the Surplus or Deficit for the Provision of services for post employment benefits in accordance with the Code	(153)	(119)
<b>HRA share of Contributions to/from the Pensions Reserve</b>	<b>187</b>	<b>116</b>

## THE COLLECTION FUND

Business Rates*	Council Tax	Total 2021/22		Business Rates	Council Tax	Total 2022/23
£000	£000	£000	INCOME AND EXPENDITURE	£000	£000	£000
			<b>Income:</b>			
0	(132,693)	(132,693)	Council Tax	0	(137,080)	(137,080)
0	(256)	(256)	Transfers from General Fund	0	(287)	(287)
(75,442)	0	(75,442)	Business Rates	(88,915)	0	(88,915)
<b>(75,442)</b>	<b>(132,949)</b>	<b>(208,391)</b>	<b>Total Income</b>	<b>(88,915)</b>	<b>(137,367)</b>	<b>(226,282)</b>
			<b>Expenditure:</b>			
			<b>Precepts and Demands</b>			
45,711	0	45,711	Payment to National Pool	42,566	0	42,566
44,797	107,597	152,394	Derby City Council	41,715	110,504	152,219
0	16,802	16,802	Derbyshire Police Precept	0	17,620	17,620
914	5,513	6,427	Fire Precept	851	5,661	6,512
			<b>Charges to the Collection Fund:</b>			
338	0	338	Costs of Collection	336	0	336
1,895	1,786	3,681	Write offs	601	4,397	4,998
(1,776)	2,353	577	Increase / (Decrease) in bad debt provision	464	(1,403)	(939)
(2,396)	0	(2,396)	Increase / (Decrease) in appeals provision	4,168	0	4,168
834	0	834	Disregarded Amounts	850	0	850
			<b>Transfer of previous years estimated surplus/(deficit)</b>			
(22,110)	0	(22,110)	Central Government	(10,402)	0	(10,402)
(21,668)	(479)	(22,147)	Derby City Council	(10,194)	(2,081)	(12,275)
0	(73)	(73)	Derbyshire Police & Crime Commissioner	0	(325)	(325)
(442)	(26)	(468)	Derbyshire Fire Authority	(208)	(107)	(315)
<b>46,097</b>	<b>133,473</b>	<b>179,570</b>	<b>Total Expenditure</b>	<b>70,747</b>	<b>134,266</b>	<b>205,013</b>
(29,345)	524	(28,821)	(Surplus) / Deficit for the year	(18,168)	(3,101)	(21,269)
49,979	2,097	52,076	(Surplus) / Deficit brought forward	20,634	2,644	23,278
<b>20,634</b>	<b>2,621</b>	<b>23,255</b>	<b>(Surplus) / Deficit at the end of the year</b>	<b>2,466</b>	<b>(457)</b>	<b>2,009</b>
			<b>Share of Collection Fund</b>			
10,317	0	10,317	Central Government	1,233	0	1,233
10,111	2,171	12,282	Derby City Council	1,208	(377)	831
0	339	339	Derbyshire Police & Crime Commissioner	0	(61)	(61)
206	111	317	Derbyshire Fire Authority	25	(19)	6
<b>20,634</b>	<b>2,621</b>	<b>23,255</b>	<b>(Surplus) / Deficit at the end of the year</b>	<b>2,466</b>	<b>(457)</b>	<b>2,009</b>

## **NOTES TO THE COLLECTION FUND**

### **1. Council Tax**

The Council's tax base for 2022/23 was 70,030.60, (69,945.77 in 2021/22). This is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings. Details are as follows:

<b>Band</b>	<b>Ratio</b>	<b>Band D Equivalent Dwellings</b>
A	6/9	27,318.75
B	7/9	14,147.56
C	8/9	13,060.02
D	9/9	7,968.51
E	11/9	5,411.76
F	13/9	3,200.30
G	15/9	1,040.40
H	18/9	49.19
		<b>72,196.49</b>
Less adjustment for non-collection		(2,165.89)
<b>Council Tax Base</b>		<b>70,030.60</b>

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

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

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

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

The non-domestic rateable value at 31 March 2023 was £228.157m (£226.659m in 2021/22).

