

West Devon Audit Committee



West Devon
Borough
Council

Title:	Agenda
Date:	Tuesday, 21st July, 2020
Time:	10.00 am
Venue:	Chamber - Kilworthy Park
Full Members:	<p style="text-align: center;">Chairman Cllr Davies Vice Chairman Cllr Vachon</p> <p><i>Members:</i> Cllr Ball Cllr Ridgers Cllr Bridgewater Cllr Yelland Cllr Renders</p>
Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
Committee administrator:	Democratic.Services@swdevon.gov.uk

1. Apologies for absence

2. Declarations of interest

Members are invited to declare any personal or disclosable pecuniary interests, including the nature and extent of such interests they may have in any items to be considered at this meeting.

If Councillors have any questions relating to predetermination, bias or interests in items on this Agenda then please contact the Monitoring Officer in advance of the meeting.

3. Items Requiring Urgent Attention

To consider those items which, in the opinion of the Chairman, should be considered by the Meeting as matters of urgency (if any).

4. Confirmation of Minutes

1 - 4

Meeting held on 23 June 2020

5. Draft Statement of Accounts 2019/20 and Draft Annual Governance Statement 2019/20

5 - 158

6. Annual Report 2019/20

159 - 180

7. Commercial Property Investment Report

181 - 198

PART TWO – ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF THE PUBLIC AND PRESS ON THE GROUNDS THAT EXEMPT INFORMATION MAY BE DISCLOSED (if any).

The Committee is recommended to pass the following resolution:

“**RESOLVED** that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the Meeting on the grounds that exempt information may be disclosed as defined in the paragraph given below in bold type from Part I of Schedule 12(A) to the Act.”

This document can be made available in large print, Braille, tape format, other languages or alternative format upon request. Please contact the Committee section on 01822 813662 or email darryl.white@swdevon.gov.uk

Agenda Item 4

At a Meeting of the **AUDIT COMMITTEE** held remotely by Skype, on **TUESDAY** the **23rd** day of **June 2020** at **10.00am**

Present:

- Cllr M Davies (Chairman)
- Cllr P Vachon (Vice Chair)
- Cllr K Ball
- Cllr A Bridgewater
- Cllr M Renders
- Cllr P Ridgers
- Cllr J Yelland

Officers in attendance:

- Section 151 Officer
- Internal Audit Manager
- Head of Finance
- Chief Internal Auditor
- External Auditors
- Chief Executive
- Director of Governance & Assurance
- Case Management Manager
- Head of Strategy and Projects

Also in attendance: Cllr C Edmonds, Cllr N Jory

*** AC 1 CONFIRMATION OF MINUTES**

The Minutes of the Committee Meeting held on 21 January 2020 were confirmed and signed by the Chairman as a correct record.

***AC 2 GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE**

The external auditor took Members through the report. This has been delayed being brought to committee due to Covid-19. Audit timetable has moved to the end of November 2020. This is the original report that would have been presented at the March Committee. The Audit plan was presented to Council in April. Included in that report was the audit fee which has been confirmed with the S151 Officer & PSAA.

First time for a fully remote audit. Looking at practical issues around carrying this out.

It was then **RESOLVED** that:

The content of the Report and Update was noted.

*** AC 3 INTERNAL AUDIT ANNUAL REPORT**

Cllr Edmonds introduced members to the report. The internal Auditor took the members through the report. Business continuity is shown as improving. Debtors income collection is still ongoing.

In response to questions the internal auditor stated this is an historic report Since this report was written Covid-19 has had an impact and assurance mapping will take place. With experience and dialogue with officers an opinion would be sought. Remote meetings via Skype with SLT will look at the 2021 plan. New systems have been introduced with business grants being processed and robust testing has been taking place.

Budget monitoring will be done on a monthly basis rather than quarterly due to the current financial climate.

Purchase card improvement control to put limit on cards and line managers to check on cards.

An explanation was provided by the S151 Officer that the spend was typically IT spend or spend relating to the Council's out of hours provision of services. The responsibility for purchasing cards has been transferred to the Finance Specialist Team.

It was then **RESOLVED** that:

1. The Audit Committee noted that overall and based on work performance during 2019/20, and that of our experience from previous year's audit, the Head of Internal Audit's Opinion is of "Substantial Assurance" on the adequacy and effectiveness of the Authority's internal control framework.
2. Members noted the performance and achievements of the Internal Audit Team during 2019/20

AC 4 CORPORATE RISK REGISTER

Cllr Jory introduced the report on the Corporate Risk Register.

In reply to a member question in regard to the leisure centres the S151 Officer responded that once government guidance is given to re-opening of the leisure industry more updates can be given. The Council has been successful in securing a Sports England grant (Lottery funding of £4,560 across both Councils) for external support to ensure that the impact on the contract is minimised and the Centres are in the best position to adapt and react to the future environment, delivering services for customers (such as increased health and wellbeing). Members will be kept updated.

It was **RESOLVED** that:

The Audit Committee reviewed the Strategic Risk & Opportunity Register (Appendix 1) and made recommendations to Council on any further action the Committee concludes should be considered.

The Chairman thanked the S151 officer and finance team for all their hard work.

(The Meeting terminated at 10.55am)

Dated this

Chairman

This page is intentionally left blank

Report to: **Audit Committee**

Date: **21 July 2020**

Title: **Draft Statement of Accounts and Draft Annual Governance Statement 2019/2020**

Portfolio Area: **Performance & Resources – Cllr C Edmonds**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: **September 2020**

Author: **Roderick Hewson** Role: **Finance Business Partner**
Pauline Henstock **Head of Finance Practice and Deputy S.151 Officer**

Contact: **01822 813582** roderick.hewson@swdevon.gov.uk
01803 861377 pauline.henstock@swdevon.gov.uk

Recommendations:

That the Draft Statement of Accounts and the Draft Annual Governance Statement (AGS) for the financial year ended 31 March 2020 are noted.

1. Executive summary

- 1.1 The report advises Members that an under spend of £133,000 was generated in 2019/2020 which was transferred to the General Fund Balance (un-earmarked revenue reserve). The level of this reserve now stands at £1.219 million at 31 March 2020.
- 1.2 The Narrative Statement to the Accounts gives a summary of the main items in the Statement of Accounts for 2019/2020.

2. Background

- 2.1 The Accounts and Audit (England) Regulations 2015 set out the requirements for the production and publication of the local authority's annual Statement of Accounts (SOA). These regulations introduced revised procedures for the approval and publication of accounting statements. In line with common practice in the commercial sector, local authorities are now required to approve the accounts following the completion of the audit.
- 2.2 The statutory timetable relating to the production and publication of the final accounts was brought forward from 2017/18. Since then the Council has been required to publish the draft SOA by 31 May, one month earlier than previously. However, due to the Covid-19 pandemic the 2019/20 statutory timetable was extended. On 22 April 2020 the Ministry for Housing, Communities and Local Government wrote to all Local Authority Chief Executives in England, confirming that the draft accounts must be approved by 31 August 2020 at the latest. This is prior to the period for exercise of public rights which must commence on or before the first working day of September 2020. The letter also stated that local authorities in England must publish their audited SOA by 30 November 2020. This deferral of the publication dates amending the 2015 Regulations for 2019/20 is detailed in The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 (SI 2020 No 4040).
- 2.3 The SOA is an essential feature of public accountability, since it provides the stewardship report on the use of funds raised from the public. The closing of accounts is also important to the budgetary process, since it confirms the availability of reserves and balances for future use.
- 2.4 The attached booklet in Appendix A contains the Council's final accounts in full, including details of the Comprehensive Income and Expenditure Statement (CIES), the Balance Sheet and Collection Fund together with statements setting out movements in reserves and cash flow.
- 2.5 The accounts have been prepared in accordance with all relevant and appropriate accounting standards, including International Accounting Standard (IAS) 19 which deals with pension costs. This standard ensures that the full cost of employing people is recognised systematically in the accounts and that creditors reflect the Council's liability to pay money into the pension fund. A full explanation of the pension's liability is included in the Council's Statement of Accounts. Members are advised that the accounting arrangements for IAS 19 are for reporting purposes only. Indeed the required entries are reversed out of the accounts and consequently, IAS 19 has no impact on the Council's surplus for the year.

- 2.6 The Annual Governance Statement (AGS) for 2019/20 shown in Appendix B reflects the reporting requirements introduced by CIPFA/SOLACE's 2016 Delivering Good Governance in Local Government Framework. These requirements include:
- An acknowledgement of responsibility for ensuring there is a sound system of governance
 - A reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment.
 - An opinion on the level of assurance that the governance arrangements can provide.
 - An agreed action plan.
 - A conclusion.
- 2.7 The CIPFA/SOLACE 2016 Framework recommends that the Council carries out annually a self-assessment of the extent to which it complies with seven core principles of good governance. Examples of the framework the Council adopts to comply with the Code's key principles are included within the AGS, as well as an accompanying assurance statement.

3. Outcomes/outputs

Revenue Expenditure

- 3.1 Revenue expenditure represents the ongoing costs of carrying out day-to-day operations, and is financed from council tax, business rates, fees and charges, government grants and interest earned on investment activity. The under spend on the General Fund in 2019/2020 of £133,000 is essentially a break-even position. **The 2019/20 budget was £7.08 million and therefore the saving of £133,000 means that the actual spend was 1.9% less than the budget.** This saving will go into the Council's Unearmarked Reserves which now stand at £1.219 million. The main variations from budget are shown on Page 9 of the Narrative Statement in the Statement of Accounts.

Capital Expenditure

- 3.2 Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £1.4 million in 2019/20. The main areas of expenditure were as follows:
- Residential renovation grants including disabled facilities grants (£1.1m)
 - Acquisition of land (£0.2m)

4. Options available and consideration of risk

- 4.1 Due to additional grant income, an underspend in Homelessness of £30,000 was transferred into the Homelessness Earmarked Reserve (Council Minute CM63 (f) refers). This will be used to help support the costs of Homelessness Prevention in future years.
- 4.2 The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of the value of the Council's property, plant, equipment and investment properties. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS (Royal Institution of Chartered Surveyors) Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation.
- 4.3 At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.
- 4.4 Due to the Covid-19 pandemic the Council is undertaking monthly budget monitoring reports. The budget monitoring report for May showed a projected shortfall of £1.028 million which was predominantly due to income losses such as car parking income and treasury management income. Since this report was prepared the Government has announced a new comprehensive package of support for Councils, to address spending pressures and losses in sales, fees and charges. An updated position including this projected Government support will be presented to the Hub Committee on 28 July 2020.
- 4.5 An amended budget for 2020/21 will be presented to the September cycle of Committee meetings. One of the options that Members could consider as to how to meet the budget shortfall in 2020/21 would be to use the 2019/20 underspend of £133,000 towards the projected budget shortfall.

5. Proposed Way Forward

- 5.1 Members are advised that the accounts will be audited by our External Auditors, Grant Thornton during June, July and August 2020. Following the Audit, the Statement of Accounts will be brought back to the Audit Committee for approval in September.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The Statutory Powers that apply to this report are Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015.</p> <p>The Accounts and Audit (England) Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS).</p> <p>The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 (SI 2020 No 4040)</p>
Financial implications to include reference to value for money		<p>The financial implications to this report are that an under spend of £133,000 was generated in 2019/2020. This means that the Council's actual spend for 2019/2020 was 1.9% less than the budget set for the year.</p> <p>As part of Grant Thornton's external audit of the Statement of Accounts for 2019/2019, they will give an opinion on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. (An unqualified audit opinion was issued by Grant Thornton in July 2019 for the 2018/19 financial year).</p>
Risk		<p>Public Accountability – the accounts have been drawn up in strict accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 which is recognised by statute as representing proper accounting practice.</p> <p>Resource Planning – the Council takes into account any significant issues when developing the Council's Medium Term Financial Strategy.</p>
Supporting Corporate Strategy		<p>The Annual Statement of Accounts and Annual Governance Statement support all of the six Corporate Strategy Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing, as both encompass and summarise everything that the Council does in monetary terms.</p> <p>In particular for the 'Council Theme', the Accounts summarise how the Council is delivering efficient</p>

		and effective services and demonstrating strong financial management and strategic financial planning. Our Guiding Principles of the Corporate Strategy are 'to provide value for money and good customer service'. See comments above on the annual Value for Money audit opinion.
Climate Change - Carbon / Biodiversity Impact		None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Draft Statement of Accounts 2019/20; and

Appendix B – Annual Governance Statement 2019/20

Background Papers:

Finance Community of Practice final accounts working papers.



**West Devon Borough Council
Draft Statement of Accounts
2019/2020**



**West Devon
Borough
Council**

Contents

	<i>Page</i>
Section 1 – Narrative Statement	3 - 27
• Introduction	
• Key areas to note from the 2019/20 Statement of Accounts	
• Financial needs and resources	
• Looking forward to the future and next steps	
• Achievements for 2019/20	
• Performance Indicators for 2019/20 Corporate Balanced Scorecard	
• Principal risks and uncertainties	
Section 2 - Core Financial Statements	28 - 33
• A. Comprehensive Income and Expenditure Statement	
• B. Movement in Reserves Statement	
• C. Balance Sheet	
• D. Cash Flow Statement	
Section 3 - Notes to the Financial Statements	34 - 117
Section 4 - Collection Fund	118 - 121
Section 5 - Statement of Responsibilities/Approval of the Accounts	122 - 123
Section 6 - Auditors' Report	124
Section 7 - Glossary of Terms	125 – 128

Statement of Accounts 2019-20

The Statement of Accounts 2019-20 can be made available in large print, Braille, tape format or other languages upon request.

West Devon Borough Council is committed to reflecting the full diversity of our community and to promoting equality of opportunity for everyone.

Section 1

Narrative Statement

Appendix A

Introduction to the 2019/20 Statement of Accounts by Councillor Neil Jory, Leader of West Devon Borough Council



I am very pleased to welcome you to the 2019/20 Statement of Accounts for West Devon Borough Council. It has undoubtedly been a year that will remain in all of our memories for a very long time.

Our communities, our businesses and our residents have all been impacted in a way that none of us could have imagined with the Coronavirus pandemic. In March 2020, the Council rapidly changed its operations, to provide much needed support to our community groups, our businesses and offering assistance to our most vulnerable residents through our community response.

The Council has handed out essential Government funding of £16.2 million of business grants to 1,438 businesses within the matter of a few weeks, as we recognised this money was providing a crucial lifeline to our businesses. I am truly proud of the way that we have all united together, in the most difficult of times, to be there for each other. The pandemic has brought about a profound rethink of the way we live and work.

It is important that we take a strategic approach to recovery, to ensure that we learn from the response, understand the new challenges we face and emerge as an organisation that is fit for purpose and financially sustainable. The Council will follow the principle of 'Build Back Better' in our Recovery Plan, so that the opportunities to learn and become more efficient and effective are realised wherever possible.

In May, the Council declared a climate change and biodiversity emergency. Our aim is to be a carbon neutral organisation by 2030 and to have improved the habitats in our green and wooded open spaces by up to 10% by 2025. For those things that are outside of our direct control, we have joined forces with the Devon Climate Emergency Response Group to support the creation of a Devon-wide plan, with the aim of Devon becoming carbon neutral by 2050.

As the Local Planning Authority we have a key role to play in setting the local strategy for development in our area. A major success for us this year has been the commencement of our new Waste and Recycling contract (jointly with South Hams) which went live on 1st April 2019. This new partnership with FCC will save us around £2m during the lifetime of the contract. We also held our local elections in May, following which we welcomed 15 new Borough Councillors with 16 returning Councillors. A comprehensive induction programme was held.

In such a testing time, I am pleased to report the surplus for the 2019/20 year of £133,000 (1.9% of the net budget of £7m). Strong financial management across the Council has meant we are underspent against our budget for 2019/20, which has aided our financial resilience. The future won't be without its challenges but the pandemic has shown us what is achievable within a very short space of time. We are beginning to turn the corner and we will be building today the foundations for future prosperity tomorrow.

Councillor N Jory, Leader of the Council

Foreword by the Chief Executive



I am delighted to take up my new post as Chief Executive of both West Devon Borough Council and South Hams District Council. I joined in June 2020, at a time when the Councils were focused on supporting our businesses, residents and communities through the Coronavirus pandemic.

I am incredibly impressed at the speed at which both Councils have adapted to support the delivery of government support schemes such as the business grants, emergency food parcels for shielding residents and processing emergency welfare grants. The Coronavirus pandemic has impacted the lives of everybody in our Borough.

The response has, by necessity, been large-scale and complex, involving all sectors of the community, from the Government through to individual volunteers. The Leader, the Hub Committee and the wider membership have been at the fore front of the response, working with their communities to provide support to the most vulnerable and local businesses.

The Council has played a vital role in responding to the global pandemic, by continuing to deliver core services, whilst also re-aligning staff and resources to respond to the emerging needs of the community and Government initiatives. The agile operating model established over the last few years has enabled the vast majority of staff to work efficiently and safely from home, whilst the ability and willingness of staff to take on new challenges has delivered support where it has been urgently needed.

