

## High Peak Statement of Accounts 2022/23 – Chief Finance Officer Review

**1. Please provide the most significant reasons for the 2022/23 operating surplus of £1,489,260 and explain why this figure looks so high?**

The £1.489million surplus is identified on page 5 of the Narrative Statement. Funding levels achieved were £306,696 above expectations. This was primarily due to an increase of funding received through Business Rates Retention, made up of a smaller levy payable to the Business Rates Pool, a surplus levy distribution from central government, and additional s31 grants to compensate the Council for the cost of additional business rates reliefs awarded.

Actual spend on activities during 2022/23 was £1,222,174 less than anticipated. Significant contributions coming from an upturn in the income streams generated by Waste Collection services and additional Government Grants received together with general underspends on services against the budget.

Further explanations for the variances contributing to the overall underspend were reported within the Quarter Four (Provisional Outturn) Financial Report reported to the Executive.

**2. Please explain the movement between years on the following lines on the Balance Sheet (highlighted yellow):-**

31st March 2022 £000's		31st March 2023 £000's	Major Variances
252,273	Property, Plant & Equipment	273,068	20,795
514	Heritage Assets	514	0
406	Investment Properties	406	0
221	Intangible Assets	225	4
0	Pensions Asset	395	395
178	Long-term Debtors	186	8
<b>253,592</b>	<b>TOTAL LONG TERM ASSETS</b>	<b>274,794</b>	<b>21,202</b>
2,210	Assets Held for Sale	0	(2,210)

*Property, Plant & Equipment (£20.795m)*

This reflects the purchase of the Springs (£8.4m), and the reclassification of the 2 assets held for sale (£2.210m). It also reflects a £7.3m increase in the carrying value

of the Council's Housing stock following the March valuations, which equates to an average annual increase of £1,275 per property.

*Assets Held for Sale (£2.21m)*

In 2021/22, the sale of two surplus land sites in Buxton ( Granby Road & Market Street) are expected to be completed within the next 12 months; under accounting regulations, they, now fall within this heading. However, in 2022/23 these two properties were moved back to Property, plant and equipment.

31st March 2022 £000's		31st March 2023 £000's	Major Variances
18,376	Short-term Investments	5,026	(13,350)
77	Inventories	80	3
5,340	Short Term Debtors	7,461	2,121
12,762	Cash & Cash Equivalentents	12,094	(668)
<b>38,765</b>	<b>TOTAL CURRENT ASSETS</b>	<b>24,661</b>	<b>(14,104)</b>

*Short Term Investments (£13.35m)*

This change is considered to be of little significance to the financial standing of the Council as it represents the impact of operational Treasury Management (TM) cash flow requirements at and around the balance sheet date of 31st March.

*Short-term Debtors (£2.121m)*

The increase is largely due to incorporating Alliance Norse accounts onto the Council's balance sheet.

*Cash & Cash Equivalentents (£0.668m)*

This change is considered to be of little significance as it represents the impact of operational Treasury Management (TM) cash flow requirements at and around the balance sheet date of 31st March.

31st March 2022 £000's		31st March 2023 £000's	Major Variances
(63,131)	Long-term Borrowing	(58,830)	4,301
(35,543)	Pensions Liability	0	35,543
0	Other LongTerm Liabilities	(258)	(258)
(1,219)	Grant Receipts in Advance - Capital	(2,267)	(1,048)
<b>(99,893)</b>	<b>TOTAL LONG TERM LIABILITIES</b>	<b>(61,355)</b>	<b>38,538</b>

#### *Long Term Borrowing (£4.301m)*

*This reflects the repayment of Long Term Borrowing within the Council's Treasury Management Strategy.*

#### *Pensions Liability (£35.543m)*

This reflects changes in actuarial valuation - which this year have been impacted by improved returns from investments that have strengthened the scheme's assets, and an increase in the net discount rate which reduced its liability. The Note 4f identifies just how sensitive the liability figure is to actuarial assumptions around the discount rate. The present value of a pension benefit is how much it is worth today. By their nature, estimates of future value are imprecise. The discount rate is used to allocate the cost of future benefits over time, to answer the basic question "how much should we contribute today so we hit our funding target in the future". The discount rate used is important because if it is lowered, then it makes pensions appear to be more expensive, because you are assuming that the pension fund will earn less money over time, meaning more money needs to be contributed.

#### *Grants Receipts in Advance- Capital (£1.048m)*

This reflects an increase in Section 106 monies received in advance of being used, a further breakdown can be seen on Note 11.