The national non-domestic multiplier for 2022/23 was 51.2p (51.2p in 2021/22).

## **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 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
1,308,907	Property, Plant & Equipment	1,446,208
80,944	Heritage Assets	80,944
5,240	Investment Property	1,230
198	Intangible Assets	106
315	Long Term Investments	302
8,685	Long Term Debtors	6,781
<b>1,404,289</b>	<b>Long Terms Assets</b>	<b>1,535,571</b>
7,014	Short Term Investments	6
1,674	Assets Held for Sale	1,051
3,203	Inventories	3,092
52,339	Short Term Debtors	46,472
31,845	Cash and Cash Equivalents	22,204
<b>96,075</b>	<b>Current Assets</b>	<b>72,825</b>
(16,692)	Short Term Borrowing	(37,136)
(4,277)	Short Term Finance Lease Liabilities	(4,869)
(83,762)	Short Term Creditors	(68,509)
(5,216)	Provisions	(7,113)
<b>(109,947)</b>	<b>Current Liabilities</b>	<b>(117,627)</b>
(75,687)	Long Term Finance Lease Liabilities	(71,249)
(70)	Provisions	(70)
(331,617)	Long Term Borrowing	(327,585)
(442,254)	Other Long Term Liabilities	(7,108)
(65,376)	Capital Grants Receipts in Advance	(70,482)
<b>(915,004)</b>	<b>Long Term Liabilities</b>	<b>(476,494)</b>
<b>475,413</b>	<b>Net Assets</b>	<b>1,014,275</b>
(224,744)	Usable Reserves	(234,922)
(250,669)	Unusable Reserves	(779,353)
<b>(475,413)</b>	<b>Total Reserves</b>	<b>(1,014,275)</b>

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2021/22				2022/23		
Gross Expenditure	Gross Income	Net		Gross Expenditure	Gross Income	Net
£000	£000	£000		£000	£000	£000
376,049	(199,789)	176,260	People Services	399,957	(207,400)	192,557
131,974	(38,887)	93,087	Communities and Place	109,992	(37,092)	72,900
121,634	(83,510)	38,124	Corporate Resources	125,268	(81,283)	43,985
1,393	(1,488)	(95)	Corporate	1,300	(1,067)	233
50,044	(59,812)	(9,768)	Local authority housing (HRA)	53,166	(62,716)	(9,550)
(1,732)	7,516	5,784	Derby Homes	(2,997)	7,473	4,476
<b>679,362</b>	<b>(375,970)</b>	<b>303,392</b>	<b>Cost of Services</b>	<b>686,686</b>	<b>(382,085)</b>	<b>304,601</b>
28,739	(16,900)	11,839	Other operating expenditure	14,839	(17,893)	(3,054)
51,287	(20,357)	30,930	Financing and investment income and expenditure	60,978	(29,537)	31,441
28	(287,618)	(287,590)	Taxation and non-specific grant income	0	(307,288)	(307,288)
<b>759,416</b>	<b>(700,845)</b>	<b>58,571</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>762,503</b>	<b>(736,803)</b>	<b>25,700</b>
		(70,234)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(91,676)
		109	Impairment losses on non-current assets charged to the Revaluation Reserve			0
		(151,208)	Remeasurement of the net defined benefit liability			(472,885)
		<b>(221,333)</b>	<b>* Other Comprehensive (Income) and Expenditure</b>			<b>(564,561)</b>
		<b>(162,762)</b>	<b>Total</b>			<b>(538,861)</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.