The main priority for the Council for 2020 will be to formulate and start delivering on the Council's Recovery Plan. This also provides an opportunity to assess the potential 'benefits' arising from the pandemic in terms of how we work and in the delivery of services, for example reduced air pollution/emissions, reduced car travel, increased physical activity, focus on local food chains, healthier eating, a reduction in rough sleeping and embed them in long term recovery/renewal. We continue to play a significant role in our region, working with other local authorities and partners through the Heart of the South West Joint Committee, with the Local Enterprise Partnership and agencies such as Homes England to improve infrastructure, facilitate economic growth and support the building of affordable housing in our area.

The Council will also focus on re-setting its 2020/21 Budget by September, to take account of the financial impacts of the pandemic and the Government support package recently announced around the loss of key income streams, which we are awaiting the detail on. I am extremely pleased that the benchmarking of our customer experience has shown significant improvements in just the second year. We have undertaken a huge amount of work to refocus our officers on activities that will improve our customer perception. We will continue to make improvements in how we interact with our customers. I would like to take this opportunity to pay tribute to all of the Members and staff whose tireless commitment and dedication to public service has shone through in the Council's response to the pandemic. We look ahead to the future with ambition for our communities.

Andy Bates, Chief Executive

Appendix A

Message from the Section 151 Officer & Strategic Finance Lead

- Lisa Buckle



The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the Accounts is to enable members of the public, Council Members, partners, stakeholders and other interested parties to:

- Understand the financial position of the Council as at 31 March 2020 and how the Council has performed against the budget set for 2019/20
- Be assured that the financial position of the Council is secure, with a degree of resilience.

This Narrative Statement provides information about West Devon Borough Council, including the key issues affecting the Council and its Accounts. It is very important to us to provide residents and other stakeholders with the confidence that the public money for which we are responsible has been properly accounted for. We have embedded financial management disciplines, processes and procedures.

Prudent financial management in the past, has meant that the Council was in a relatively healthy position financially before the pandemic hit. Since 2010, we have had to redesign our services to balance the books. We have done this by sharing a single workforce with South Hams District Council, generating an ongoing annual saving of £2.2 million for West Devon and by reducing our staffing levels by 30% through our Transformation Programme. The decisions that Councillors took in the past are securing benefits to meet the financial challenges of the future.

When Councillors set the Budget for 2020/21 in February 2020, no-one could have foreseen how our future finances and everyday lives were about to be impacted. Significant proportions of the Council's income ceased for a number of months and there was potential for these levels not to return to normal levels for many months to come. The Government has stated that they will stand 'shoulder to shoulder' with local Councils in our Covid19 response. We eagerly await further details of the Government's comprehensive financial package to ensure Councils can focus on their Recovery Plans, with confidence that there will be Government support underpinning their finances.

The situation continues to evolve and we are continuing to assess the impacts on our finances and our communities, but we know that this will be a long term recovery. Whilst we are still awaiting clarity over the full package of support, we have commenced our recovery planning and an Amended Budget for 2020/21 will be set by Councillors in September 2020.

The financial standing of the Council is secure in the immediate future, but there is still much work to do to ensure the long term financial sustainability of the Council. The next few years will be challenging as the Council moves into the Recovery phase and the Government's Fair Funding Review and the reset of the Business Rates baseline will be introduced, coupled with receiving no Government Grant and the cessation of the current New Homes Bonus scheme.

Mrs Lisa Buckle BSc (Hons), ACA
Corporate Director for Strategic Finance (S151 Officer)

Appendix A

NARRATIVE STATEMENT – INTRODUCTION

- Each year West Devon Borough Council publishes a Statement of Accounts that incorporates all the financial statements and disclosure notes required by statute. The Statement of Accounting Policies summarises the framework within which the Council's accounts are prepared and published.

REVIEW OF THE YEAR – THE REVENUE BUDGET

- The 2019/20 budget for West Devon was £7.08 million but the actual spend was 1.9% lower, providing an underspend of £133,000, which will go into the Council's Unearmarked Reserves which now stand at £1.219 million. The main components of the General Fund budget for 2019/20 and how these compare with actual income and expenditure are set out below:

	Estimate £000	Actual £000	Difference Cost/ (Saving) £000
Cost of services*	5,715	5,702	(13)
Parish Precepts	1,453	1,453	-
Interest and Investment income	(90)	(130)	(40)
Amount to be met from Government grants and taxation	7,078	7,025	(53)
<i>Financed from:</i>			
Business Rates	(1,620)	(1,620)	-
Business Rates Pooling Gain*	-	(99)	(99)
Council Tax	(4,673)	(4,673)	-
Surplus on Collection Fund	(84)	(84)	-
Business Rates Levy Surplus Grant	(25)	(6)	19
Rural Services Delivery Grant	(464)	(464)	-
Reserve Contributions	(212)	(212)	-
UNDERSPEND 2019/20	-	(133)	(133)

* The Business Rates Pooling Gain budget of £40,000 is shown within the Cost of Services estimate above, therefore the additional Business Rates Pooling Gain received in 2019/20 is £59,000.

Appendix A

3. The movement in the General Fund Balance is shown in the Movement in Reserves Statement in Section 2B and can be summarised as follows:

	£000
General Fund Balance (un-earmarked revenue reserve) at 1 April 2019	(1,286)
Underspend for the 2019/20 financial year	(133)
Transfer from the General Fund Balance to earmarked reserves	200
General Fund Balance (un-earmarked revenue reserve) at 31 March 2020	(1,219)

4. The table below shows a reconciliation of the position shown on the bottom of the Comprehensive Income and Expenditure Statement and the underspend for 19/20.

	£000
Total Comprehensive Income and Expenditure	(747)
Remeasurements of the net defined benefit pension liability	3,043
Surplus on the revaluation of Property, Plant and Equipment	89
Surplus on the revaluation of financial assets	(18)
Transfers to earmarked reserves	668
Transfers from the General Fund Balance to earmarked reserves	(200)
The detail of the items below are shown in Note 7 'Adjustments between Accounting Basis and Funding Basis under Regulations'	
Adjustments primarily involving the Capital Adjustment Account	(1,926)
Adjustments primarily involving the Capital Receipts Reserve	110
Adjustments primarily involving the Capital Grants Unapplied Account	92
Adjustments primarily involving the Pensions Reserve	(1,004)
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account	(20)
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account	(239)
Adjustments primarily involving the Accumulated Absences Account	19
Underspend for the 2019/20 financial year	(133)

Appendix A

5. A summary of the main differences from budget in 2019/20 is provided below:

ANALYSIS OF VARIATIONS (% column shows variation against budget)	£000	% variation
Increases in expenditure/reduction in income		
Customer First		
Shortfall in Housing Benefit overpayment recoveries including an increase in the bad debt provision for Covid-19 of £35,000 (budgeted income £135,000) * Partly offset by additional Housing Benefit subsidy below	109	80.7%
Shortfall in Planning income (budgeted income £387,000)	35	9.0%
St James, Okehampton – unbudgeted costs including repairs & maintenance. ** Partly offset by a saving on Kilworthy Park below	25	-
Land Charges – shortfall in income (budgeted income £110,000)	23	20.9%
Commercial Services		
Car Parking – shortfall in income (budgeted income £1,006,000).	41	4.1%
Support Services		
Corporate Management - payment collection expenses – bank and card processing fees (budgeted costs £7,000)	20	285.7%
Reductions in expenditure/additional income		
Customer First		
*Additional Housing Benefit Subsidy (budgeted income £7.992m)	(62)	0.8%
Additional Employment Estates Income (budgeted income £290,000)	(34)	11.7%
Additional Housing Benefit administration subsidy (budget £106,000)	(32)	30.2%
Homelessness underspend due to additional grant income (budgeted costs £119,000)	(30)	25.2%
**Kilworthy Park – mainly Business Rates savings (budgeted costs £407,000)	(20)	4.9%
Net salary savings from vacancies (budgeted salaries of £2.07m)	(19)	0.9%
Street Naming and Numbering income (nil budget in 2019/20)	(17)	-
Financing and Investment income and expenditure		
Commercial Property net investment income - (budgeted income £200,000)	(86)	43.0%
Additional Treasury Management investment income (budgeted income £90,000)	(40)	44.4%
Taxation and non-specific grant income		
Business Rates Pooling Gain (budgeted income £40,000)	(59)	147.5%
Other small variances	(17)	-
Sub Total	(163)	
Less: Transfer of homelessness underspend to the Earmarked Reserve	30	-
TOTAL UNDERSPEND FOR 2019/20	(133)	(1.9%)

The 2019/20 budget for West Devon was £7.08 million but the actual spend was 1.9% lower, providing an underspend of £133,000 as shown above.

Appendix A

KEY AREAS TO NOTE FROM THE 2019/20 STATEMENT OF ACCOUNTS

Pension Liability

6. International Accounting Standard 19 (IAS19) requires Local Authorities to recognise pension assets and liabilities within their accounts. The overall impact on the General Fund of the IAS 19 entries is neutral.
7. The Actuary has estimated a net deficit on the funded liabilities within the Pension Fund as at 31 March 2020 of £21.8 million. This compares to £23.8 million as at 31 March 2019. The deficit is derived by calculating the pension assets and liabilities at 31 March 2020. See Note 36 for further information.

Business Rates

8. The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme (BRRS) that enabled local authorities to retain a proportion of the business rates generated in their area, with effect from 1 April 2013. There is a risk of volatility in the system because Councils are exposed to any loss of income if businesses go into decline or if a Council's income from business rates falls due to successful business rates appeals.
9. Provision is made for likely refunds of business rates as a result of appeals against the rateable value of business properties. The provision is based on the total value of outstanding appeals at the end of the financial year as advised by the Valuation Office Agency. Using this information, an assessment was made about the likely success rate of appeals and their value.
10. In 2019/20 there has been a £388,000 increase in the provision for appeals within the Collection Fund. The balance on the Business Rates Collection Fund at 31 March 2020 is a small deficit of £53,000 (£545,000 surplus in 2018/19). West Devon Borough Council's share of the deficit is 40% (£21,000).
11. Monies are set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of volatility in Business Rates income. In 2019/20 the balance of the Business Rates Retention Scheme (BRRS) earmarked reserve increased by £412,000 to £904,000 as at 31 March 2020 (£492,000 at 31 March 2019). This reflects the additional Business Rates income generated for the Borough in 2019/20 following the closure of the Business Rates Collection Fund at the year end. In 2019/20 budgeted income for Business Rates was £1.62m, however income generated amounted to £2.03m. This additional income was transferred to the BRRS earmarked reserve, which is held to address any future volatility in funding from the complex accounting arrangements for Business Rates. Some of this additional business rates income is due to timing differences in the way the Collection Fund operates and part of the funding will be needed to meet future years' budgets for business rates, in particular when business rates baselines are due to be re-set in the future.

Appendix A

Trading Company

12. West Devon Borough Council and South Hams District Council set up a trading company, Servaco Limited, on 4th September 2014. This is a company limited by shares. The company has not traded in 2019/20 and a set of statutory dormant Accounts will be filed with Companies House for the period 1 April 2019 to 31 March 2020. The future of Servaco Limited will be reviewed during 2020/21.

Borrowing

13. In 2019/20 the long term borrowing of the Council increased from £27,066,000 (18/19) to £28,944,000. Short term borrowing increased from £514,000 to £590,000. Borrowing increased to fund the capital programme over the next two years.

Capital Spending

14. The Council spent £1.4 million on capital projects in 2019/20. The main areas of expenditure were as follows:

- Housing renovation grants including disabled facilities grants (£1.1m)
- Acquisition of land (£0.2m)

The capital programme is funded from capital receipts, capital grants, external contributions and earmarked reserves (please see Note 33).

Financial Instruments – IFRS9 Election to treat Equity Instruments as Fair Value through Other Comprehensive Income

15. In February 2017, the Council made the decision to invest £500,000 in the CCLA Local Authority Property Fund, with the investment being placed in April 2017.
16. Upon transition to IFRS 9 – Financial Instruments on 1 April 2018, and in accordance with paragraphs 5.7.5 and 7.2.8 (b) of IFRS9, West Devon Borough Council makes an irrevocable election to present in other comprehensive income, changes in the fair values of its equity instruments. These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS32 and are neither held for trading (the Council holds this investment as a long term strategic investment) nor contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. They are not considered to be puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash.

Appendix A

17. A summary of the position of these equity instruments as at 31 March 2020 is shown below:

	Purchase cost	Fair Value at 31 March 2020	Movement in Financial Instruments Revaluation Reserve 2019/20
	£000	£000	£000
Equity Instrument			
CCLA Local Authorities Property Fund	500	474	(18)

FINANCIAL NEEDS AND RESOURCES

18. The Council maintains both capital and revenue reserves. The provision of an appropriate level of balances is a fundamental part of prudent financial management, enabling the Council to build up funds to meet known and potential financial commitments.
19. General Fund reserves (which include earmarked reserves) have increased by £0.6m from the preceding year and stand at £6.2m at 31 March 2020.
20. The General Fund Balance (un-earmarked reserve) has reduced by £67,000 in 2019/20 and totals £1.219m. This reflects the underspend of £133,000 in 2019/20 and a transfer of £200,000 from the General Fund Balance to the Financial Stability earmarked reserve. Revenue reserves may be used to finance capital or revenue spending plans. The level of Reserves are assessed as adequate for the Council's operations.
21. Capital Reserves are represented by capital receipts and capital contributions unapplied. The balance at 31 March 2020 amounts to £0.367m, compared to £0.869m at the end of the previous year.
22. There are a number of Unusable Reserves which include the Revaluation Reserve, Capital Adjustment Account and Pensions Reserve which are subject to complex accounting arrangements. The Revaluation Reserve and Capital Adjustment Account are used primarily to account for changes in fixed asset values associated with revaluations and new capital expenditure and as such cannot be used to finance capital or revenue expenditure. In addition the Financial Instruments Revaluation Unusable Reserve was created in 2018/19 following the implementation of IFRS9 Financial Instruments on 1 April 2018.
23. When reviewing the amount of overall reserves held, consideration should be given to the possible implications of the Pension Fund deficiency disclosed within the notes to the balance sheet. The requirement to recognise the net pension liability in the balance

Appendix A

sheet has reduced the reported net worth of the Authority by £21.8 million at 31 March 2020. This disclosure follows the implementation of the International Accounting Standards (IAS 19). This standard requires local authorities and other businesses to disclose pension assets and liabilities within the balance sheet.

24. It is important to gain an understanding of the accounts to appreciate the nature of this reported deficiency, which is based on a “snapshot” of pension assets and liabilities at the year end. This is quite different from the valuation basis used for the purposes of establishing the employer’s contribution rate and fund shortfall, which are calculated using actuarial assumptions spread over a number of years.

Newly Elected Council

25. Following the Elections in May 2019, the Council welcomed 15 new Members and 16 returning Members. An intensive 4 week induction programme was held with a key focus on ensuring that all Members were provided with an in-depth understanding of the Council’s financial position and corporate priorities.

Senior & Extended Leadership Team Restructure

26. Following the resignation of the former Executive Director in February 2018, Council approved interim senior management arrangements. A report was presented to Council on 12 February 2019 (Council Minute CM54) that outlined a review of the Staffing Establishment.
27. Following a restructure and the recruitment process, the Senior Leadership Team was finalised in September 2019 to include the following posts:
 - Chief Executive & Head of Paid Service
 - Strategic Director of Customer Service and Delivery
 - Strategic Director of Place and Enterprise
 - Corporate Director of Governance & Assurance
 - Corporate Director of Strategic Finance
28. This year West Devon and South Hams Councils have concluded a restructure of their Senior Leadership Team and Extended Leadership Team, to ensure that we are aligned to best deliver our corporate priorities.
29. This resulted in the following changes to the establishment:-
Deletion of the following posts
 - Specialist Manager: Customer First
 - Specialist Manager: Support Services
 - Case Management Manager: Customer First
 - Case management Manager: Support Services
 - Commissioning Manager

Appendix A

Creation of the following posts

- Head of Strategy & Projects
- Business Manager: Specialists
- Business manager: Case Management
- Customer Improvement Manager

30. This restructure concluded in December 2019 resulting in a saving of £60,000 a year for West Devon Borough Council.

Annual Governance Statement (AGS)

31. The Council's Annual Governance Statement sets out the arrangements for governance which the Council has in place. The AGS is published alongside the Accounts for 2019/20

Peer Challenge

32. In 2018, the Council requested that the Local Government Association ("LGA") undertake a Peer Challenge of West Devon Borough Council, jointly with South Hams District Council in order to identify their strengths and any areas for improvement.
33. Significant progress has been made in progressing the action plan and a follow-up progress review will be made by the LGA in 2020.

LOOKING FORWARD TO THE FUTURE AND NEXT STEPS

34. The Council has a proud tradition of innovation. We will continue to strive to achieve this whilst implementing the Peer Review recommendations, the customer satisfaction improvement plan and of course working with local communities to deliver against the Council's key corporate themes.