31st March 2022 £000's		31st March 2023 £000's	Major Variances
33,906	Useable Reserves	35,124	1,218
137,620	Unusable Reserves	186,490	48,870
<b>171,526</b>	<b>TOTAL RESERVES</b>	<b>221,614</b>	<b>50,088</b>

#### *Useable Reserves (£1.218m)*

Reflects the HRA use of reserve of £1.3million, and the net increase in the GF reserves of £1.068million. On top of this, there was an increase in the Capital receipts reserve (Note 12).

### Unusable Reserves (£48.87m)

Reflects the £35.94m decrease in Pension Liability as a result of the Actuarial valuation, a £12m increase in the carrying value of assets following the latest Property valuations and a £0.4m increase in the Collection Fund adjustment account.

2021-22			2022-23			Variance > Net £750k			
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000	£000	£000	£000	£000	£000	£000	
489	(2)	487	Alliance Management	408	(1)	407	(81)	1	(80)
106	0	106	Audit	99	0	99	(7)	0	(7)
930	(266)	664	ICT	990	(268)	722	60	(2)	58
66	(2)	64	Human Resources	50	(1)	49	(16)	1	(15)
314	(50)	264	Member Services	320	(50)	270	6	0	6
2,859	(1,466)	1,393	Property Services	4,465	(1,456)	3,009	1,606	10	1,616
14,792	(14,621)	171	Benefits	13,818	(13,527)	291	(974)	1,094	120
639	(329)	310	Revenues	680	(516)	164	41	(187)	(146)
934	(302)	632	Planning Applications	1,077	(472)	605	143	(170)	(27)
93	(31)	62	Building Control	50	1	51	(43)	32	(11)
695	(30)	665	Customer Services	710	(33)	677	15	(3)	12
362	(39)	323	Legal Services	399	(34)	365	37	5	42
52	(4)	48	Electoral Services	52	(19)	33	0	(15)	(15)
29	(315)	(286)	Licensing & Land Charges	24	(322)	(298)	(5)	(7)	(12)
986	(588)	398	Regeneration	995	(651)	344	9	(63)	(54)
464	(10)	454	Communities & Cultural	359	(41)	318	(105)	(31)	(136)
2,071	(1,690)	381	Housing Strategy	5,557	(4,598)	959	3,486	(2,908)	578
306	0	306	Transformation	338	0	338	32	0	32
124	(37)	87	Community Safety & Enforcement	162	(39)	123	38	(2)	36
476	(88)	388	Finance & Procurement	306	96	402	(170)	184	14
2,694	(2,111)	583	Corporate Finance	810	(1,419)	(609)	(1,884)	692	(1,192)
4,434	(2,067)	2,367	Waste Collection	5,087	(2,141)	2,946	653	(74)	579
1,063	(418)	645	Street Scene	823	(237)	586	(240)	181	(59)
631	(42)	589	Leisure Services	262	(65)	197	(369)	(23)	(392)
1,831	(1,055)	776	Horticulture	1,657	(1,114)	543	(174)	(59)	(233)
1,013	(890)	123	Environmental Health	1,221	(706)	515	208	184	392
8,330	(15,250)	(6,920)	Local Authority Housing (HRA)	10,568	(15,484)	(4,916)	2,238	(234)	2,004
<b>46,783</b>	<b>(41,703)</b>	<b>5,080</b>	<b>Cost Of Services</b>	<b>51,287</b>	<b>(43,097)</b>	<b>8,190</b>	<b>4,504</b>	<b>(1,394)</b>	<b>3,110</b>
8,803	(2,494)	6,309	Other Operating Expenditure	9,522	(2,153)	7,369	719	341	1,060
3,569	152	3,721	Financing & Investment Income & Exp	4,364	(552)	3,812	795	(704)	91
0	(14,722)	(14,722)	Taxation & non-specific Grant		(18,304)	(18,304)	0	(3,582)	(3,582)
			<b>388 (Surplus) or Deficit on Provision of Services</b>			<b>1,067</b>			<b>679</b>
			(12,999) (Surplus) or Deficit on Revaluation of Property, Plant and Equipment Ass			(14,210)			(1,211)
			(13,344) Remeasurement of the net defined pension benefit liability			(36,945)			(23,601)
			<b>(26,343)</b>			<b>(51,155)</b>			<b>(24,812)</b>
			<b>(25,955)</b>			<b>(50,088)</b>			<b>(24,133)</b>

### 3. Can you please provide an explanation for the £1.606m increase in expenditure for Property Services - Comprehensive Income & Expenditure Statement?

Spend reflects a £973k increase in capital nominal accounting charges as per the EFA (impact of the Valuer's changed methodology on Car Parks), and an increase in the cost of cleaning & caretaking and repairs prior to the transfer of Alliance Norse on 4<sup>th</sup> July. The repairs pressures has continued throughout the remaining 9 months of the year under the Alliance Norse arrangement.