2021/22

	General Fund Balance restated	Revenue Account restated	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves restated	Total Council Reserves	Council's share of Reserves of subsidiary	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2021 brought forward</b>	(132,295)	(46,151)	(31,305)	(2,090)	(41,253)	(253,089)	(79,709)	(332,798)	20,152	(312,646)
<b>Movement in Reserves during 2021/22</b>										
Total Comprehensive Income and Expenditure	53,241	(1,540)	0	0	0	51,701	(203,138)	(151,437)	(11,330)	(162,767)
Adjustments between accounting basis & funding basis under regulations (Note 7)	(32,961)	1,732	(561)	465	(849)	(32,174)	32,174	0	0	0
<b>(Increase)/ Decrease in 2021/22</b>	<b>20,280</b>	<b>192</b>	<b>(561)</b>	<b>465</b>	<b>(849)</b>	<b>19,527</b>	<b>(170,960)</b>	<b>(151,433)</b>	<b>(11,330)</b>	<b>(162,767)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(112,015)</b>	<b>(45,959)</b>	<b>(31,866)</b>	<b>(1,625)</b>	<b>(42,102)</b>	<b>(233,562)</b>	<b>(250,669)</b>	<b>(484,231)</b>	<b>8,822</b>	<b>(475,413)</b>

2022/23

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's share of Reserves of subsidiary	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2022 brought forward</b>	(112,015)	(45,959)	(31,866)	(1,625)	(42,102)	(233,562)	(250,669)	(484,231)	8,822	(475,413)
<b>Movement in Reserves during 2022/23</b>										
Total Comprehensive Income and Expenditure	21,882	(1,736)	0	0	0	20,146	(527,786)	(507,640)	(31,222)	(538,862)
Adjustments between accounting basis & funding basis under regulations (Note 7)	1,342	5,349	(2,560)	1,625	(4,858)	898	(898)	0	0	0
<b>(Increase)/ Decrease in 2022/23</b>	<b>23,224</b>	<b>3,613</b>	<b>(2,560)</b>	<b>1,625</b>	<b>(4,858)</b>	<b>21,044</b>	<b>(528,684)</b>	<b>(507,640)</b>	<b>(31,222)</b>	<b>(538,862)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(88,791)</b>	<b>(42,346)</b>	<b>(34,426)</b>	<b>0</b>	<b>(46,960)</b>	<b>(212,518)</b>	<b>(779,353)</b>	<b>(991,871)</b>	<b>(22,400)</b>	<b>(1,014,275)</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.

2021/22		2022/23
£000		£000
58,573	Net (surplus) or deficit on the provision of services	25,700
(91,935)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(55,007)
65,521	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	50,326
<b>32,159</b>	<b>Net cash flows from Operating Activities</b>	<b>21,019</b>
(29,112)	Investing Activities	(4,510)
6,137	Financing Activities	(6,868)
<b>9,184</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>9,641</b>
41,029	Cash and cash equivalents at the beginning of the reporting period	31,845
<b>31,845</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>22,204</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>2021/22</b> <b>£000</b>	<b>2022/23</b> <b>£000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current service cost	62,324	57,899
Past service cost	254	1,196
Settlements and curtailments	(3,199)	0
<b>Financing and Investment Income and Expenditure:</b>		
Net interest expense	11,155	11,279
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	70,534	70,374
<b>Remeasurement of the net defined benefit liability:</b>		
Return on plan assets (excluding the amounts included in net interest)	(60,700)	59,053
Actuarial gain and losses arising on changes in demographic assumptions	5,720	(9,325)
Actuarial gain and losses arising on changes in financial assumptions	(100,532)	(564,732)
Actuarial gain and losses arising from other experience	4,304	78,894
Asset Ceiling Adjustment	0	(36,775)
<b>Total Post Employment Benefit Charged to the Comprehensive and Expenditure Statement</b>	<b>(80,674)</b>	<b>(402,511)</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	(49,186)	(36,826)

Employers' contributions payable to scheme	24,547	26,062
--	--------	--------

## Pension Assets and Liabilities Recognised in the Balance Sheet

	2021/22 £000	2022/23 £000
<b>Present value of the defined benefit obligation</b>		
Local Government Pension Scheme	(1,574,056)	(1,014,136)
Discretionary Benefits	(29,004)	(23,337)
Fair value of assets in the Local Government Pension Scheme	1,166,841	1,031,395
<b>Total</b>	<b>(436,219)</b>	<b>(6,078)</b>
<b>Net liability arising from defined benefit obligation</b>		
Local Government Pension Scheme	(407,215)	17,259
Discretionary Benefits	(29,004)	(23,337)
<b>Total</b>	<b>(436,219)</b>	<b>(6,078)</b>