New Chief Executive

35. Following the departure of Sophie Hosking as the Council's Chief Executive in March 2020, the Council, jointly with South Hams District Council, undertook a national recruitment to appoint a replacement.
36. Andy Bates, previously the South West Principal Adviser for the Local Government Association, has taken up the Chief Executive post from June 2020.

Appendix A

Climate Change and Biodiversity Emergency Response

37. In May, the Council declared a climate change and biodiversity emergency. Our aim is to be a carbon neutral organisation by 2030 and to have improved the habitats in our green and wooded open spaces by up to 10% by 2025. For those things that are outside of our direct control, we have joined forces with the Devon Climate Emergency Response Group to support the creation of a Devon-wide plan, with the aim of Devon becoming carbon neutral by 2050.
38. The Council has approved a temporary 12 month Climate Change Officer post to take forward the development of our Climate Strategy and action plan.
39. We will be working closely with our communities and partner agencies to ensure that this funding is used for maximum impact.

Covid-19 Community Leadership

40. A key focus for the Council in 2020/21 will be ensuring we continue to support our communities in responding to the Covid-19 pandemic.
41. The Council has handed out essential Government funding of £16.2 million of business grants to 1,438 businesses within the matter of a few weeks, as we recognised this money was providing a crucial lifeline to our businesses.
42. We have already restructured large parts of the Council to focus on our community response which will have an impact on service performance over the coming months.
43. We know that the broader impacts of this pandemic will be felt for many years both locally and nationally and we continue to assess the impact on the Council's finances and our communities.

Customer Satisfaction

44. In 2019 we undertook a Customer Satisfaction Survey for the second year. This demonstrated a significant improvement of satisfaction with an 11.8% increase in our 'Getting it right first time' score which is encouraging during a year where across all industries, average satisfaction scores have decreased.
45. While we are extremely pleased with the improvements demonstrated in our Customer Satisfaction rating in 2019/20, we will continue to focus on making improvements to our customer experience.
46. In November we held all staff away days which focused on further improving the customer experience and identifying steps we can take to make our customers interaction with us easier.

Appendix A

47. During 2020/21 we will be implementing new technology platforms for the majority of our customer online and back-office functions. Based on Low-Code technology, we will aim to review every online process to ensure a seamless customer interaction.

Working with communities

48. We will continue our work with Town and Parish Councils and Neighbourhood Planning Groups to prepare Town Centre Strategies. These will identify priorities and provide the basis for coordinated action to ensure the role town centres play in meeting the needs of communities and their hinterland are maintained and enhanced.
49. Covid-19 has enhanced our relationship with Town and Parish Councils as well as wider community groups, some of which have formed specifically to help the most vulnerable through the pandemic.
50. Through our recovery planning we will look to further develop on these relationships and identify opportunities to support our communities.

Our financial future

51. The situation continues to evolve and we are continuing to assess the impacts on our finances and our communities of the pandemic, but we know that this will be a long term recovery. Whilst we are still awaiting clarity over the full package of Government support for Covid19, we have commenced our recovery planning and an Amended Budget for 2020/21 will be set by Councillors in September 2020.
52. The financial standing of the Council is secure in the immediate future, but there is still much work to do to ensure the long term financial sustainability of the Council. The next few years will be challenging as the Council moves into the Recovery phase and the Government's Fair Funding Review and the reset of the Business Rates baseline will be introduced, coupled with receiving no Government Grant and the cessation of the current New Homes Bonus scheme.

Issue of the Accounts

53. The Corporate Director for Strategic Finance (Section 151 Officer) authorised the unaudited Statement of Accounts 2019/20 for issue on 15 July 2020. Events taking place after this date are not reflected in the financial statements or notes.

ACHIEVEMENTS FOR 2019/20

The following pages set out the achievements of the Council for 2019/20 by each of the Themes within its Corporate Strategy.

COUNCIL - Delivering efficient and effective services

Action	Progress 2019/20
Improved the efficiency of our IT systems	<p>This year we have made investments in our IT system, firstly by implementing a new Benefits platform that enables users to sign in to an account to see the progress of their benefits claims.</p> <p>We have also committed to investing £1.6m (shared with South Hams) in improving our other customer facing IT systems by replacing our current technology with new state of the art platforms. The new system will enable us to be much more responsive to customer needs and ensure a better overall customer experience. This will be a significant project to be delivered in 2020/21.</p>
Positive progress on our Customer Improvement programme	<p>In 2018 we joined the Institute of Customer Service and undertook our first Customer Satisfaction benchmarking. Following the results, we started a programme of improvements to improve our customer experience. This year we undertook a follow up survey which showed a real improvement including an 11.8% improvement in our 'Getting it right first time' score. This is a real achievement at a time when across all sectors, the average customer satisfaction levels are decreasing. Our benchmarking score is now 4.1 times higher than the national local council average.</p>
Elections	<p>In May 2019 we held Borough Council as well as Town and Parish Council elections followed by the General Election in December. An incredibly busy year for the elections team.</p>
New Waste and Recycling Contract	<p>The new Waste and Recycling contract went live in April 2019. This will save the Council £2m over the life of the contract.</p>
Restructure of Management team	<p>It important that the Council remains efficient in deployment of its staff. A recommendation of the Peer Challenge in 2018 was that we should look to realign our management team to better support our future priorities. As a result, the Senior and Extended Leadership Teams and Management functions of the Council were restructured with the new team in place for January 2020. This not only enables us to focus on our priorities, but has also reduced our management costs by £120,000 across the two Councils (£60,000 for West Devon).</p>

Appendix A

COMMUNITIES - Council and residents working together to create strong empowered communities

Action	Progress 2019/20
Agreed 3 year funding to partner agencies	This year we agreed to a three year funding arrangement with partner organisations rather than agreeing it annually. This will provide those organisations providing vital frontline support to our communities with medium term certainty over their finances. These include CVS and Citizens Advice.
Support to community schemes	Our Members each have a locality fund which support local community initiatives. During 2019/20, grant payments of £9,300 were made supporting 19 community activities including refurbishment of woods, contribution to community defibrillators, art workshops and contribution to a local Dads support group.
Community Lottery	Enabled community groups to raise £25,000 for specific causes through the Seamoor Lotto www.seamoorlotto.co.uk
Covid-19 Community Response	<p>In March, the Council acted quickly to establish a Community Response Team to assist community groups and residents with responding to the Covid-19 pandemic. 35 employees were quickly re-tasked to providing frontline support, working closely to support the work of our Members.</p> <p>The Council has worked closely with voluntary sector and partner organisations, developing a support website and dedicated telephone support line offering emergency food and welfare grants, signposting to mental health support amongst many other support functions.</p>
Community Events attended	We attended Okehampton, Chagford and Lamerton shows, providing our residents with an opportunity to engage with the Council as well as holding regular engagement events at supermarkets in Tavistock and Okehampton.

HOMES - Enabling homes that meet the needs of all

Action	Progress 2019/20
Disabled Facilities Grants	In the last 12 months we have completed 75 Disabled Facilities Grants which enable people to continue to live more independently in their own homes.
Rough Sleeper support	<p>In 2019 the Council adopted a Rough Sleeper Strategy as part of its overall Homelessness Strategy with the aim to reduce the number of people sleeping rough by 50% by the end of 2022.</p> <p>Working with South Hams District Council and Teignbridge District Council, we have secured £150,000 to work in partnership to continue the work of three outreach workers to help rough sleepers. This work has developed accommodation strategies and support plans for vulnerable residents as well as sharing best practice.</p>
Affordable housing	Council have approved £4.3m funding for the construction of 29 residential units in Lamerton and Brentor. This will be the first delivery of new homes by the Council in a generation

ENVIRONMENT - Protecting, conserving and enhancing our built and natural environment

Action	Progress 2019/20
New Waste and Recycling Contract	In April 2019, our new partnership with FCC for recycling, waste and street cleansing services went live. This contract will allow us to improve the environmental impact of the Borough by enabling our residents to increase what they can recycle as well as saving us around £2m over the lifetime of the contract
Fusion Leisure reduced CO2 output	Our Leisure partners, Fusion Leisure, have implemented a range of energy saving measures which have reduced the CO2 emissions from the centres by 71 tonnes compared to 2018
Carbon Neutral by 2030	The Council has agreed an ambitious plan to support its aim to be a carbon neutral organisation by 2030 and to help the whole Borough reach zero carbon by 2050. We have appointed a Climate Change Officer to lead this work.
Electric charging points for car parks	Working with other Devon Councils (who have collectively secured a £817,712 grant) we have commenced a project to install electric charging points in key car parks in Okehampton and Tavistock.
Launched an Electric Car Scheme	We have already taken massive steps in reducing the Councils carbon footprint by enabling our staff to work from home (which saves approximately 1million miles a year) but during 2019 we've gone further and launched a scheme to enable our staff to purchase electric vehicles – 6 staff have already signed up to the scheme.

Appendix A

ENTERPRISE - Creating places for enterprise to thrive and business to grow

Action	Progress 2019/20
Investing in renewables	In July 2019, Council agreed to amend our investment strategy to include investments in renewable energy developments.
Supporting our businesses	<p>Through our partnership with Business Information Point we have provided 90 hours of 1-to-1 business support including 62.5 hours support to people looking to start a new business in West Devon.</p> <p>Workshops and a Small Business Day were also delivered during the year attended by 22 businesses.</p>
Greater Dartmoor LEAF	<p>As above £80,800 awarded in last 12 months to 7 projects expected to create 12 FTE jobs.</p> <p>Projects include the development of better facilities for communities, expanding small local businesses so they can take on more staff and become more profitable, helping food and drink producers grow and improve their production lines and support for farmers to buy new high tech equipment.</p> <p>To date 27 new FTE jobs have been created in West Devon through this fund.</p> <p>In recognition of the programme's success, additional funding of £153k has been awarded by Defra to extend the programme during 2020-21</p>

WELLBEING - Supporting positive, safe and healthy lifestyles and helping those most in need




Action	Progress 2019/20
Investing in Leisure	<p>Our Leisure partner, Fusion, completed the improvement works at Meadowland and Parklands Leisure Centres</p> <p>Across the Fusion SW Devon operation (which includes South Hams Leisure Centres) Membership has increased by 22% compared to 2018/19. The most significant increase in West Devon being an increase of over 20,000 in participating in activities.</p>
Community Safety Partnership Schemes	<p>Through our membership of the Community Safety Partnership we have delivered a number of schemes including:-</p> <ul style="list-style-type: none"> - Erected 'Moorwatch' banners at West Devon beauty spots with high crime which has significantly reduced the number of car thefts - Co-ordinated multi agency meetings to support vulnerable young people in Okehampton (Operation Linger) - Provided funding for youth outreach and diversionary activity in Bere Alston.
Covid-19 Support	<p>At the end of the year, we quickly formed Community Support Teams to facilitate support to community groups and our most vulnerable residents. This enabled us to ensure we could deliver emergency supplies to residents that we're shielding or provide small grants to community groups that were better placed to support residents.</p>
Junior Lifeskills	<p>In September, we held our Junior Life skills event.</p> <p>The scheme is an important milestone in students taking more independence before they move up to secondary education and challenges children in 'real-life' scenarios which teach essential safety lessons and helps to prevent issues from developing. This gives the students the opportunity to learn crucial life skills.</p> <p>A total of 535 children engaged in small groups with a range of agencies such as the Police, RNLI, BT, Western Power, Dartmoor Rangers, the Dogs Trust, the Royal Life Saving Society, with First Aid and West Devon Borough Council.</p> <p>During their visit, the children gained an understanding of personal safety and community responsibility, as well as an awareness of health and safety issues.</p>

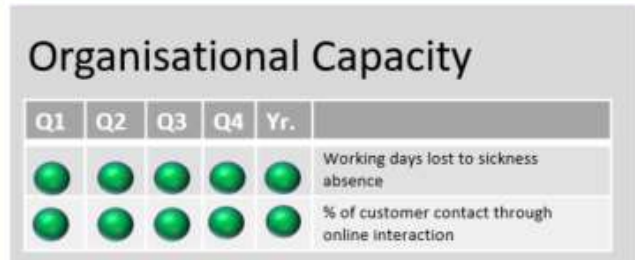
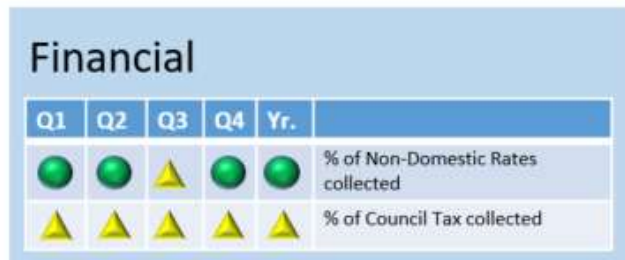
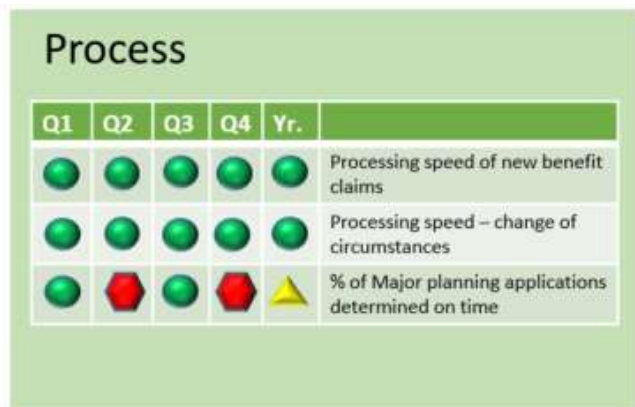
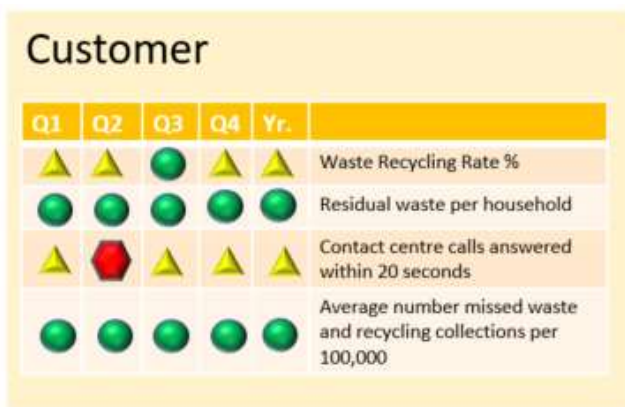
Appendix A

PERFORMANCE INDICATORS FOR 2019/20

Performance has continued the multi-year trend and been maintained at a high, and generally improving, level. It is encouraging to see a continuing decline in the volumes of calls to the contact centre and a continued trend in a move to online interaction. Work is planned to review performance measures in line with the Council's Corporate Strategy with a new approach to reporting performance through Overview and Scrutiny so that performance is reported by each theme rather than all performance measures being included in a single report.

Balanced Scorecard

	Below target performance
	Narrowly off target, be aware
	On or above target



New Housing Benefit claims processed 9.8 days faster than national target



Non-Major Planning Applications determined on time – 89.5%



Call volumes reduced by 9,264 in last 12 months



Missed waste collections equate to 46 in every 100,000

A FEW THINGS WE SPENT YOUR MONEY ON IN 2019/20



individual household waste collections per annum



Community Grant Funding



215
Private water supplies tested



50,779
calls handled



124
abandoned vehicles investigated



£444,232
Disabled facility grants



household recycling collected



400
toilet inspections

Appendix A

PRINCIPAL RISKS AND UNCERTAINTIES

A risk and opportunity management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. A Statutory Officers' Panel was set up in 2015/16 and a key role of this Panel is strategic risk management. This Panel consists of the Head of Paid Service, Chief Finance Officer and the Monitoring Officer.

A risk report is presented to the Council's Audit Committee every six months. Due to the impact of Covid-19 on our ability to hold committee meetings, this was delayed by three months from March 2020. Below is an extract from the Risk report to the Audit Committee in June 2020.