### 4. Please explain the considerable differences in both gross expenditure and gross income for the Corporate Finance service (expenditure in 2021/22 was £2.694m compared with £0.81m; and income was £2.11m in 2021/22 compared with £1.419m)?

This is distorted by the change in the level of Discretionary Covid-19 support grant income received and paid to businesses and individuals between years. Income 21/22 £0.9m 21/22 £0.1m ; Spend 21/22 £1.97m 21/22 £0.7m.

**5. Please explain the £3.582m increase in Taxation and Non Specific Grant change in figures from 2021/22 to 2022/23?**

The Council received £6million for the Future High Street Fund, which increased the Capital Grants from £1.8m to £6m, this was offset by a reduction in Income from the NNDR Pool of £0.9m.

**6. Please explain the “(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets” change in figures from 2021/22 to 2022/23.**

The note in the Statement of Accounts on the Revaluation Reserve (Note 13a) on page 65 provides more detail, where the effect of last year's downward revaluation of assets reflects the Valuer's use of the Modern Equivalent Assets methodology as part of the DRC (depreciated replacement cost) valuations.

**7. Please explain the remeasurement of the net defined pension benefit liability change in figures from 2021/22 to 2022/23?**

A £35.94m decrease in pension liability arises from the year end valuations performed by the Scheme Actuary which this year have been impacted by improved returns from investments that strengthened the scheme's assets, and an increase in the net discount rate which reduced its liability.

**8. Can you explain the following major variations (highlighted in yellow) on the Collection Fund ?**

2021-22			2022-23			Variance >£750k		
Council Tax	Business Rates	Total	Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
£000	£000	£000	£000	£000	£000	£000	£000	£000
			<b>Income</b>					
	(24,204)			(25,436)			(1,232)	
	(162)			91			253	
(60,507)			(63,236)			(2,729)		
(51)						51		
<b>(60,558)</b>	<b>(24,366)</b>	<b>(84,924)</b>	<b>(63,236)</b>	<b>(25,345)</b>	<b>(88,581)</b>	<b>(2,678)</b>	<b>(979)</b>	<b>(3,657)</b>
			<b>Total Income</b>					
			<b>Expenditure</b>					
			<b>Preceptors</b>					
	13,388			13,029		-	359	
42,742	2,410		44,649	2,345		1,907	-	65
7,466			7,886			420	-	
2,450	268		2,534	261		84	-	7
6,880	10,710		7,192	10,424		312	-	286
	<b>86,314</b>				<b>88,320</b>			<b>2,006</b>
			<b>Distribution of Previous Year Surplus / (Deficit)</b>					
	(4,335)			(694)			3,641	
(465)	(780)		758	(125)		1,223	655	
(78)			132			210	0	
(27)	(87)		43	(14)		70	73	
(74)	(3,468)		122	(555)		196	2,913	
	<b>(9,314)</b>				<b>(333)</b>			<b>8981</b>
			<b>Charges to the Collection Fund</b>					
137	290		189	52		52	(238)	
47	(237)		693	136		646	373	
(2,579)				(19)			2,560	
	367			1,182			815	
	134			136			2	
	<b>(1,841)</b>				<b>2,369</b>			<b>4210</b>
<b>59,078</b>	<b>16,081</b>	<b>75,159</b>	<b>64,198</b>	<b>26,158</b>	<b>90,356</b>			
			<b>TOTAL EXPENDITURE</b>					

### *Income due from Business Rates Payers (variation £1.232m)*

This continues to show the impact of the pandemic with measures put in place to support businesses now winding down and tax take increasing. The majority of the difference relates to the retail relief awarded which started at 100% in 2021/22 reducing part way through the year, compared with a 75% scheme throughout 2022/23.

### *Income due from Council Tax Payers (variation £2.729m)*

This relates to the Growth in the Council tax collectable between years and reflects both expansion of the taxbase plus an average 3.11% increase in the individual charges made.

### *Preceptor Derbyshire County Council (Council Tax £1.907m)*

The growth in the Council tax precept between years reflects both expansion of the taxbase plus the 3.00% increase in the individual charges levied by the County Council.

### *Distribution of Previous Year Surplus/ (Deficit): Central Government - Business Rates (£3.641m)*

A smaller deficit on the business rates collection fund was forecast at January 2022 reducing the distribution requirement for 2022/23 compared to the previous year, this was in part due to more knowledge around available reliefs at budget setting time.