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

	2021/22 £000	2022/23 £000
<b>Opening balance at 1 April</b>	<b>(1,641,177)</b>	<b>(1,603,060)</b>
Current service cost	(62,324)	(57,899)
Settlements and curtailments	7,723	0
Interest cost	(33,110)	(40,795)
Contributions from scheme participants	(7,883)	(7,320)
<b>Remeasurement gains or losses:</b>		
Actuarial gains or losses arising from changes in demographic assumptions	(5,720)	9,325
Actuarial gains or losses arising from changes in financial assumptions	100,532	564,732
Actuarial gains or losses arising from other experience	8,430	(78,894)
Benefits paid	30,723	29,682
Past services costs	(254)	(1,196)
<b>Closing balance at 31 March</b>	<b>(1,603,060)</b>	<b>(1,185,425)</b>



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

	2021/22 £000	2022/23 £000
<b>Opening fair value of scheme assets at 1 April</b>	<b>1,099,737</b>	<b>1,166,841</b>
Interest income	21,955	31,611
The return on plan assets excluding the amount included in the net interest expense	60,700	(65,212)
Contributions from employer	24,547	28,546
Contributions from employees into the scheme	7,883	8,399
Other Experience	(12,734)	(837)
Settlements and curtailments	(4,524)	0
Unfunded benefits paid	(1,813)	(1,761)
Benefits paid	(28,910)	(29,732)
<b>Closing balance at 31 March</b>	<b>1,166,841</b>	<b>1,137,855</b>
Asset Ceiling Adjustment	0	41,492
<b>Closing balance at 31 March</b>	<b>1,166,841</b>	<b>1,179,347</b>

The total employer contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2024 are £25.868m.

## Pension Scheme Assets

	2021/22		2022/23	
	£000	%	£000	%
Equity Investments				
Consumer	4,618	0.4%	3,572	0.2%
Manufacturing	2,970	0.3%	1,423	0.2%
Energy	1,469	0.1%	1,047	0.1%
Financial Institutions	2,223	0.2%	1,427	0.1%
Health	3,060	0.3%	1,975	0.2%
ICT	4,179	0.4%	2,357	0.2%
Other	40,842	3.5%	33,308	2.9%
Government Bonds	97,921	8.4%	92,008	7.6%
Other Bonds	20,716	1.8%	18,924	1.7%
Private Equity	56,012	4.8%	55,335	5.0%
Investment Funds - Equities	540,410	46.3%	534,891	46.6%
Infrastructure	96,147	8.2%	122,505	10.8%
Corporate Bonds	151,863	13.0%	145,818	12.7%
Property	91,977	7.9%	89,805	8.0%
Cash	52,434	4.5%	33,460	3.6%
<b>Total</b>	<b>1,166,841</b>	<b>100%</b>	<b>1,137,855</b>	<b>100%</b>

Change in assumptions at 31 March 2023	Approximate % increase to employer liability		Approximate Monetary Amount £000	
	DCC	DH	DCC	DH
0.1% decrease in real discount rate	2%	2%	18,631	2,149
1% increase in members life expectancy	4%	4%	41,499	3,877
0.1% increase in Salary Increase Rate	0%	0%	2,074	376
0.1% increase in the Pension Increase Rate	2%	2%	16,824	1,801