Description	What is (or are the) Uncertainties	Latest Note (as at June 2020)
Adherence to Medium Term Financial Strategy	<p>Reduction in Government grant, increasing demand for services and other cost pressures and increased risks associated with localised business rates and council tax support. Additionally, income from activities may not materialise or may be reduced, e.g. business rate appeals or a reduction in the commercial property market. The amount of income received can be adversely affected by a fall in collection rates due to economic downturn and other factors such as the bankruptcy/liquidation of large ratepayers or any sizeable rateable value reductions achieved by business rated properties in the area. The latest forecast for the Devon Business Rates Pooling gain is over £7 million, with the WDBC share of the pooling gain being around £100,000.</p> <p>On 9th October the Public Work Loans Board (PWL) increased their interest rates on borrowing by 1%. This was without any prior notice and this dramatic increase is unprecedented. This only affects new loans taken out. It affects the Council's commercial investment strategy in as much as the Council will need to factor in a higher rate of interest into future business cases. The commercial investment strategy itself remains still relevant. It is expected that various financial institutions will enter the market and make products available to Local Authorities at competitive interest rates.</p>	<p>The Budget for 2020-21 was approved by Council in February 2020. Waste contract procurement has delivered significant financial savings. ICT review to be carried out to deliver either growth opportunity or efficiencies in working methods.</p> <p>Since the budget was set in February, the impact of Covid-19 has begun impacting on the Council's finances. The gross service expenditure budget for 2020/21 was set at £23 million (£7.212 million net). Actual net revenue expenditure is forecast to be over budget by £1.028 million when compared against the total budget set for 2020/21, due mainly to the impact of the Covid 19 pandemic.</p> <p>The significant extent of these predicted losses present imminent funding challenges for the Council. With income falling, unemployment expected to rise and a lack of certainty around funding, there are going to be difficult decisions to be made. The Council is awaiting the detail of the Government's 'income guarantee' scheme. A Members' Budget Workshop will be arranged for August 2020.</p> <p>Council will be asked to consider a revised budget for 2020-21 at the September 2020 cycle of meetings.</p>

Appendix A

Description	What is (or are the) Uncertainties	Latest Note (as at June 2020)
Covid-19 (Coronavirus) impact on services	The situation evolves on a daily basis and there are many uncertainties at this stage	<p>The Council's Management Team undertook planning of a 'Pandemic Flu' scenario in February 2020 to prepare for the Covid-19 pandemic. We have also made many changes to the services that are being delivered, stopping some and changing others to align to our response.</p> <p>As a result of Covid-19, the Council will need to reconsider its budget for this current year and make plans for future years to address the financial impacts.</p> <p>There are likely to be direct impacts on:-</p> <ul style="list-style-type: none"> - Housing and Benefits - Increased service demand as the economic impact is realised - Environmental Health - support to businesses as well as enforcement of government policy around re-openings - our Corporate Strategy which may no longer reflect our priorities - Delivery of current projects such as the Future IT Project and Waste Service Changes
Service Performance	Process implementation is now complete. Uncertainties could be due to a lack of appropriate resources. In the past, a lack of appropriate resource and the T18 transformation and change in processes combined to affect our ability to deliver appropriately on occasion. This pressure was increased due to county and general elections in 2017.	<p>The Customer Satisfaction survey undertaken in 2019 shows an encouraging improvement in overall customer satisfaction levels. We will continue to ensure that progress is made to further improve satisfaction. In December 2019, as part of the Extended Leadership restructure, we created a Customer Improvement Manager post to lead these improvements.</p> <p>Covid-19 has impacted service performance, with some services having to stop delivering services to ensure that we comply with Government guidance to ensure our employees were kept safe. That said, it must be noted that the vast majority of office based employees have been able to continue undertaking their work from home from day 1 of the lockdown.</p> <p>Business Managers have been asked to undertake a review of service performance across the Council during the past 3 months to inform future planning.</p>

Appendix A

Description	What is (or are the) Uncertainties	Latest Note (as at June 2020)
Inadequate Staffing Resource	Performance being reviewed to understand whether resourcing levels are correct; difficult to assess accurately as organisation continues to experience change effects and processes being embedded / roll-out of new technology and working practices.	<p>The Council quickly moved to a 'Working at Home' scheme for all employees that could work from home in order to ensure that we minimised any risks to staff, and in turn, ensure that we did not experience any significant reductions in staff numbers.</p> <p>So far, we have not experienced levels of un-planned absences above what we would normally see at this time of year.</p> <p>A staff survey was undertaken to 'check-in' on staff which on the whole saw positive responses. Managers are regularly catching up with staff over skype and SLT are holding frequent staff briefings to keep them updated.</p>
Political commitment for change	Considerable external political uncertainty and Governmental inertial; leading to uncertainty over policy direction and financial decisions from central government. Political balance of the Council impacting on policy and decision-making within and between SH & WD. Lack of briefing/understanding of issues or clear direction affects decision making by Members.	<p>We continue to keep Members informed on policy changes which has become even more crucial during the Covid-19 pandemic. SLT continue to attend Member briefings.</p> <p>Despite Covid-19, the Council has continued to hold key meetings via Skype and has so far held two Full Council meetings and an Overview & Scrutiny Meeting and an Audit Committee.</p> <p>All-Member workshops will be held during the summer to develop the Councils Covid-19 recovery plan which will be considered by Full Council in September 2020.</p>
Health and Wellbeing Service Provision	There are many uncertainties:- <ul style="list-style-type: none"> - When leisure centres may reopen - When they do open, what will the customer appetite be - How long any measures that reduce capacity will have to remain in place. 	<p>Discussions continue with our Leisure Services provider who will continue to develop plans for the safe reopening following the Government announcement. Measures will include signage, pre-booking to limit numbers etc.</p> <p>The Council has been successful in securing a Sport England grant (Lottery Funding of £4,560 across both Councils) for external support to ensure that the impact on the contract is minimised and the Centres are in the best position to adapt and react to the future environment, delivering services for customers which enhance key outcomes (such as increased health and wellbeing). The work will result in a remobilisation action plan and a check and challenge of the current arrangements.</p>

Appendix A

Description	What is (or are the) Uncertainties	Latest Note (as at June 2020)
Business Continuity	Following the event, how quickly will certain systems and processes be able to be back on-line	<p>The last few months have been the most significant test of the Councils Business Continuity plans in many years. We continue to keep Members informed on policy changes which has become even more crucial during the Covid-19 pandemic.</p> <p>Officers have implemented weekly Business Continuity Management meetings to continually monitor the impact on the Council and rapidly respond to issues. This has been effective in ensuring an effective response.</p> <p>Weekly BCP meetings will continue to be held (although reducing to once a week) with recovery meetings now also being scheduled weekly.</p>
Emergency Response	Following the event, the expectation that coastal defences and asset repairs will be urgently undertaken despite competing claims on capital resources	<p>The Council has demonstrated, along with partners and community groups that it can quickly adapt to support our local communities during an emergency. The concern is that the Covid-19 pandemic will continue for some time which may impact on the Councils ability to respond to other emergencies such as floods.</p> <p>The Council continues to be an active member of the Local Resilience Forum and will continue to keep its Emergency Response plans updated as the current pandemic progresses.</p>

Section 2

Core Financial Statements

SECTION 2A: COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2018/19			2019/20			
Gross Expenditure	Gross Income	Net Expenditure	Segment	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
17,998	(15,342)	2,656	Customer First*	16,991	(12,985)	4,006
4,086	(2,029)	2,057	Commercial Services	3,855	(1,706)	2,149
1,180	(316)	864	Strategy & Commissioning	1,529	(596)	933
2,151	(376)	1,775	Support Services	2,049	(361)	1,688
830	-	830	Centrally Held Costs	911	(109)	802
32	-	32	Material Items (Note 2)	-	-	-
26,277	(18,063)	8,214	Cost of Services	25,335	(15,757)	9,578
		1,643	Other operating expenditure (Note 9)			1,375
		1,506	Financing and investment income and expenditure (Note 10)			1,124
		(10,028)	Taxation and non-specific grant income (Note 11)			(9,710)
		1,335	(Surplus) or Deficit on Provision of Services			2,367
		(2,225)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(89)
		(1,218)	Remeasurements of the net defined benefit liability			(3,043)
		(7)	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income			18
		(3,450)	Other Comprehensive Income and Expenditure			(3,114)
		(2,115)	Total Comprehensive Income and Expenditure			(747)

*The significant decrease in Customer First gross income of £2.4m mainly relates to a reduction in Housing Benefit Subsidy following a drop in Housing Benefit caseload in 2019/20. This is part of an ongoing reduction expected as part of the transition to Universal Credit. This decrease in caseload is reflected in the reduction in Housing Benefit payments shown within Customer First gross expenditure for 2019/20 (£1.9m). This reduction in gross expenditure is partly offset by capital accounting adjustments of £677,000.

SECTION 2B: MOVEMENT IN RESERVES

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase/Decrease in Year line shows the statutory General Fund Balance movements in the year following these adjustments.

2019/20	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves 2019/20 £000
Balance at 31 March 2019 carried forward	1,286	4,316	5,602	321	548	6,471	(4,780)	1,691
Movement in Reserves during Year								
Total Comprehensive Income & Expenditure	(2,367)	-	(2,367)	-	-	(2,367)	3,114	747
Adjustments between accounting basis & funding basis under regulations (Note 7)	2,968	-	2,968	(162)	(340)	2,466	(2,466)	-
Transfers to/from Earmarked Reserves (Note 8)	(668)	668	-	-	-	-	-	-
Increase/ (Decrease) in Year	(67)	668	601	(162)	(340)	99	648	747
Balance at 31 March 2020 carried forward	1,219	4,984	6,203	159	208	6,570	(4,132)	2,438

SECTION 2B: MOVEMENT IN RESERVES

2018/19 Comparatives	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves 2018/19 £000
Balance at 31 March 2018 carried forward	1,197	4,015	5,212	347	122	5,681	(6,105)	(424)
Movement in Reserves during Year								
Total Comprehensive Income & Expenditure	(1,335)	-	(1,335)	-	-	(1,335)	3,450	2,115
Adjustments between accounting basis & funding basis under regulations (Note 7)	1,725	-	1,725	(26)	426	2,125	(2,125)	-
Transfers to/from Earmarked Reserves (Note 8)	(301)	301	-	-	-	-	-	-
Increase/ (Decrease) in Year	89	301	390	(26)	426	790	1,325	2,115
Balance at 31 March 2019 carried forward	1,286	4,316	5,602	321	548	6,471	(4,780)	1,691

SECTION 2C. BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2019		Notes		31 March 2020
£000				£000
25,149	Property, Plant & Equipment	12		24,593
20,130	Investment Property	13		19,004
125	Intangible Assets			75
491	Long Term Investments	14		474
123	Long Term Debtors	15		-
46,018	Long Term Assets			44,146
-	Short Term Investments	14		3,000
3,014	Short Term Debtors	15		3,318
10,638	Cash and Cash Equivalents	17		10,477
13,652	Current Assets			16,795
(5,203)	Short Term Creditors	18		(4,135)
(514)	Short Term Borrowing	14		(590)
-	Revenue Grants in Advance	31		(1,129)
(649)	Provisions	19		(804)
(6,366)	Current Liabilities			(6,658)
(211)	Long Term Creditors	18		(208)
(27,066)	Long Term Borrowing	14		(28,944)
(23,822)	Pension Fund Liabilities	36		(21,783)
(514)	Capital Grants Receipts in Advance	31		(910)
(51,613)	Long Term Liabilities			(51,845)
1,691	Total Net Assets			2,438
6,471	Usable Reserves	20		6,570
(4,780)	Unusable Reserves	21		(4,132)
1,691	Total Reserves			2,438

The notes on pages 34 to 117 form part of these financial statements.
The unaudited accounts were issued on 15 July 2020.

SECTION 2D. CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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 Authority.

2018/19 £000		2019/20 £000
1,335	Net (surplus) or deficit on the provision of services	2,367
(5,051)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 22)	(2,346)
843	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 23)	816
(2,873)	Net cash flows from Operating Activities	837
19,553	Net increase/(decrease) in Investing Activities (Note 24)	1,882
(22,941)	Net cash outflow/(inflow) from Financing Activities (Note 25)	(2,558)
(6,261)	Net (increase) or decrease in cash and cash equivalents	161
4,377	Cash and cash equivalents at the beginning of the reporting period	10,638
10,638	Cash and cash equivalents at the end of the reporting period (Note 17)	10,477

Section 3

Notes to the Financial Statements

Notes to the Financial Statements

- 1 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty
- 2 Material Items of Income and Expenditure
- 3 Events After the Reporting Period
- 4 Expenditure and Funding Analysis
- 4A Note to the Expenditure and Funding Analysis
- 5 Segment Reporting
- 6 Expenditure and Income Analysed by Nature
- 7 Adjustments between Accounting Basis and Funding Basis under Regulations
- 8 Transfers to/from Earmarked Reserves
- 9 Other Operating Expenditure
- 10 Financing and Investment Income and Expenditure
- 11 Taxation and Non-Specific Grant Income
- 12 Property, Plant and Equipment
- 13 Investment Properties
- 14 Financial Instruments
- 15 Debtors
- 16 Debtors for Local Taxation
- 17 Cash and Cash Equivalents
- 18 Creditors
- 19 Provisions
- 20 Usable Reserves
- 21 Unusable Reserves
 - Revaluation Reserve
 - Capital Adjustment Account
 - Pensions Reserve
 - Available for Sale Financial Instruments Reserve
 - Financial Instruments Revaluation Reserve
 - Council Tax Collection Fund Adjustment Account
 - Business Rates Collection Fund Adjustment Account

- Accumulated Absences Account
- 22 Cash Flow Statement – Adjustments for Non-cash Movements
 - 23 Cash Flow Statement – Adjustments for Investing & Financing Activities
 - 24 Cash Flow Statement – Investing Activities
 - 25 Cash Flow Statement – Financing Activities
 - 26 Trading Operations – Building Control
 - 27 Business Improvement Districts
 - 28 Members’ Allowances
 - 29 Officers’ Remuneration
 - 30 Payments to External Auditors
 - 31 Grant Income
 - 32 Related Parties
 - 33 Capital Expenditure and Capital Financing
 - 34 Leases
 - 35 Exit Packages and Termination Benefits
 - 36 Defined Benefit Pension Schemes
 - 37 Contingent Liabilities
 - 38 Nature and Extent of Risks Arising from Financial Instruments
 - 39 Accounting Policies
 - 40 Accounting Standards that have been Issued but not yet Adopted
 - 41 Critical Judgements in Applying Accounting Policies

SECTION 3 NOTES TO THE ACCOUNTS

1. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or circumstances that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2020 for which there are significant risks of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Property, Plant and Equipment</p>	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.</p> <p>Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS (Royal Institution of Chartered Surveyors) Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.</p> <p>Assets are depreciated over useful lives which are estimated annually. The carrying value of Property, Plant and Equipment as at 31 March 2020 is £25 million.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in an impact on the financial statements of approximately £2.5m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. If the depreciation lives of the assets were to change by 1 year across all assets, this would have a £26,000 impact on the Council's finances.</p>

SECTION 3 NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Fair value measurement of investment property</p>	<p>The Council's external valuers use recognised valuation techniques to determine the fair value of Investment Property each year. This involves making assumptions and estimates in terms of how market participants would price the property. The fair value of Investment Properties as at 31 March 2020 is £19 million.</p>	<p>The valuations for our Investment Properties are subject to the same uncertainties as those described above.</p> <p>In addition, the fair value estimates may differ from the actual prices that could be achieved in an arm's length transaction. If the fair value estimates were to change by 2%, this would have a £380,000 impact on the Council's finances.</p>
<p>Arrears</p>	<p>The Authority makes a provision every year for the impairment of doubtful debts for Council Tax, Business Rates, Housing Benefit and Sundry Debt. For example at 31 March 2020, the Authority had a balance of Sundry Debtors of £507,000. A review of significant balances suggested that an impairment for doubtful debts of 25% (£125,000) was appropriate.</p> <p>The economic impact of the Covid-19 pandemic will give rise to more uncertainty around the economic viability of debtors and their ability to settle their debts. There will also be uncertainty in the collection rates for Council Tax.</p>	<p>The impairment for doubtful debts is reviewed annually in order to respond to changes in collection rates.</p> <p>The Council will monitor its collection rates of debt and will undertake a quarterly review of those that are significant and which do not fall within the remit of its credit control team. If there are indications the current assumptions used in calculating the impairment allowance are significantly wrong then they will be reviewed and the impairment allowance adjusted accordingly with the corresponding potential impact for the Council's revenue account.</p> <p>If Council Tax arrears were to change by 1%, this would have an impact of £8,400 on the Council's finances.</p>

SECTION 3 NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Business Rates Appeals Provision</p>	<p>Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed. The total appeals provision as at 31 March 2020 is £2.01 million, of which the Council's share is 40% (£804,000).</p> <p>Due to the uncertain impact of Covid-19 on businesses and potential rateable value appeals it is possible that current assumptions may not be fully accurate.</p>	<p>Whilst the uncertainty around Covid-19 means any estimate of the impact would be highly uncertain, the impact would feed through in to the collection fund balance which would then be taken account of in future years' budgets.</p>
<p>Pensions Liability</p>	<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 Authority with expert advice about the assumptions to be applied.</p> <p>The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until sometime later, may give a different value of pension assets, but this difference is not considered to be material.</p> <p>The Pension Fund's Actuary has provided updated figures for the year based on the last valuation in 2019. This valuation is based upon cash flow and assets values as at 31 March 2020.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £869,000.</p> <p>The assumptions interact in complex ways. For example, in 2019/20, the Authority's actuaries advised that the pension liability has increased by £0.6 million as a result of a change in "demographic assumptions" and increased by £4.5 million as a result of a change in "financial assumptions".</p> <p>Please refer to Note 36 for further information about the assumptions used by the actuaries.</p>

SECTION 3 NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out during 2022/23 (as at 31 March 2022) and will set contributions for the period from 1 April 2023 to 31 March 2026.</p> <p>The carrying value of the Pensions Liability as at 31 March 2020 is £21.8 million.</p> <p>Movements in the value of investments due to current economic uncertainty will affect the valuation of the pension liability.</p>	<p>If the value of investments is found to have changed from the estimates used by the actuaries, it will impact the overall value of the pension liability. For instance, a 5% increase in the pension liability would have an impact of £1.2m on the financial statements.</p>

2. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The following material item has been included on the face of the Comprehensive Income and Expenditure Statement (CIES) since 2014/15. This expenditure relates to the upfront investment costs for the Council's Transformation Programme (T18). No material items of income and expenditure were incurred in 2019/20.