*Derbyshire County Council – Council Tax (£1.223m)*

The forecast collection fund balance for council tax at January 2022 reverted to a surplus position as the council tax income increased, this was distributed in 2022/23.

*Change to Business Rates Appeals provision (£2.560m + £0.815m))*

There was an overall reduction in the level of provision required for business rates appeals as the 2017 valuation list reaches the end of its life, with a new list being in place from 1 April 2023.

**9. Are there any major risks to the authority indicated in the accounts? If so, how are these being dealt with?**

*Narrative Report:* this goes into some detail about potential impact on the financial standing of the Council in the medium to long term. It also indicates the level of funding that is now raised and retained locally as opposed to being provided by Central Government. These two issues make the Council more vulnerable to both national and local economic factors (but also more open to benefiting from above average economic growth too).

*Balance Sheet and Capital Notes (primarily Note 6):* these list the extensive assets of the Authority. Assets such as these can become individual or collective liabilities if they are not maintained adequately. This risk is mitigated by the Council's Asset Management Plan (AMP), which ensures that capital resources are focused on maintaining the structural integrity and value of property assets. The AMP is in the process of being refreshed, with a particular emphasis on obtaining up to date site assessments.

*Pension Notes (primarily Note 4):* this highlights the pension asset of £0.395m, valuation of which is based primarily on the value of Corporate Bonds. This risk to the medium / long term viability of the Authority is countered by measures adopted by local government pension schemes to increase contributions and reduce entitlements over the medium to long term. Future contribution rates (combined with investment strategies) are designed to ensure that the Fund is in balance over the longer term.

*Financial Instrument Notes (Note 14):* This includes a comprehensive analysis of the various risks around the value of all financial assets including cash, receivables and investments. This risk is managed through the Authority's budgetary control and treasury management strategy / procedures. Realistic budgeting is supported by robust risk adverse borrowing and investment strategies.

*Contingent Liabilities (Note 15):* Highlights a number of areas where there may be a future call on the Council's resources if certain actions or events materialise. These items are monitored and managed as part of the Authority's financial planning process. Future budgets can, if necessary, be amended in response to any liability materialising. There are operating reserves available to ameliorate the impact on other services in any particular year.

## Housing Revenue Account

### Repairs & Maintenance (£1.156m)

The variance between the two years reflects an increase in repairs due to inflationary pressures in materials and sub-contractor costs. These pressures have continued throughout the remaining nine months of the year under the Alliance Norse arrangement. reflects the relative level of revaluation losses and gains hitting each year and is considered within normal operating tolerances for these annual spot valuations.

### Depreciation and impairment of Non Current Assets (£1.396m)

The variance between the two years reflect a decrease in the reversal of previous loss, in 21/22 (£2.277m) reduced down to (£0.958).

2021/22	HRA Income and Expenditure Statement	2022/23	Variance >£750k
£000		£000	
	<b>Expenditure</b>		
4,678	Repairs and Maintenance	5,834	1,156
2,537	Supervision and Management	2,218	(319)
147	Rents, Rates, Taxes and Other Charges	142	(5)
694	Depreciation and Impairment of Non-Current Assets	2,090	1,396
54	Debt Management Costs	54	0
22	Movement in the allowance for bad debts	22	0
	Sums directed by the Secretary of State that are expenditure in accordance with the Code		0
<b>8,132</b>	<b>Total Expenditure</b>	<b>10,360</b>	2,228
	<b>Income</b>		
(14,486)	Dwelling Rents	(14,676)	(190)
(250)	Non Dwelling Rents	(256)	(6)
(384)	Charges for Services and Facilities	(413)	(29)
(142)	Contributions towards expenditure	(139)	3
	HRA Subsidy receivable		0
	Sums directed by the Secretary of State that are income in accordance with the Code		0
<b>(15,262)</b>	<b>Total Income</b>	<b>(15,484)</b>	(222)
<b>(7,130)</b>	<b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>(5,124)</b>	<b>2,006</b>
210	HRA Services share of Corporate and Democratic Core	208	(2)
	HRA share of other amounts included in whole authority Net		
636	Expenditure of Continuing Operations but not allocated to specific services	656	20
<b>(6,284)</b>	<b>Net Income/Expenditure of HRA Services</b>	<b>(4,260)</b>	<b>2,024</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
4,432	(Gain) or loss on sale/disposal of HRA non-current assets	3,929	(503)
1,750	Interest payable and similar charges	1,801	51
(17)	HRA Interest and investment income	(74)	(57)
0	Capital grants and contributions receivable	(98)	
0	Loss on Discontinued Operations	0	
<b>(119)</b>	<b>(Surplus)/Deficit for the year on HRA services</b>	<b>1,298</b>	<b>1,417</b>