### Defined Benefit Obligation

	Liability Split
Active members	37.4%
Deferred members	20.5%
Pensioner members	42.1%
<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
2021/22	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>									
Employee expenses	126,350	40,959	33,219	616	989	0	202,133	28,423	230,556
Employee expenses for Voluntary Aided and Foundation Schools	14,450	0	0	0	0	0	14,450	0	14,450
Other service expenses	240,536	73,341	87,636	781	34,238	0	436,532	24,931	461,463
Depreciation, amortisation and impairment	4,436	22,814	4,180	0	14,817	59	46,306	356	46,662
Interest payments	0	0	0	0	0	20,039	20,039	154	20,193
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1,239	1,239	0	1,239
Gain or Loss on Disposal of non current assets	0	0	0	0	0	27,500	27,500	0	27,500
Internal Trading	(9,723)	(5,140)	(3,401)	0	0	0	(18,264)	(55,416)	(73,680)
Pension Interest Cost	0	0	0	0	0	30,129	30,129	904	31,033
<b>Total expenditure</b>	<b>376,049</b>	<b>131,974</b>	<b>121,634</b>	<b>1,397</b>	<b>50,044</b>	<b>78,966</b>	<b>760,064</b>	<b>(648)</b>	<b>759,416</b>
<b>Income</b>									
Fees, charges & other service income	(35,246)	(31,634)	(20,723)	(1,366)	(59,812)	0	(148,781)	(47,900)	(196,681)
Interest and Investment Income	0	0	0	0	0	(479)	(479)	0	(479)
Income from council tax, non-domestic rates	0	0	0	0	0	(174,286)	(174,286)	0	(174,286)
Government Grants and Contributions	(174,267)	(12,393)	(66,188)	(122)	0	(112,903)	(365,873)	0	(365,873)
PFI Deferred Income	0	0	0	0	0	(428)	(428)	0	(428)
Internal Trading	9,723	5,140	3,401	0	0	0	18,264	55,416	73,680
Gain or Loss on Disposal of non current assets	0	0	0	0	0	(16,900)	(16,900)	0	(16,900)
Pension interest income	0	0	0	0	0	(19,878)	(19,878)	0	(19,878)
<b>Total income</b>	<b>(199,790)</b>	<b>(38,887)</b>	<b>(83,510)</b>	<b>(1,488)</b>	<b>(59,812)</b>	<b>(324,874)</b>	<b>(708,361)</b>	<b>7,516</b>	<b>(700,845)</b>

Surplus or deficit on the provision of services	176,259	93,087	38,124	(91)	(9,768)	(245,908)	51,703	6,868	58,571
---	---------	--------	--------	------	---------	-----------	--------	-------	--------

	People Services	Communities & Place	Corporate Governance	Corporate	Local Authority Housing (HRA)	Other Income and Expenditure	Derby City Council Total	Derby Homes	TOTAL
2022/23	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>									
Employee Expenses	128,319	41,595	35,883	633	858	0	<b>207,288</b>	29,044	<b>236,332</b>
Employee expenses for Voluntary Aided and Foundation Schools	15,783	0	0	0	0	0	<b>15,783</b>	0	<b>15,783</b>
Other service expenses	256,884	64,728	88,212	667	37,166	0	<b>447,657</b>	33,469	<b>481,126</b>
Depreciation, amortisation and impairment	9,995	9,725	4,386	0	15,142	110	<b>39,358</b>	356	<b>39,714</b>
Interest payments	0	0	0	0	0	19,941	<b>19,941</b>	154	<b>20,095</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Gain or Loss on Disposal of non current assets	0	0	0	0	0	14,839	<b>14,839</b>	0	<b>14,839</b>
Internal Trading	(11,024)	(6,056)	(3,213)	0	0	0	<b>(20,293)</b>	(64,932)	<b>(85,225)</b>
Pension Interest Cost	0	0	0	0	0	39,879	<b>39,879</b>	0	<b>39,879</b>
<b>Total expenditure</b>	<b>399,957</b>	<b>109,992</b>	<b>125,268</b>	<b>1,300</b>	<b>53,166</b>	<b>74,769</b>	<b>764,452</b>	<b>(1,909)</b>	<b>762,543</b>
<b>Income</b>									
Fees, charges & other service income	(43,586)	(31,787)	(19,830)	(1,067)	(62,716)	0	<b>(158,986)</b>	(57,470)	<b>(216,456)</b>
Interest and Investment Income	0	0	0	0	0	(937)	<b>(937)</b>	0	<b>(937)</b>
Income from council tax, non-domestic rates	0	0	0	0	0	(181,874)	<b>(181,874)</b>	0	<b>(181,874)</b>
Government Grants and Contributions	(174,838)	(11,361)	(64,666)	0	0	(125,011)	<b>(375,876)</b>	0	<b>(375,876)</b>
PFI Deferred Income	0	0	0	0	0	(432)	<b>(432)</b>	0	<b>(432)</b>
Internal Trading	11,024	6,056	3,213	0	0	0	<b>20,293</b>	64,932	<b>85,225</b>
Gain or Loss on Disposal of non current assets	0	0	0	0	0	(17,893)	<b>(17,893)</b>	0	<b>(17,893)</b>
Pension interest income	0	0	0	0	0	(28,600)	<b>(28,600)</b>	0	<b>(28,600)</b>
<b>Total income</b>	<b>(207,400)</b>	<b>(37,092)</b>	<b>(81,283)</b>	<b>(1,067)</b>	<b>(62,716)</b>	<b>(354,747)</b>	<b>(744,305)</b>	<b>7,462</b>	<b>(736,843)</b>