	2018/19			2019/20		
	Direct £000	Recharges £000	Total £000	Direct £000	Recharges £000	Total £000
Transformation Programme (T18) Investment Costs						
GROSS REVENUE EXPENDITURE						
Redundancy and Pension strain payments	32	-	32	-	-	-
Sub Total	32	-	32	-	-	-
GROSS REVENUE INCOME						
Shared Service Recharge to South Hams DC	-	-	-	-	-	-
Sub Total	-	-	-	-	-	-
NET REVENUE EXPENDITURE/(INCOME) (as shown in the CIES)	32	-	32	-	-	-

SECTION 3 NOTES TO THE ACCOUNTS

3. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts (SOA) for 2019/2020 was approved for issue by the Corporate Director of Strategic Finance (S.151 Officer) on 15 July 2020. This is also the date up to which events after the reporting period have been considered.

4. EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Authority (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 Authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement in Section 2A.

2019-2020	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis (Note 4A) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Customer First	2,119	1,887	4,006
Commercial Services	1,684	465	2,149
Strategy & Commissioning	903	30	933
Support Services	1,697	(9)	1,688
Centrally Held Costs	802	0	802
Net Cost of Services	7,205	2,373	9,578
Other income and expenditure	(7,806)	595	(7,211)
(Surplus)/Deficit on Provision of Services	(601)	2,968	2,367

	General Fund Balance £000	Earmarked Reserves £000	Total General Fund Reserves £000
Opening Balance at 31 March 2019	(1,286)	(4,316)	(5,602)
(Increase)/decrease in year	67	(668)	(601)
Closing Balance at 31 March 2020	(1,219)	(4,984)	(6,203)

SECTION 3 NOTES TO THE ACCOUNTS

2018-2019 Comparatives	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis (Note 4A) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Customer First	1,675	981	2,656
Commercial Services	1,727	330	2,057
Strategy & Commissioning	862	2	864
Support Services	1,717	58	1,775
Centrally Held Costs	830	-	830
Material Items	32	-	32
Net Cost of Services	6,843	1,371	8,214
Other income and expenditure	(7,233)	354	(6,879)
(Surplus)/Deficit on Provision of Services	(390)	1,725	1,335

	General Fund Balance £000	Earmarked Reserves £000	Total General Fund Reserves £000
Opening Balance at 31 March 2018	(1,197)	(4,015)	(5,212)
(Increase)/decrease in year	(89)	(301)	(390)
Closing Balance at 31 March 2019	(1,286)	(4,316)	(5,602)

4A. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note explains the main adjustments from net expenditure chargeable to the general fund balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement (CIES).

SECTION 3 NOTES TO THE ACCOUNTS

Adjustments between Funding and Accounting Basis				
2019/20	Adjustments for capital purposes (Note A) £000	Net change for the pensions adjustments (Note B) £000	Other Differences (Note C) £000	Total adjustments £000
Customer First	1,572	316	0	1,888
Commercial Services	396	69	0	465
Strategy and Commissioning	0	30	0	30
Support Services	2	8	(20)	(10)
Net Cost of Services	1,970	423	(20)	2,373
Other income and expenditure from the Expenditure & Funding Analysis	(246)	581	260	595
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	1,724	1,004	240	2,968

Adjustments between Funding and Accounting Basis				
2018/19 Comparatives	Adjustments for capital purposes (Note A) £000	Net change for the pensions adjustments (Note B) £000	Other Differences (Note C) £000	Total adjustments £000
Customer First	957	24	-	981
Commercial Services	325	5	-	330
Strategy and Commissioning	-	2	-	2
Support Services	52	1	5	58
Net Cost of Services	1,334	32	5	1,371
Other income and expenditure from the Expenditure & Funding Analysis	(145)	628	(129)	354
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	1,189	660	(124)	1,725

SECTION 3 NOTES TO THE ACCOUNTS

Note A: Adjustments for Capital Purposes

Adjustments for capital purposes reflect:

For services this column adds in depreciation and impairment and adjusts for revenue expenditure funded from capital under statute.

Other income and expenditure from the Expenditure and Funding Analysis – this adjusts for statutory charges for capital financing i.e. Minimum Revenue Provision and other capital contributions. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written-off.

Note B: Net Change for the Pensions Adjustments

Net changes 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 other income and expenditure from the Expenditure and Funding Analysis – the net interest on the defined benefit liability is charged to the CIES.

Note C: 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 reflects the change in the annual leave accrual when compared with the previous year.

For other income and expenditure from the Expenditure and Funding Analysis represents the timing difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the financial year, and the income recognised under generally accepted accounting practices.

SECTION 3 NOTES TO THE ACCOUNTS

5. SEGMENT REPORTING

The net expenditure figures in the Expenditure and Funding Analysis include the following particular amounts of income and expenditure:

2019/20	Customer First	Commercial Services	Financing & Investment Income	Total
	£000	£000	£000	£000
Expenditure				
Housing Benefit Payments*	9,952			9,952
Waste Services		2,218		2,218
Depreciation	445	374		819
Income				
Housing Benefit Subsidy*	(9,963)			(9,963)
Car Parking fees and charges		(1,069)		(1,069)
Planning fees and charges	(353)			(353)
Investment Properties			(1,192)	(1,192)

2018/19 comparatives	Customer First	Commercial Services	Financing & Investment Income	Total
	£000	£000	£000	£000
Expenditure				
Housing Benefit Payments*	11,856	-	-	11,856
Waste Services	-	2,216	-	2,216
Depreciation	387	257	-	644
Income				
Housing Benefit Subsidy*	(11,710)	-	-	(11,710)
Car Parking fees and charges	-	(1,073)	-	(1,073)
Planning fees and charges	(547)	-	-	(547)
Investment Properties	-	-	(955)	(955)

*Housing Benefit Payments and Subsidy have reduced significantly between 2018/19 and 2019/20. This decrease is for the most part due to the reduction in Housing Benefit payments made in 2019/20. This is part of an ongoing reduction expected as part of the transition to Universal Credit.

SECTION 3 NOTES TO THE ACCOUNTS

6. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Expenditure and Income Analysed by Nature note shows the amounts that make up the surplus or deficit on the provision of services on the CIES, but here they are categorised by nature instead of by service segment.

Expenditure and Income Analysed by Nature	2018/19 £000	2019/20 £000
Employee Benefits Expenses	6,717	7,245
Other Service Expenses*	18,260	16,174
Depreciation, Amortisation and Impairment	1,334	1,970
Interest Payments	609	750
Pension Fund Administration Expenses	19	20
Net Interest on the net defined benefit liability	609	561
Losses/(Gains) from fair value adjustments	1,249	1,130
Total Expenditure	28,797	27,850
Fees, Charges and Other Service Income	(6,115)	(5,818)
Interest and Investment Income	(41)	(130)
Income from Council Tax and Business Rates**	(6,310)	(5,508)
Revenue Grants and Contributions	(14,412)	(13,203)
Capital Grants and Contributions	(843)	(716)
Losses/(Gains) on disposal of non-current assets	259	(98)
Other Income	-	(10)
Total Income	(27,462)	(25,483)
(Surplus) or Deficit on Provision of Services	1,335	2,367

*Other Service Expenses sees a significant reduction, in most part due to the reduction in Housing Benefit payments made in 2019/20. This is part of an ongoing reduction expected as part of the transition to Universal Credit.

**The figure for Council Tax and Business Rates in this statement is shown net of expenditure (precepts to other bodies). The expenditure detail is shown in Note 11 – Taxation and Non-Specific Grant Income.

SECTION 3 NOTES TO THE ACCOUNTS

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 Authority in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2019/20	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account (CAA):				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation and impairment of non-current assets	819			(819)
Revaluation losses/(gains) on Property, Plant and Equipment	9			(9)
Movements in the market value of Investment Properties	1,130			(1,130)
Amortisation of Intangible Assets	59			(59)
Capital grants and contributions applied	(624)			624
Capital grants written off	123			(123)
Revenue expenditure funded from capital under statute (REFCUS)	1,082			(1,082)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	2			(2)
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	(598)			598
Capital expenditure charged against the General Fund	(76)			76
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(92)		92	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(432)	432

SECTION 3 NOTES TO THE ACCOUNTS

2019/20	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments 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	(100)	100		-
Transfer of unattached capital receipts	(10)	10		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(272)		272
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 36)	1,972			(1,972)
Employer's pension contributions and direct payments to pensioners payable in the year	(968)			968
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	20			(20)
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	239			(239)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(19)			19
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2019/20	2,968	162	340	(2,466)

SECTION 3 NOTES TO THE ACCOUNTS

2018/19 Comparatives	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account (CAA):				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
Charges for depreciation and impairment of non-current assets	644			(644)
Revaluation losses/(gains) on Property, Plant and Equipment	183			(183)
Movements in the market value of Investment Properties	1,249			(1,249)
Amortisation of Intangible Assets	52			(52)
Capital grants and contributions applied	(316)			316
Revenue expenditure funded from capital under statute (REFCUS)	455			(455)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	259			(259)
Write down of bank investment	50			(50)
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	(494)			494
Capital expenditure charged against the General Fund	(366)			366
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(527)		527	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(101)	101
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		(26)		26

SECTION 3 NOTES TO THE ACCOUNTS

2018/19 Comparatives	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 36)	1,653			(1,653)
Employer's pension contributions and direct payments to pensioners payable in the year	(993)			993
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	28			(28)
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account:				
Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	(157)			157
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5			(5)
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2018/19	1,725	(26)	426	(2,125)

SECTION 3 NOTES TO THE ACCOUNTS

8. TRANSFERS TO/ FROM EARMARKED RESERVES

This note details the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20. The purpose of some of the more significant earmarked reserves are shown below:

Car Parking Maintenance – In line with the Council’s car parking strategy, a car parking maintenance reserve is held to ensure that major planned works on car parks can be carried out at the appropriate time, in line with a cyclical programme of maintenance and repairs.

New Homes Bonus – This reserve was established to show how New Homes Bonus funding has been used on an annual basis.

Business Rates Retention Scheme – The business rates reserve covers any possible funding issues from the new accounting arrangements. Monies are set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of volatility in Business Rates income. In 2019/20 the balance of the Business Rates Retention Scheme (BRRS) earmarked reserve increased by £412,000 to £904,000 as at 31 March 2020 (£492,000 at 31 March 2019). This reflects the additional Business Rates income generated for the Borough in 2019/20 following the closure of the Business Rates Collection Fund. In 2019/20 budgeted income for Business Rates was £1.62m, however income generated amounted to £2.03m. This additional income was transferred to the BRRS earmarked reserve, which is held to address any future volatility in funding from the complex accounting arrangements for Business Rates. Some of this additional business rates income is due to timing differences in the way the Collection Fund operates and the funding will be needed to meet future years’ budgets for business rates, in particular when baselines are due to be re-set in the future. Further information is provided in paragraphs 8 to 10 of the Narrative Statement.

16/17 Budget Surplus Contingency – This reserve was created as part of the 2016/17 Budget setting process.

Innovation Fund (Invest to Earn) Reserve – Some of this fund will be used to acquire and develop land within West Devon to support local housing need and to facilitate an upgrade to the Hayedown Depot.

Revenue Grants Reserve – This reserve holds revenue grants with no repayment conditions that have not been used during the year.

Financial Stability Reserve – This reserve was set up in 2018/19 to hold the business rates pilot income. It will be used to meet the primary aim of the business rates pilot bid which is to achieve higher levels of investment in economic regeneration in Devon, and to help secure financial stability for the longer term.

Vehicle & Plant Reserve – This reserve was set up in 2019/20 to fund the Council’s vehicle replacement programme.

The table below shows the earmarked reserve balances at 31 March 2020 and the movement during 2019/20.

SECTION 3 NOTES TO THE ACCOUNTS

2019/20 EARMARKED RESERVES	Balance at 31.3.2019 £000	Transfers Out £000	Transfers In £000	Balance at 31.3.2020 £000
General Fund				
Car Parking Maintenance	417	-	47	464
ICT Development	76	(54)	44	66
JSG Future Options	5	-	-	5
Planning Policy & Major Developments	104	(7)	25	122
16/17 Budget Surplus Contingency	375	(179)	-	196
Innovation Fund (Invest to Earn)	453	(28)	7	432
Outdoor Sports & Recreation	18	-	-	18
Strategic Waste & Cleansing Options Review	163	(59)	-	104
Community Housing Fund	152	(152)	-	-
Leisure Services	231	(27)	-	204
Support Services Trading	8	-	-	8
Environmental Health Initiatives	20	-	-	20
Habitats Reserve	8	(5)	-	3
Financial Stability	267	(56)	243	454
Joint Local Plan	30	(10)	-	20
Maintenance, Management & Risk Mitigation (Investment Properties)	88	(18)	120	190
Landscape Maintenance	-	-	18	18
Invest to Save	12	-	-	12
Elections	24	(44)	20	-
DCC Localism Support Officer	5	-	9	14
Neighbourhood Planning Grants	42	(26)	-	16
Cannons Meadow	11	(3)	-	8
DCC Public Health	6	-	-	6
Revenue Grants	422	(49)	135	508
Business Rates Retention Scheme	492	-	412	904
Town Teams & Economic Grants	23	-	-	23
Flood Works	15	-	-	15
New Homes Bonus	291	(390)	500	401
Homelessness	115	(30)	30	115
Strategic Change	234	(167)	-	67
Planning Enforcement	5	-	-	5
Maintenance Fund	196	(26)	-	170
S106 Monitoring	8	(9)	1	-
Vehicle Replacement	-	-	396	396
TOTAL EARMARKED REVENUE RESERVES	4,316	(1,339)	2,007	4,984

SECTION 3 NOTES TO THE ACCOUNTS

2018/19 Comparatives	Balance at	Transfers	Transfers	Balance at
EARMARKED RESERVES	31.3.2018	Out	In	31.3.2019
	£000	£000	£000	£000
General Fund				
Car Parking Maintenance	435	(60)	42	417
ICT Development	30	(64)	110	76
JSG Future Options	11	(6)	-	5
Planning Policy & Major Developments	44	(65)	125	104
16/17 Budget Surplus Contingency	382	(7)	-	375
Innovation Fund (Invest to Earn)	724	(271)	-	453
Outdoor Sports & Recreation	18	-	-	18
Strategic Waste & Cleansing Options Review	80	(51)	134	163
Community Housing Fund	243	(91)	-	152
Leisure Services	231	-	-	231
Support Services Trading	8	-	-	8
Environmental Health Initiatives	20	-	-	20
Habitats Reserve	10	(2)	-	8
Financial Stability	-	(50)	317	267
Joint Local Plan	-	(86)	116	30
Maintenance, Management & Risk Mitigation	-	(7)	95	88
Landscape Maintenance	5	(5)	-	-
Invest to Save	27	(15)	-	12
Elections	24	-	-	24
DCC Localism Support Officer	5	-	-	5
New Burdens CLG	3	(3)	-	-
CLG – Assets Community Value	8	(8)	-	-
Neighbourhood Planning Grants	47	(25)	20	42
World Heritage Key Site	5	(5)	-	-
Cannons Meadow	13	(2)	-	11
Millwood Homes	15	(15)	-	-
DCC Public Health	6	-	-	6
Revenue Grants	220	(7)	209	422
Business Rates Retention Scheme	509	(17)	-	492
Town Teams & Economic Grants	23	-	-	23
Flood Works	15	-	-	15
New Homes Bonus	225	(577)	643	291
Homelessness	95	-	20	115
Strategic Change	287	(63)	10	234
Planning Enforcement	5	-	-	5
Maintenance Fund	223	(27)	-	196
S106 Monitoring	19	(11)	-	8
TOTAL EARMARKED REVENUE RESERVES	4,015	(1,540)	1,841	4,316

SECTION 3 NOTES TO THE ACCOUNTS

9. OTHER OPERATING EXPENDITURE

2018/19 £000		2019/20 £000
1,365	Parish council precepts	1,453
259	(Gains)/losses on the disposal of non-current assets	(98)
19	Pension administration expenses	20
1,643	Total	1,375

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018/19 £000		2019/20 £000
609	Interest payable and similar charges	750
(91)	Interest receivable and similar income	(130)
-	Other investment income	(10)
50	Investment (gains)/losses	-
609	Net interest on the net defined benefit liability	561
329	Investment properties (Note 13)	(47)
1,506	Total	1,124

SECTION 3 NOTES TO THE ACCOUNTS

11. TAXATION AND NON SPECIFIC GRANT INCOME

2018/19 £000		2019/20 £000
	Council Tax	
(5,890)	• Income	(6,127)
13	• Collection Fund adjustment	(84)
(81)	• Collection Fund - distribution of surplus	21
65	• Support grant to parishes	59
	Business Rates	
(3,930)	• Income	(3,965)
2,643	• Tariff*	3,179
-	• Pooling administration costs	1
-	• Pooling gain	(99)
(296)	• Pilot contribution	-
-	• Section 31 Adjustment	8
-	• Levy payment	120
(199)	• Transfer of Collection Fund deficit/(surplus)	(73)
	Non ring - fenced Government Grants:	
(842)	• Small Business Rate Relief Grant	(1,063)
(643)	• New Homes Bonus Grant	(501)
-	• Rural Services Delivery Grant*	(464)
(25)	• Levy Account Surplus Grant	(6)
(843)	Capital grants and contributions	(716)
(10,028)	Total	(9,710)

Rural Services Delivery Grant

*There is no direct 2018/19 comparator for the Rural Services Delivery Grant shown above due to the mechanism of how this grant was allocated to Councils with business rates pilot status. In 2018/19 the Council's business rates baseline was increased to reflect the Rural Services Delivery Grant of £464,365. This is reflected in the reduced Tariff figure for 2018/19. However in 2019/20 the Council was no longer part of a business rates pilot and therefore the Rural Services Delivery Grant was paid direct as shown above.

SECTION 3 NOTES TO THE ACCOUNTS

12. PROPERTY, PLANT AND EQUIPMENT

Movements in 2019/20:

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2019	22,193	2,628	1,074	-	-	25,895
Additions	187					187
Revaluation increases/(decreases) recognised in the Revaluation Reserve	37					37
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(12)					(12)
At 31 March 2020	22,405	2,628	1,074	-	-	26,107
Accumulated Depreciation and Impairment at 1 April 2019	148	218	380	-	-	746
Charge for 2019/20	462	325	32			819
Depreciation written out to the Revaluation Reserve	(52)					(52)
Depreciation written out to the Surplus/Deficit on the Provision of Services	1					1
At 31 March 2020	559	543	412	-	-	1,514
Balance Sheet amount at 31 March 2020	21,846	2,085	662	-	-	24,593
Balance Sheet amount at 31 March 2019	22,045	2,410	694	-	-	25,149

SECTION 3 NOTES TO THE ACCOUNTS

Comparative Movements in 2018/19:

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2018	19,300	3,146	1,074	83	1,031	24,634
Additions	250	958			487	1,695
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,537					1,537
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(199)					(199)
Derecognition – disposals	(195)	(1,494)		(83)		(1,772)
Other movements in cost or valuation (reclassification)	1,500	18			(1,518)	-
At 31 March 2019	22,193	2,628	1,074	-	-	25,895
Accumulated Depreciation and Impairment at 1 April 2018	474	1,493	352	-	-	2,319
Charge for 2018/19	397	219	28			644
Depreciation written out to the Revaluation Reserve	(688)					(688)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(16)					(16)
Derecognition – disposals	(19)	(1,494)				(1,513)
At 31 March 2019	148	218	380	-	-	746
Balance Sheet amount at 31 March 2019	22,045	2,410	694	-	-	25,149
Balance Sheet amount at 31 March 2018	18,826	1,653	722	83	1,031	22,315

SECTION 3 NOTES TO THE ACCOUNTS

Depreciation

The Council provides for depreciation on all assets other than freehold land and community assets. The provision for depreciation is made by allocating the cost (or revalued amount) less the estimated residual value of the assets over the accounting period expected to benefit from their use. The straight line method of depreciation is used.

Asset lives are reviewed regularly as part of the property revaluation and annual impairment review. Where the useful life of an asset is revised the carrying amount of the asset is depreciated over the revised remaining life.

Capital Commitments

As at 31 March 2020 the Authority had not entered into any contracts for the construction or enhancement of Property, Plant and Equipment.

As a comparison, as at 31 March 2019 the Authority had entered into the following contract for the construction or enhancement of Property, Plant and Equipment. This commitment related to:

- Leisure Centre investment £1m

Revaluations

All material freehold land and buildings which comprise the Authority's property portfolio are revalued by the Council's Valuer on a rolling basis.

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.

Assets are valued in accordance with a five year rolling programme (with ad hoc valuations taking place, for example where assets have been enhanced). In addition, a formal impairment review of the entire holding of land and buildings is undertaken at the end of each financial year, to ensure the carrying value reflects the fair value at the Balance Sheet date. The basis of valuation is set out in the Statement of Accounting policies in Note 39.

See Note 1 for uncertainty arising from the impact of the Covid-19 pandemic.

SECTION 3 NOTES TO THE ACCOUNTS

	Land and buildings £000	Vehicles, plant furniture & equipment £000	Total £000
Valued at historical cost	-	2,085	2,085
Valued at current value in:			
2019/20	2,801	-	2,801
2018/19	19,045	-	19,045
Total	21,846	2,085	23,931

Impairment Losses

Impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure, are summarised in the preceding movements table, reconciling the movement over the year in the Property, Plant and Equipment balances. No impairment losses other than those relating to revaluation losses were incurred.

SECTION 3 NOTES TO THE ACCOUNTS

13. 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:

A. Income & Expenditure Account	2018/19 £000	2019/20 £000
Rental income from investment properties	(955)	(1,203)
Direct operating expenses arising from investment properties*	1,284	1,156
Net (gain)/ loss*	329	(47)

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

B. Movement in fair value	2018/19 £000	2019/20 £000
Balance at start of the year	-	20,130
Purchases	21,379	4
Net gains/(losses) from fair value adjustments*	(1,249)	(1,130)
Balance at end of the year	20,130	19,004

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

*During 2018/19 the Council incurred capital expenditure totalling £21.4 million for the purchase of four Investment Properties. This amount equated to the purchase price of four acquisitions of commercial property plus transaction costs (e.g. stamp duty land tax) and directly attributable expenditure (costs incurred in successfully negotiating the sale terms and price and relevant professional fees e.g. legal costs) which were also capitalised in accordance with the Code.

The Code requires that Investment Properties are measured annually at fair value. The fair value valuation was £20.1 million as at 31 March 2019. The net reduction in fair value reflects the fact that transaction costs and directly attributable expenditure were capitalised in accordance with the Code. The fair value of these Investment Properties as at 31 March 2020 is £19 million. The Code confirms that movements in fair value are debited to the provision of services and are not proper charges to the General Fund. They are reversed out to the Capital Adjustment Account in the Movement in Reserves Statement. Therefore this change in valuation does not impact on the Council's 'bottom line' of the Income and Expenditure account, as it is reversed out through the Capital Adjustment Account.

See Note 1 for uncertainty arising from the impact of the Covid-19 pandemic.

SECTION 3 NOTES TO THE ACCOUNTS

14. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cash flow characteristics.

Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus outstanding interest payable).

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets

To meet the new code requirements, financial assets are now classified into one of three categories:

- **Financial assets held at amortised cost** – These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specific amounts. The figure presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the Comprehensive Income and Expenditure Statement (CIES) is the amount receivable as per the loan agreement.
- **Fair Value Through Other Comprehensive Income (FVOCI)** – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- **Fair Value Through Profit and Loss (FVTPL)** – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit loss method. Changes in loss allowances (including balances outstanding at the date of recognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

SECTION 3 NOTES TO THE ACCOUNTS

The value of debtors and creditors reported in the table below are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the Balance Sheet and Notes 15 and 18 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

Summary of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
Financial Assets at Amortised Cost				
Investments	-	-	-	3,000
Cash and Cash Equivalents	-	-	10,638	10,477
Debtors	123	-	718	1,588
Fair Value through Other Comprehensive Income – Financial Assets				
Investments – Local Authorities’ Property Fund	491	474	-	-
Total Financial Assets	614	474	11,356	15,065
Financial Liabilities at Amortised Cost				
Borrowing	(27,066)	(28,944)	(514)	(590)
Creditors	(211)	(208)	(1,727)	(1,952)
Total Financial Liabilities	(27,277)	(29,152)	(2,241)	(2,542)

Designated to Fair Value Through Other Comprehensive Income

At 31 March 2020 the Council had a £0.5 million investment with the CCLA Property Fund and up to 31 March 2018 this was held as an ‘Available for Sale Financial Asset’ and measured at fair value each year. Any change in fair value was posted to Other Comprehensive Income and Expenditure and accumulated gains and losses have been held in an Available for Sale Financial Instruments Reserve.

SECTION 3 NOTES TO THE ACCOUNTS

Following the adoption of accounting standard IFRS 9 Financial Instruments in 2018/19, the 'Available for Sale Financial Asset' category is no longer available. The new standard requires that investments in equity to be classified as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through other comprehensive income.

The Council has elected to designate the CCLA investment as fair value through other comprehensive income. These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS32 and are neither held for trading (the Council holds this investment as a long term strategic investment) nor contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. They are not considered to be puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash.

This election means there is no impact on the revenue budget. Any gains or losses on the valuation of the CCLA investment will therefore be transferred to a Financial Instruments Revaluation Reserve until they are realised.

Statutory Override on Pooled Investments

As a result of the change in accounting standards for 2018/19 under IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) have agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from April 2018. The Council will use the statutory override to account for any changes in the fair value on its pooled investments. For the Council's Money Market Fund investments the change in fair value was immaterial in 2019/20.

Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income

The Council had the following investments in equity instruments at 31 March 2020:

Investment	Nominal	Fair Value	Change in Fair Value During 2019/20
	£000	£000	£000
CCLA Property Fund	500	474	(18)

Net Gains and Losses on Financial Instruments

The following gains and losses have been recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments:

SECTION 3 NOTES TO THE ACCOUNTS

	2018/19	2019/20
	£000	£000
Net gains/losses on: Financial Assets measured at fair value through other comprehensive income	7	(18)
Total Net Gains/(Losses)	7	(18)

Fair Value of Financial Instruments

The following financial asset is measured in the Balance Sheet at fair value on a recurring basis:

Recurring Fair Value Measurements	Input Level in Fair Value Hierarchy	Valuation Technique Used to Measure Fair Value	31 March 2019 Fair Value	31 March 2020 Fair Value
			£000	£000
Fair Value Through Other Comprehensive Income				
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	491	474
TOTAL			491	474

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented are carried forward on the Balance Sheet at amortised cost. Their fair values are as follows:

	31 March 2019		31 March 2020	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
PWLB Debt – Maturity	(5,692)	(7,052)	(5,692)	(6,719)
PWLB Debt – Annuity	(21,888)	(22,902)	(23,842)	(23,656)
Long Term Debtors	123	123	-	-
Long Term Creditors	(211)	(211)	(208)	(208)

SECTION 3 NOTES TO THE ACCOUNTS

15. DEBTORS

31.3.2019 £000		31.3.2020 £000
	Short Term	
189	Central Government bodies*	990
241	Other Local Authorities	277
	Other debtors	
888	Council Tax	677
599	Business Rates	249
1,097	Other entities and individuals	1,125
3,014	Total	3,318
	Long Term	
123	Other entities and individuals	-
123	Total	-

*The 'Central Government bodies' debtor has increased significantly in 2019/20 due to the end of year position for the Housing Benefit subsidy claim. At 31 March 2020 £692,000 was due from Central Government following completion of the final claim. However, in 2018/19 this position was a creditor balance, with £359,000 due to be paid to Central Government at 31 March 2019.

16. DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and business rates) can be analysed by age as follows:

31.3.2019 £000		31.3.2020 £000
341	Up to one year	329
314	One to three years	262
77	Over three years	88
732	Total Debtors for Local Taxation	679

17. CASH AND CASH EQUIVALENTS

31.3.2019 £000		31.3.2020 £000
1,338	Cash held by the Authority	277
9,300	Money Market Funds	10,200
10,638	Total Cash and Cash Equivalents	10,477

SECTION 3 NOTES TO THE ACCOUNTS

18. CREDITORS

31.3.2019 £000		31.3.2020 £000
	Short Term	
(572)	Central Government bodies*	(246)
(715)	Other Local Authorities	(781)
	Other Creditors	
(50)	Council Tax	(62)
(1,127)	Business Rates	(1,158)
(2,739)	Other entities and individuals**	(1,888)
(5,203)	Total	(4,135)
	Long Term	
(211)	Other entities and individuals	(208)
(211)	Total	(208)

*The 'Central Government bodies' creditor as at 31.3.19 relates mainly to the amount due to Central Government following completion of the final Housing Benefit subsidy claim for 2018/19 (£359,000). At 31 March 2020 money was due from Central Government and therefore the balance is reflected in short term Debtors (Note 15).

**Balances for Short Term 'Other entities and individuals' creditor was higher at the end of March 2019, mainly due to income received in advance in relation to Council Tax of £979,000.

19. PROVISIONS

Provisions payable within twelve months of the Balance Sheet date are classified as current liabilities; provisions payable more than twelve months from the Balance Sheet date are classified as long term liabilities. No long term provisions were created in 2019/20 or 2018/19. The breakdown of the 2019/20 provision is shown in the following table:

	Business Rates Appeals £000
Balance at 1 April 2019	(649)
Provisions made in year	(182)
Amounts used in year	27
Balance at 31 March 2020	(804)

Short term Provision – Business Rates Appeals:

Provision is made for likely refunds of business rates as a result of appeals against the rateable value of business properties. The provision is based on the total value of outstanding appeals at the end of the financial year as advised by the Valuation Office Agency. Using this information, an assessment was made about the likely success rate of appeals and their value. In 2019/20 there has been a £388,000 increase in the provision for appeals within the Collection Fund. The Council's share of this is 40% (£155,000).

SECTION 3 NOTES TO THE ACCOUNTS

20. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement in Section 2B. The Council has the following usable reserves:

General Fund Balance – This balance has been established from surpluses on the Council's total expenditure. It provides a financial cushion should anything unexpected happen which would require unplanned expenditure.

Earmarked Reserves – The Council has set aside monies for specific purposes e.g. vehicle & plant replacement, the funding of strategic issues etc.

Capital Receipts Reserve – Proceeds from the sale of assets are held in this reserve to be made available for future capital expenditure.

Capital Grants Unapplied – This reserve represents grants and contributions received in advance of matching to new capital investment.

21. UNUSABLE RESERVES

31.3.2019 £000		31.3.2020 £000
8,899	Revaluation Reserve	8,974
9,935	Capital Adjustment Account	8,727
(23,822)	Pensions Reserve	(21,783)
(9)	Financial Instruments Revaluation Reserve	(27)
81	Council Tax Collection Fund Adjustment Account	61
218	Business Rates Collection Fund Adjustment Account	(21)
(82)	Accumulated Absences Account	(63)
(4,780)	Total Unusable Reserves	(4,132)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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

SECTION 3 NOTES TO THE ACCOUNTS

- disposed of and the gains are realised

The Reserve includes 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.

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.

Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS (Royal Institution of Chartered Surveyors) Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid. For further information please see Note 1.

31.3.2019 £000	31.3.2019 £000	Revaluation Reserve	31.3.2020 £000	31.3.2020 £000
	6,820	Balance at 1 April		8,899
2,924		Upward revaluation of assets	111	
<u>(699)</u>		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	<u>(22)</u>	
	2,225	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		89
(118)		Difference between fair value depreciation and historical cost depreciation	(14)	
<u>(28)</u>		Accumulated gains on assets sold or scrapped		
	(146)	Amount written off to the Capital Adjustment Account		(14)
	8,899	Balance at 31 March		8,974

SECTION 3 NOTES TO THE ACCOUNTS

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 to convert fair value figures to an historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

SECTION 3 NOTES TO THE ACCOUNTS

2018/19 £000	2018/19 £000	Capital Adjustment Account	2019/20 £000	2019/20 £000
	11,378	Balance at 1 April		9,935
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES) :		
(644)		▪ Charges for depreciation of non-current assets	(819)	
(183)		▪ Revaluation losses on Property, Plant and Equipment	(9)	
(1,249)		▪ Revaluation gains/(losses) on Investment Properties	(1,130)	
(52)		▪ Amortisation of Intangible Assets	(59)	
(455)		▪ Revenue expenditure funded from capital under statute (REFCUS)	(1,082)	
(259)		▪ 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	(2)	
28		▪ Amounts of Revaluation Reserve balance written off on disposal or sale of Property, Plant and Equipment	-	
(50)		▪ Write down of Bank Investment	-	
	(2,864)	Total		(3,101)
<u>118</u>		Adjusting amounts written out of the Revaluation Reserve	<u>14</u>	
	118	Net written out amount of the cost of non-current assets consumed in the year		14
		Capital financing applied in the year:		
26		• Use of the Capital Receipts Reserve to finance new capital expenditure	272	
316		• Capital grants and contributions credited to the CIES that have been applied to capital financing	624	
101		• Application of grants to capital financing from the Capitals Grants Unapplied Account	432	
366		• Capital expenditure charged against the General Fund	76	
		• Capital Grants written off	(123)	
<u>494</u>		• Statutory provision for the financing of capital investment charged against the General Fund (Minimum Revenue Provision)	<u>598</u>	
	1,303	Total		1,879
	9,935	Balance at 31 March	89	8,727

SECTION 3 NOTES TO THE ACCOUNTS

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 Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement (CIES) 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 Authority 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 Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31.3.2019 £000	Pensions Reserve	31.3.2020 £000
(24,380)	Balance at 1 April	(23,822)
1,218	Actuarial gains or (losses) on pension assets and liabilities	3,043
(1,653)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(1,972)
993	Employer's pensions contributions and direct payments to pensioners payable in the year	968
(23,822)	Balance at 31 March	(21,783)

Available for Sale Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

31.3.2019 £000	Available for Sale Financial Instruments Reserve	31.3.2020 £000
-	Balance at 1 April	-
(16)	Transfer of opening balance to Financial Instruments Revaluation Reserve under IFRS 9	-
16	Downward revaluation of investments not charged to the Surplus/(Deficit) on the Provision of Services	-
-	Balance at 31 March	-

SECTION 3 NOTES TO THE ACCOUNTS

The 2018/19 Code of Practice on Local Authority Accounting adopted IFRS 9 Financial Instruments. As a result of the implementation of IFRS 9, the Available for Sale Reserve has been decommissioned and any balance held has been transferred to the Financial Instruments Revaluation Reserve. The Council has transferred the balance on the Available for Sale Reserve in relation to its investment in the CCLA property fund.