Surplus or deficit on the provision of services	192,557	72,900	43,985	233	(9,550)	(279,978)	20,147	5,553	25,700
---	---------	--------	--------	-----	---------	-----------	--------	-------	--------

## Group Property, Plant and Equipment

### a) Movements on Balances

Movements in 2021/2022	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Cost of Valuation at 1 April 2021</b>	<b>530,530</b>	<b>344,476</b>	<b>37,816</b>		<b>6,934</b>	<b>15,403</b>	<b>49,597</b>	<b>984,756</b>
Recategorisations	2,571	0	0		85	0	(5,829)	<b>(3,173)</b>
Additions	18,971	8,822	2,118		32	963	48,041	<b>78,947</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	28,563	15,656	0		0	448	0	<b>44,667</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	24	(14,521)	0		0	(430)	(20)	<b>(14,947)</b>
Derecognition - disposals	(110)	0	(462)		0	0	0	<b>(572)</b>
Derecognition - other	0	(15,722)	(445)		0	0	0	<b>(16,167)</b>
Assets reclassified (to)/from Held for Sale	(8,791)	(483)	0		0	(1,784)	0	<b>(11,058)</b>
Other movements in cost or valuation	179	6,895	17		0	(273)	(6,801)	<b>17</b>
<b>At 31 March 2022</b>	<b>571,937</b>	<b>345,123</b>	<b>39,044</b>		<b>7,051</b>	<b>14,327</b>	<b>84,988</b>	<b>1,062,470</b>

Movements in 2021/22	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Accumulated Depreciation and Impairment at 1 April 2021</b>	<b>(948)</b>	<b>(4,540)</b>	<b>(22,455)</b>		<b>(5,090)</b>	<b>0</b>	<b>0</b>	<b>(33,033)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	(14,542)	(8,307)	(4,471)		(442)	0	0	<b>(27,762)</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	14,345	6,520	0	0	0	0	0	<b>20,865</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	61	3,285	0	0	0	5	0	<b>3,351</b>
Assets reclassified (to)/from Held for Sale	0	6	0	0	0	0	0	<b>6</b>
Derecognition - disposals	0		460		0	0	0	<b>460</b>
Derecognition - other	0	208	372		0	0	0	<b>580</b>
Other reclassification	(17)	22	(2)		0	(5)	0	<b>(2)</b>
<b>At 31 March 2022</b>	<b>(1,101)</b>	<b>(2,806)</b>	<b>(26,096)</b>		<b>(5,532)</b>	<b>0</b>	<b>0</b>	<b>(35,535)</b>
<b>Net Book Value</b>								
<b>At 31 March 2022</b>	<b>570,836</b>	<b>342,317</b>	<b>12,948</b>		<b>1,519</b>	<b>14,327</b>	<b>84,988</b>	<b>1,026,935</b>
<b>At 1 April 2021</b>	<b>529,582</b>	<b>339,936</b>	<b>15,361</b>		<b>1,844</b>	<b>15,403</b>	<b>49,597</b>	<b>951,723</b>