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

31.3.2019 £000	Financial Instruments Revaluation Reserve	31.3.2020 £000
-	Balance at 1 April	(9)
7	Upward revaluation of assets	-
(16)	Transfer from Available for Sale Financial Instrument Reserve	-
-	Downward revaluation of assets	(18)
(9)	Balance at 31 March	(27)

Council Tax Collection Fund Adjustment Account

The Council Tax Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement (CIES) 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.

31.3.2019 £000	Council Tax Collection Fund Adjustment Account	31.3.2020 £000
109	Balance at 1 April	81
(28)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(20)
81	Balance at 31 March	61

SECTION 3 NOTES TO THE ACCOUNTS

Business Rates Collection Fund Adjustment Account

A scheme for the retention of business rates came in to effect on 1 April 2013 and established new accounting arrangements. The Business Rates Collection Fund Adjustment Account manages the differences arising from the recognition of business rates income in the Comprehensive Income and Expenditure Statement (CIES) as it falls due from ratepayers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31.3.2019 £000	Business Rates Collection Fund Adjustment Account	31.3.2020 £000
61	Balance at 1 April	218
157	Amount by which Business Rates income credited to the CIES is different from Business Rates income calculated for the year in accordance with statutory requirements	(239)
218	Balance at 31 March	(21)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31.3.2019 £000	£000	Accumulated Absences Account	31.3.2020 £000	£000
77	(77)	Balance at 1 April	82	(82)
(82)		Settlement or cancellation of accrual made at the end of the preceding year		
		Amounts accrued at the end of the current year	(63)	
	(5)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		19
	(82)	Balance at 31 March		(63)

SECTION 3 NOTES TO THE ACCOUNTS

22. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2018/19 £000		2019/20 £000
(644)	Depreciation	(819)
(183)	Impairment & downward valuations	(9)
(1,249)	Movement in investment properties	(1,130)
(52)	Amortisation	(59)
(1,087)	(Increase)/decrease in Debtors	865
(681)	Increase/(decrease) in Creditors	(15)
(660)	Movement in pension liability	(1,004)
(495)	Other non-cash items charged to the net surplus or deficit on the provision of services	(175)
(5,051)	Total	(2,346)

23. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITIES

2018/19 £000		2019/20 £000
-	Proceeds from the sale of non-current assets	100
843	Other non-cash items charged to the net surplus or deficit on the provision of services	716
843	Total	816

24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2018/19 £000		2019/20 £000
23,128	Purchase of non-current assets	200
(2,999)	Purchase of short and long term investments	3,000
140	Other payments for investing activities	-
-	Proceeds from the sale of non-current assets	(100)
(716)	Other receipts from investing activities (capital grants & contributions)	(1,218)
19,553	Net cash flows from investing activities	1,882

SECTION 3 NOTES TO THE ACCOUNTS

25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2018/19 £000		2019/20 £000
(22,830)	Cash receipts of short and long term borrowing	(1,954)
(111)	Other receipts from financing activity	(604)
(22,941)	Total	(2,558)

26. TRADING OPERATIONS – BUILDING CONTROL

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the Building Control function. Building Regulations Control Services operate as a separate trading unit.

As of 1 April 2017, West Devon Borough Council (WDBC), South Hams District Council (SHDC) and Teignbridge District Council (TDC) entered into an updated partnership agreement and a new hosting agreement with respect to the staff and functions delivered by the Devon Building Control Partnership (DBCP) to the three Council areas. This agreement saw the transfer of all staff who had DBCP responsibilities from WDBC or SHDC to TDC. WDBC and SHDC retain an active participation in the controlling Devon Building Control Partnership Committee.

The Summary Accounts for the year will be detailed in the DBCP, which can be found on Teignbridge District Council's Website under the Devon Building Control Partnership Committee 2019-2020.

27. BUSINESS IMPROVEMENT DISTRICTS

The Tavistock Business Improvement District (BID) was set up in Tavistock on the 1st September 2011 for the purpose of providing additional services or improvements to the Tavistock BID area. The BID is funded in part by a levy which is based on the rateable value of each property within the BID area and this is charged in addition to the non-domestic rates. West Devon Borough Council acts as agent for the BID Company.

28. MEMBERS' ALLOWANCES

The Authority paid the following amounts to Members of the Council during the year. Members allowances are published on the Council's website under 'Your Council' in the 'Councillors and Committees' section.

2018/19 £000		2019/20 £000
191	Allowances	201
15	Expenses	19
206	Total	220

SECTION 3 NOTES TO THE ACCOUNTS

29. OFFICERS' REMUNERATION

Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 [SI 2009 No. 3322] introduced a legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees.

A senior employee is defined as an employee whose salary is more than £150,000 per year, or alternatively one whose salary is at least £50,000 per year (to be calculated pro rata for a part-time employee) and who is:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989
- the head of staff for a relevant body which does not have a designated head of paid service; or
- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

The remuneration paid to the Authority's senior employees is as follows:

Post	Year	Salary, Fees and Allowances £	Expenses £	Pension Contribution £	Total £
Strategic Director of Customer Service Delivery and Deputy Chief Executive (previously Customer First and Support Services Group Manager) - Note C	19/20	89,000	1,000	11,800	101,800
	18/19	0	0	0	0
Corporate Director of Strategic Finance (S151 Officer)	19/20	74,800	0	10,000	84,800
	18/19	65,500	0	8,700	74,200
Strategic Director of Place & Enterprise (New post, start date 09/09/19)	19/20	41,300	1,900	5,500	48,700
	18/19	0	0	0	0
Commercial Services Group Manager (Post deleted, post holder left 28/4/19)	19/20	8,200	1,200	800	10,200
	18/19	74,200	2,400	9,900	86,500
Business Development Group Manager (Post deleted, post holder part time from 1/4/19 and left 30/4/19)	19/20	600	100	100	800
	18/19	64,700	2,500	8,600	75,800
Monitoring Officer (Business Manager, Specialists w.e.f 09/12/19, previously Head of Legal)	19/20	57,900	100	7,700	65,700
	18/19	56,200	400	7,500	64,100

SECTION 3 NOTES TO THE ACCOUNTS

Post	Year	Salary, Fees and Allowances £	Expenses £	Pension Contribution £	Total £
Head of Commissioning & Contracts (previously Lead Specialist Waste Strategy, post title changed and regraded from 01/12/19)	19/20	53,900	1,700	7,100	62,700
	18/19	50,200	1,400	6,700	58,300
Operational Manager, Environmental Services (Post deleted, post holder left 20/02/20)	19/20	42,700	1,100	5,700	49,500
	18/19	50,000	1,800	6,600	58,400
Business Manager, Case Management (New post, start date 09/12/19)	19/20	15,200	200	2,000	17,400
	18/19	0	0	0	0
Support Services Specialist Manager (Post deleted, post holder moved to Head of Projects & Strategy 09/12/19)	19/20	35,300	100	4,700	40,100
	18/19	52,400	400	7,000	59,800
Head of Projects & Strategy (New post, start date 09/12/19)	19/20	18,300	0	2,400	20,700
	18/19	0	0	0	0
Head of Assets (Post holder moved to Strategic Director of Place & Enterprise 9/9/19) – post regraded from 1/12/19, new post holder w.e.f 09/03/20	19/20	25,200	1,300	3,400	29,900
	18/19	53,400	3,000	7,100	63,500
Head of Development Management – regraded from 01/12/19	19/20	50,300	900	6,700	57,900
	18/19	48,000	800	6,400	55,200
Head of Revenues, Benefits & Housing – regraded from 01/12/19	19/20	46,200	200	6,100	52,500
	18/19	43,100	0	5,700	48,800
Head of Environmental Health – regraded from 1/12/19	19/20	53,600	600	7,100	61,300
	18/19	51,500	700	6,800	59,000
Customer Service Improvement Manager (New post, start date 09/12/19)	19/20	14,900	500	2,000	17,400
	18/19	0	0	0	0

No other senior officer posts earned over £50,000 during 2019/20 or 2018/19.

SECTION 3 NOTES TO THE ACCOUNTS

Note A: Shared Services with South Hams District Council

The total cost of senior employees employed by South Hams District Council has been included in the equivalent note of South Hams District Council's Accounts in accordance with the accounting requirements and is therefore excluded from the table above.

In 2019/20 West Devon Borough Council reimbursed costs amounting to £216,400 (2018/19 £181,800) in respect of some members of the Senior Leadership Team (SLT), and the Extended Leadership Team (ELT) who are employed by South Hams District Council. West Devon Borough Council received a reimbursement in 2019/20 from South Hams District Council of £429,700 (2018/19 £367,200) in respect of the above shared senior employees.

Note B: Senior and Extended Leadership Team Restructure

West Devon Borough Council is in a shared services arrangement with South Hams District Council and the two Councils have a shared Senior Leadership Team and a shared non-manual workforce. Following the resignation of the former Executive Director in February 2018, Council approved interim senior management arrangements. A report was presented to Council on 12 February 2019 (Minute CM 54) that outlined a review of the Staffing Establishment.

The Review Panel, consisting of the Leaders of each Council and senior Members recommended that the previous structure incorporating two Executive Directors was replaced with a Chief Executive Officer. The Panel also recommended that once in post, the Chief Executive brings forward a proposed new senior leadership structure that builds upon the recommendations of the Peer Review and will be along the lines of:

- Director of Customer Service and Delivery
- Director of Place and Enterprise
- Director of Governance
- Director of Strategic Finance

It was resolved that with effect from 21 February 2019, the Executive Director for Service Delivery and Head of Paid Service (employed by South Hams District Council) be appointed to the role of Chief Executive and that agreement be given to extending the interim senior management arrangements with a report being brought to Council recommending a new structure within six months of the 2019 Council elections.

Following a restructure and recruitment process, the Senior Leadership Team was finalised in September 2019 to include the following posts across both West Devon Borough Council and South Hams District Council:

- Chief Executive & Head of Paid Service (South Hams)
- Director of Customer Service and Delivery (West Devon)
- Director of Place and Enterprise (West Devon)
- Director of Governance & Assurance (South Hams)
- Director of Strategic Finance (West Devon)

SECTION 3 NOTES TO THE ACCOUNTS

Following the Senior Leadership Team restructure, the Extended Leadership Team and Team Leader structure was reviewed to ensure that resources were aligned to delivering the Council's corporate priorities. This resulted in the following changes to the establishments of West Devon Borough Council and South Hams District Council:-

Deletion of the following posts

- Specialist Manager: Customer First (South Hams)
- Specialist Manager: Support Services (West Devon)
- Case Management Manager: Customer First (South Hams)
- Case Management Manager: Support Services (West Devon)
- Commissioning Manager (West Devon)

Creation of the following posts

- Head of Strategy & Projects (West Devon)
- Business Manager: Specialists (West Devon)
- Business manager: Case Management (West Devon)
- Customer Improvement Manager (West Devon)

This restructure concluded in December 2019 resulting in a saving of £60,000 per annum for West Devon Borough Council.

Note C: Strategic Director of Customer Service Delivery and Deputy Chief Executive

There are no comparative figures in the table above for the Strategic Director of Customer Service Delivery as this post holder was previously employed by South Hams District Council and has therefore been included in the equivalent note of the District Council's Accounts in 2018/19. The employing authority was changed from South Hams District Council to West Devon Borough Council to allow the post holder to undertake the Returning Officer duties for the Borough Council with effect from 1st April 2019. In addition this post holder also holds the responsibility of Deputy Chief Executive. Prior to 1st September 2019 this post holder's job title was Customer First and Support Services Group Manager.

SECTION 3 NOTES TO THE ACCOUNTS

30. PAYMENTS TO EXTERNAL AUDITORS

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

	2018/19	2019/20
	£000	£000
Fees payable with regard to external audit services	35	43
Core Audit Fees	35	37
Audit of Grants and Returns*	-	6
Rebate from Public Sector Audit Appointments Ltd	-	(4)
TOTAL	35	39

*The Housing Benefit Audit was provided by a separate accountancy firm in 2018/19 who were not the Council's external auditors for 2018/19.

SECTION 3 NOTES TO THE ACCOUNTS

31. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2018/19 £000	2019/20 £000
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions:		
Disabled Facilities Grants	(710)	(716)
Section 106 deposits	(38)	-
Other Capital Grants and Contributions	(95)	-
Non ring - fenced Government grants and contributions:		
New Homes Bonus Grant	(643)	(501)
Small Business Rate Relief	(842)	(1,063)
Levy Account Surplus Grant	(25)	(6)
Rural Services Delivery Grant*	-	(464)
Total	(2,353)	(2,750)
Credited to Services		
Rent Allowance subsidy**	(11,710)	(9,781)
Housing Benefit administration subsidy	(184)	(178)
Rent rebate subsidy	(31)	(47)
Flexible Homelessness Support Grant	(120)	(108)
Discretionary housing payments	(130)	(135)
Business Rates cost of collection allowance	(84)	(82)
Section 106 deposits	(102)	(34)
Recycling credits	(266)	(291)
Electoral Commission - General Elections, Referendum and Police & Crime Commissioners	-	(158)
European Election	-	(99)
Other grants	(275)	(201)
Total	(12,902)	(11,114)

Rural Services Delivery Grant 2018/19

* Due to the Council's business rates pilot status in 2018/19 the Rural Services Delivery Grant of £464,365 is reflected in the lower business rates tariff for 2018/19. Further information can be found in Note 11 – Taxation and Non Specific Grant Income.

Rent Allowance Subsidy

** Housing Benefit Payments and Subsidy have reduced significantly between 2019/20 and 2018/19 mainly due to a reduction in caseload. Please see Note 5 – Segment Reporting for further detail.

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have repayment conditions attached to them. Until these

SECTION 3 NOTES TO THE ACCOUNTS

conditions are met these grants are held as receipts in advance. Should these conditions not be met the monies would need to be returned to the grantor. The balances at the year-end are as follows:

Capital Grants Receipts in Advance	31 March 2019 £000	31 March 2020 £000
Hayedown, Tavistock	(20)	(20)
Bathway Fields, North Tawton	(52)	(20)
Annan Down Park Drive, Tavistock	(29)	(29)
Land adjacent to Shellsley, North Tawton	(47)	(47)
The Barton, Spreyton	(72)	(72)
Land at Butcher Park Hill, Tavistock	(37)	(207)
The Beeches, Yelverton	(21)	(21)
Land at Lower Trendle, Tavistock	-	(79)
Barns at Hurditch Horn, Gulworthy	-	(32)
Rear of Rowan Cottage, Lewdown	-	(26)
Land at New Launceston Road, Tavistock	-	(113)
Other Section 106 deposits	(236)	(244)
Total	(514)	(910)

Revenue Grants Receipts in Advance	31 March 2019 £000	31 March 2020 £000
MHCLG COVID-19 Business Rate Relief grant	-	(1,129)
Total	-	(1,129)

32. RELATED PARTIES

The Authority 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 Authority.

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are detailed in Note 31.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 28.

SECTION 3 NOTES TO THE ACCOUNTS

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below with the resources that have been used to finance it, giving rise to the movement in the Council's Capital Financing Requirement.