<b>Movements in 2022/23:</b>	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>Cost of Valuation at 1 April 2022</b>	<b>571,937</b>	<b>345,123</b>	<b>39,044</b>		<b>7,051</b>	<b>14,327</b>	<b>84,988</b>	<b>1,062,470</b>
Recategorisations	162	47,440	0		0	0	(48,904)	(1,302)
Additions	22,216	8,361	5,759		0	1,762	48,335	86,433
Revaluation increases/(decreases) recognised in the Revaluation Reserve	87,586	(14,454)	0		0	(1,272)	0	71,860
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(1,527)	0		0	(2,337)	(495)	(4,359)
Derecognition - disposals	0	0	(1,542)		0	(30)	0	(1,572)
Derecognition - other	0	0	(1,735)		0	0	0	(1,735)
Assets reclassified (to)/from Held for Sale	(10,371)	(465)	0		0	(350)	0	(11,186)
Other reclassifications	0	0	0		0	0	0	0
<b>At 31 March 2023</b>	<b>671,530</b>	<b>384,478</b>	<b>41,526</b>		<b>7,051</b>	<b>12,100</b>	<b>83,924</b>	<b>1,200,609</b>

Movements in 2022/23	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Accumulated Depreciation and Impairment at 1 April 2022</b>	<b>(1,101)</b>	<b>(2,806)</b>	<b>(26,096)</b>		<b>(5,532)</b>	<b>0</b>	<b>0</b>	<b>(35,535)</b>
Depreciation charge	(13,793)	(8,875)	(4,237)		(246)	0	0	(27,151)
Depreciation written out to the Revaluation Reserve	13,349	6,481	0		0	0	0	19,830
Depreciation written out to the Surplus/Deficit on the Provision of Services	61	2,298	0		0	0	0	2,359
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(14)	0		0	0	0	(14)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(11)	0		0	0	0	(11)
Assets reclassified (to)/from Held for Sale	221	4	0		0	0	0	225
Derecognition - disposals	0	0	1,288		0	0	0	1,288
Derecognition - other	0	0	1,354		0	0	0	1,354
Other reclassifications	0	0	0		0	0	0	0
<b>At 31 March 2023</b>	<b>(1,263)</b>	<b>(2,923)</b>	<b>(27,691)</b>		<b>(5,778)</b>	<b>0</b>	<b>0</b>	<b>(37,655)</b>
<b>Net Book Value</b>								
<b>At 31 March 2023</b>	<b>670,267</b>	<b>381,555</b>	<b>13,835</b>		<b>1,273</b>	<b>12,100</b>	<b>83,924</b>	<b>1,162,954</b>
<b>At 1 April 2022</b>	<b>570,836</b>	<b>342,317</b>	<b>12,948</b>		<b>1,519</b>	<b>14,327</b>	<b>84,988</b>	<b>1,026,935</b>

#### e) Highways Infrastructure Assets

In November 2022, CIPFA issued an Update to the 2021/22 (and 2022/23) Code of Practice on Local Authority Accounting. This Update allows for the movement between the opening and closing balance of infrastructure assets to be presented on a net book value (rather than gross cost/accumulated depreciation) basis for a temporary period up to and including 2024/25, in recognition that authorities do not typically hold sufficiently granular detail regarding historical expenditure on their infrastructure assets in order to accurately account for derecognitions on a gross basis.

Furthermore, an amendment to the Local Authorities (Capital Finance and Accounting) Regulations was also laid in November 2022 which permits local authorities, when they replace a component of an infrastructure asset, to determine the carrying amount to be derecognised in respect of that replaced component as nil. This statutory override also applies up to and including 2024/25. Derby City Council has made this determination in respect of its 2022/23 Statement of Accounts.

Infrastructure assets have therefore been excluded from the previous tables which analyse the movement on Property, Plant and Equipment on a gross book value/accumulated depreciation basis. The movement on infrastructure assets is instead presented in the following note, along with a reconciliation to total Property, Plant and Equipment as reported on the Balance Sheet and elsewhere in these financial statements. In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements

<b>Group Account Infrastructure Assets</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
<b>Net book value (modified historical cost)</b>		
<b>at 1 April</b>	272,054	281,972
Recategorisations	3,174	683
Additions	14,816	9,164
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of	0	(57)
Derecognition	0	0
Depreciation charge	(8,057)	(8,522)
Impairment	0	21
Other Movement in cost	(15)	0
<b>Net book value</b>		
<b>at 31 March</b>	<b>281,972</b>	<b>283,261</b>

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting)(England)(Amendment)Regulations 2022 that the carrying amounts to be

<b>Reconciliation to Balance Sheet</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
Infrastructure Assets	281,972	283,261
Other PPE Assets	1,026,935	1,162,954
<b>Total PPE per Balance Sheet</b>	<b>1,308,907</b>	<b>1,446,215</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; or

- sale in the ordinary course of business.

**Liabilities:** Amounts due to individuals or organisations which will have to be paid at some time in the future.

**Long Term Borrowing:** Loans raised to finance capital spending which have to be repaid over a period longer than 1 year from the date of the accounts.

**Long Term Investments:** Those investments which the Council plans to hold on a continuous basis (for example, money held with a bank or building society for more than 12 months).

**Material:** The concept that an omission or non disclosure of an item in the accounts would not distort the view given by the financial statements.

**Major Repairs Reserve (MRR):** The MRR represents the capital cost of keeping the HRA dwellings stock in its current condition.

**Minimum Revenue Provision (MRP):** The minimum amount which must be charged to the General Fund each year and set aside as provision for repaying external loans and meeting other credit liabilities.

**National Non-Domestic Rates (NNDR):** Represents the rate of taxation on business properties.

**Net Book Value:** The value of an asset as recorded in the accounts. The current value or historic cost less any depreciation charged.

**Net current replacement cost:** The cost of replacing an asset in its existing condition and use.

**Non-distributed costs:** Specific overheads relating to unused assets and certain pension costs for employees' service in previous years. These are not allocated to service departments because they do not relate to the current year's cost of providing the service.

**Operating Activities:** are the principal revenue-producing activities of the Council and other activities that are not investing or financing activities.

**Pooled Budget:** An aggregation of balances that belong to the pooled budget partners rather than the Council in its own right.

**Precept:** The demand from the collection fund maintained by the Council.

**Private Finance Initiative (PFI):** This is an initiative for utilising private sector funding to provide public sector assets.

**Prior Year Adjustment:** Material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring correction or adjustments of accounting estimates made in prior years.

**Property Plant & Equipment:** Items such as land, buildings, vehicles and major items of equipment, which benefit the Council over more than one year.

**Provision:** An amount of money set aside to meet liabilities or losses that are likely or certain to arise in the future, but where the amounts or dates on which they will arise are uncertain.

**Related Parties:** Under accounting rules, the Council has to show transactions between itself and other organisations which are also funded by the Government. This includes transactions between the Council and the immediate families of Councillors or Chief Officers, and any companies or organisations that they have a controlling interest in.

**Reserves:** The amount of set aside for future purposes. Earmarked reserves are those established for a specific purpose.

**Reserves - unusable:** This is money held by the Council that can not be used to support revenue expenditure across the whole authority. It will have restrictions in place that mean it can only be spent in relation to certain things.

**Reserves - usable:** This is money held by the Council that can be used to support one off projects within the council. It has no restrictions in terms of what it is spent on as long as it has been approved via the relevant channels.

**Work-in-progress:** The value of work on an unfinished project at the end of the year which the Council has yet to recover from the client.

**Write down:** To reduce the value of an asset in a set of accounts.

**Write off:** To reduce the value of an asset to nothing in a set of accounts.