Summary of Capital Expenditure and Financing (incorporating the Capital Financing Requirement)	2018/19	2019/20
	£000	£000
<i>Opening Capital Financing Requirement</i>	4,240	26,570
Capital Investment		
Property, Plant and Equipment	1,207	187
Intangible Assets	54	9
Investment Properties	21,379	4
Revenue expenditure funded from capital under statute (REFCUS)	455	1,082
Assets under Construction	488	-
Bank investment	50	-
Write off of Capital Debtor	-	123
Total expenditure for capital purposes	23,633	1,405
Sources of Finance		
Capital receipts	(26)	(273)
Capital grants and external contributions	(417)	(1,056)
Earmarked reserves	(366)	(76)
Total funding	(809)	(1,405)
Minimum Revenue Provision	(494)	(598)
<i>Closing Capital Financing Requirement</i>	26,570	25,972
<i>Movement in Capital Financing Requirement</i>	22,330	(598)
Explained by:		
Increase in underlying need to borrow (supported by government financial assistance)	23,182	-
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(852)	(598)
Increase/(decrease) in Capital Financing Requirement	22,330	(598)

SECTION 3 NOTES TO THE ACCOUNTS

During 2018/19 the Council incurred capital expenditure totalling £21.4 million for the purchase of four Investment Properties as shown in the Note above. This amount equated to the purchase price of four acquisitions of commercial property plus transaction costs and directly attributable expenditure which was also capitalised in accordance with the Code.

34. LEASES

Authority as Lessee

The Authority has, in the past, acquired some assets through operating leases. These have included vehicles and printers. However, all remaining material operating leases have ceased and no lease payments have been made since 2009/10.

Authority as Lessor

The Authority leases various parcels of land and buildings to external organisations. The most significant are shown below:

Detail of lease	Term	Expiry date	Segment in CIES
The rental of office accommodation	15 years	17/09/2033	Investment Properties
The operation of a supermarket	9 years	08/01/2028	Investment Properties
The rental of an industrial unit	10 years	28/11/2028	Investment Properties
The rental of an industrial unit	9 years	11/12/2027	Investment Properties
The rental of an industrial unit	14 years	28/09/2032	Investment Properties

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

	31 March 2019 £000	31 March 2020 £000
Not later than one year	1,062	1,062
Later than one year & not later than five years	4,248	4,248
Later than five years	7,969	6,907
Total	13,279	12,217

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

SECTION 3 NOTES TO THE ACCOUNTS

35. EXIT PACKAGES AND TERMINATION BENEFITS

The number of exit packages with total cost per band and total cost of voluntary, compulsory and other redundancies are set out in the table below:

Exit package cost band (incl. special payments)	Number of voluntary redundancies		Number of compulsory redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	18/19	19/20	18/19	19/20	18/19	19/20	18/19	19/20
£0 - £20,000	-	-	-	1	-	1	-	11,534
£20,001 - £40,000	-	-	-	1	-	1	-	23,924
£40,001 - £60,000	-	-	-	2	-	2	-	98,982
TOTAL	-	-	-	4	-	4	-	134,440

The exit package amount (£134,440 in 2019/20) is the cost of redundancy payment plus the cost of any pension strain payments.

Shared Services with South Hams District Council

Of the £134,440 cost of exit packages in 2019/20 (Nil in 2018/19), South Hams District Council (SHDC) made a contribution of £76,919 in 2019/20 (Nil in 2018/19). In addition, West Devon Borough Council made a contribution of £659 to South Hams District Council in respect of their exit package costs of £2,636 in 2019/20 (Nil in 2018/19).

36. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

The administering Authority for the Fund is Devon County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is

SECTION 3 NOTES TO THE ACCOUNTS

undertaken by a team within the administering Authority. Where appropriate some functions are delegated to the Fund's professional advisers.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis. The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2021 is £738,000. The Actuary has estimated the duration of the Employer's liabilities to be 20 years.

Further information can be found in Devon County Council Pension Fund's Annual Report which is available upon request from The County Treasurer, Devon County Council, County Hall, Exeter, EX2 4QJ.

McCloud Judgement

A judgement in the Court of Appeal about cases involving judges' and firefighters' pensions (the McCloud judgement) has the potential to impact on the Council. The cases concerned possible age discrimination in the arrangements for protecting certain scheme members from the impact of introducing new pensions arrangements. As the Local Government Pension Scheme was restructured in 2014, with protections for those members who were active in the Scheme at 2012 and over the age of 55, the judgement is likely to extend to the Scheme.

The estimated impact of the McCloud Judgement on the total liabilities at 31 March 2020 has been allowed for as a past service cost and has resulted in a slight increase in the defined benefit obligation as at 31 March 2020.

It should be noted that this adjustment is an estimate of the potential impact on the Employer's defined benefit obligation based on analysis carried out by the Government Actuary's Department (GAD) and the Employer's liability profile. It is not yet clear how this judgement may affect LGPS members' past or future service benefits

On the presumption that the remedy is for the Authority to incur costs in extending protections to all members who were active at 31 March 2012 until their retirement, the Pension Fund's Actuary has advised an indicative impact on West Devon Borough Council of a potential increase in pension liabilities of £230,000 (0.5% of total pension scheme liabilities).

This estimate from the Pension Fund's Actuary is based on the Government Actuary's Department's (GAD) estimate that salaries are assumed to increase at 1.5% each year above CPI in addition to a promotional scale.

To illustrate sensitivity to the assumed rate of salary increases, if the Actuary were to lower the salary increase assumption by 0.5% then the impact of the judgement on the total liabilities at 31 March 2020 would be 0.5% of total liabilities, and the impact of the judgement on the current service cost would be 2.1% of active liabilities.

SECTION 3 NOTES TO THE ACCOUNTS

Transactions Relating to Post-employment Benefits

The cost of retirement benefits are recognised 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 we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The movement in the pension scheme assets and liabilities together with the treatment of the corresponding transactions in the CIES is summarised in the following tables:

Comprehensive Income and Expenditure Statement	2018/19 £000	2019/20 £000
Cost of Services		
<i>Service cost comprising</i>		
- Current Service Cost	1,025	1,391
<i>Financing and Investment Income and Expenditure</i>		
- Net Interest Expense	609	561
- Administration Expenses	19	20
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	1,653	1,972
Other post-employment benefits charged to the comprehensive income and expenditure statement		
<i>Re-measurement of the net defined benefit liability comprising:</i>		
- Change in financial assumptions	(2,425)	4,467
- Change in demographic assumptions	2,856	567
- Experience loss/(gain)	-	899
- Return on fund assets in excess of interest	787	(2,777)
- Other actuarial gains/(losses) on assets	-	(113)
Total re-measurement recognised	1,218	3,043
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	2,871	5,015
<i>Movement in Reserves Statement</i>		
- Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(1,653)	(1,972)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>		
- Employers contributions payable to scheme	993	968

SECTION 3 NOTES TO THE ACCOUNTS

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

Net Pension Liability	31 March 2019 £000	31 March 2020 £000
Present value of the defined benefit obligation	50,534	45,212
Fair value of Fund assets	(27,568)	(24,258)
Deficit/(Surplus)	22,966	20,954
Present value of unfunded obligation	856	829
Net defined benefit liability/(asset)	23,822	21,783

Reconciliation of opening and closing balances of the fair value of Fund assets	31 March 2019 £000	31 March 2020 £000
Opening fair value of Fund assets	26,558	27,568
Interest on assets	672	649
Return on assets less interest	787	(2,777)
Other actuarial gains/(losses)	-	(113)
Administration expenses	(19)	(20)
Contributions by employer including unfunded	993	968
Contributions by Scheme participants	185	192
Estimated benefits paid plus unfunded net of transfers in	(1,608)	(2,209)
Closing fair value of Fund assets	27,568	24,258

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	31 March 2019 £000	31 March 2020 £000
Opening defined benefit obligation	50,938	51,390
Current service cost	1,025	1,072
Interest cost	1,281	1,210
Change in financial assumptions	2,425	(4,467)
Change in demographic assumptions	(2,856)	(567)
Experience loss/(gain) on defined benefit obligation	-	(899)
Estimated benefits paid net of transfers in	(1,530)	(2,129)
Past service costs, including curtailments	-	319
Contributions by Scheme participants	185	192
Unfunded pension payments	(78)	(80)
Closing defined benefit obligation	51,390	46,041

SECTION 3 NOTES TO THE ACCOUNTS

These figures have allowed for the estimated impact of the recent McCloud judgement as a past service cost. The impact on the total liabilities as at 31 March 2020 has been estimated to be £230,000 (or 0.5% as a percent of total liabilities).

Basis for Estimating Assets and Liabilities

Assets and liabilities are assessed by Barnett Waddingham, an independent firm of actuaries. As required under IAS19 they use the projected unit method of valuation to calculate the service cost.

To assess the value of the Employer's liabilities at 31 March 2020, they have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with IAS19.

To calculate the asset share they have rolled forward the assets allocated to the West Devon Borough Council as at 31 March 2019 allowing for investment returns (estimated where necessary), contributions paid into and estimated benefits paid from the Fund, by and in respect of the Employer and its employees.

The major assumptions are summarised in the following table:

Basis for estimating assets and liabilities	31 March 2019	31 March 2020
Mortality assumptions (in years):		
<u>Longevity at 65 for current pensioners</u>		
- Men	22.4	22.9
- Women	24.4	24.1
<u>Longevity at 65 for future pensioners (in 20 years)</u>		
- Men	24.1	24.3
- Women	26.2	25.5
Financial assumptions (in percentages):		
- RPI increases	3.40%	2.70%
- CPI increases	2.40%	1.90%
- Salary increases	3.90%	2.90%
- Pension increases	2.40%	1.90%
- Discount rate	2.40%	2.35%

The financial assumptions summarised in the table above are set with reference to market conditions at 31 March 2020.

SECTION 3 NOTES TO THE ACCOUNTS

The table below looks at the sensitivity of the major assumptions:

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	(0.1%)
Present value of total obligation	45,172	46,041	46,927
Projected service cost	894	921	949
Adjustment to long term salary increase	+0.1%	0.0%	(0.1%)
Present value of total obligation	46,114	46,041	45,968
Projected service cost	921	921	921
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	(0.1%)
Present value of total obligation	46,857	46,041	45,240
Projected service cost	949	921	894
Adjustment to life expectancy assumptions	+ 1 Year	None	-1 Year
Present value of total obligation	47,998	46,041	44,169
Projected service cost	948	921	895

The estimated asset allocation for West Devon Borough Council as at 31 March 2020 is as follows:

Employer asset share	31 March 2019		31 March 2020	
	£000	%	£000	%
Gilts	946	3%	1,035	5%
UK equities	4,580	17%	3,228	13%
Overseas equities	11,856	43%	10,432	43%
Property	2,437	9%	2,285	9%
Infrastructure	1,012	4%	1,045	5%
Target return portfolio	3,903	14%	3,185	13%
Cash	441	1%	283	1%
Other bonds	485	2%	1,271	5%
Alternative assets	1,456	5%	1,494	6%
Private equity	452	2%	-	n/a
Total	27,568	100%	24,258	100%

SECTION 3 NOTES TO THE ACCOUNTS

Of the total fund asset at 31 March 2020, the following table identifies the split of those assets with a quoted market price and those that do not:

Employer Asset Share – Bid Value		31 March 2020	
		% Quoted	% Unquoted
Fixed interest government securities	UK	0.20%	
	Overseas	4.10%	
Corporate bonds	UK	0.10%	
	Overseas	2.40%	
Equities	UK	13.30%	
	Overseas	43.00%	
Property	All		9.40%
Others	Absolute return portfolio	13.10%	
	Private Equity		
	Infrastructure		4.30%
	Multi sector credit fund	6.20%	
	Private Debt		2.70%
	Cash/Temporary investments		1.10%
Net current assets	Debtors		0.10%
Total		82.40%	17.60%

37. CONTINGENT LIABILITIES

The Council had no contingent liabilities at 31 March 2020.

38. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

Financial Instruments held by the Council are detailed in Note 14. The Council's 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 rate movements;
- **Re-financing risk** - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

SECTION 3 NOTES TO THE ACCOUNTS

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework 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. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its Financial Regulations/Standing Orders/Constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures regarding the 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 the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. 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 to Members during the year.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 26 March 2019 and is available on the Council's website (Minute CM 69).

These policies are implemented by the Finance 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.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures from the Council's customers.

SECTION 3 NOTES TO THE ACCOUNTS

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch and Moody's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

Institutions are split into colour bandings to determine the maximum level and duration of the investment.

The full Investment Strategy for 2019/20 was approved by Council on 26 March 2019 and is available on the Council's website (Minute CM 69)

The Council's Counterparty limits are as follows:

- £3.0 million for Money Market Funds
- £0.5 million on CCLA Property Investment Fund
- £3.0 million on term deposits with banks and building societies within the UK (£4.0 million with Lloyds Bank PLC)

The Council takes a very prudent approach regarding the collection of debts from its customers and calculates an annual provision for bad debts based on the age of its debt. A detailed review of potential bad debts was undertaken at 31 March 2020 and is reflected in the current figure of £381,000. This compares to £430,000 in 2018/19. The bad debt provision is adequate to deal with the historical experience of default and current market conditions. An analysis of the Council's debtors is provided in Note 15 to the accounts.

The outbreak of Covid-19 has impacted global financial economies and there is an unprecedented set of circumstances on which to base a judgement of the likelihood of debt recovery. These provisions have been calculated using robust methodologies and adjustments have been made to reflect the uncertainties arising as a result of Covid-19.

Amounts Arising from Expected Credit Losses

The Council's short term investments have been assessed and the expected credit loss is not material and therefore no allowances have been made.

SECTION 3 NOTES TO THE ACCOUNTS

	Balance at 31 March 2020	Historical Experience of Default	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2020
	£000	%	£000
Deposits with Bank and Financial Institutions			
Aberdeen Standard Money Market Fund	3,000	0.000%	-
Deutsche Money Market Fund	1,200	0.000%	-
Blackrock Money Market Fund	3,000	0.000%	-
LGIM Money Market Fund	3,000	0.000%	-
Lloyds Bank Plc	3,000	0.004%	-
Total	13,200		-

Liquidity risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. An analysis of the Council's cash and cash equivalents is provided in Note 17 to the accounts. This seeks to ensure that cash is available when needed.

The Authority has ready access to borrowing from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market Risk

The Council is exposed to market risk in terms of its exposure that the value of an instrument will fluctuate because of changes in:

- Interest rate risk;
- Price risk; and
- Foreign exchange rate risk.

SECTION 3 NOTES TO THE ACCOUNTS

Interest rate risk

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

- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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 Finance team will monitor markets and forecast interest rates within the year to adjust exposures appropriately. 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, similarly the drawing of longer term fixed rates borrowing would be postponed.

Price risk

The Council has an investment of £0.5 million in the CCLA Local Authorities Property Fund. At the end of each financial year the value of the Local Authority's investment is adjusted to equal the number of units held, multiplied by the published bid price.

The above investment has been elected as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve, therefore there will be no impact on the General Fund until the investment is sold or impaired.

Foreign exchange risk

The Council does not have any financial assets or liabilities denominated in foreign currencies, and thus has no exposure to loss arising from movements in exchange rates.

SECTION 3 NOTES TO THE ACCOUNTS

Refinancing and Maturity Risk

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the Finance team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	Approved minimum limits	Approved maximum limits	31 March 2019		31 March 2020	
	%	%	£million	%	£million	%
Less than 1 year	0%	10%	0.514	1.9%	0.591	2.0%
Between 1 and 2 years	0%	10%	0.508	1.8%	0.602	2.0%
Between 2 and 5 years	0%	30%	1.675	6.1%	1.971	6.7%
Between 5 and 10 years	0%	50%	2.519	9.1%	2.714	9.2%
More than 10 years	0%	100%	22.365	81.1%	23.656	80.1%
Total			27.581	100.0%	29.534	100.0%

SECTION 3 NOTES TO THE ACCOUNTS

39. ACCOUNTING POLICIES

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act).

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 accounting policies are applicable to all of the Council's transactions including those of the Collection Fund (council tax and business rates).

b) 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:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- Revenue from the provision of services is recognised when the Authority 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 Authority
- Supplies are recorded as expenditure when they are consumed
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings 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
- 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.

SECTION 3 NOTES TO THE ACCOUNTS

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

The Council operates a de minimis policy for accruals. For revenue and capital the de minimis has remained at £5,000 in 2019/20.

c) 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 investments that are readily convertible to known amounts of cash with insignificant risk of change in value. Our policy is shown in the following table:

Type of Investment	Settlement Terms	Gain/Loss on Sale	Cash Equivalent
Money Market Fund	T + 0	x	✓
Call Account	T + 0	x	✓
Notice Deposit	Maturity	x	x
Term Deposit	T + 7 days	x	✓
Other Term Deposits	Maturity	x	x

Key: T = trade date

The Council's view is that investments made with an investment period of greater than 7 days would not be classified as cash equivalents because they are not sufficiently liquid to meet short term cash commitments.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

d) Material items of Income and Expense

When items of income and expense are material (in excess of £300,000), their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

e) 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.

SECTION 3 NOTES TO THE ACCOUNTS

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 Authority'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.

f) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding 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 assets attributable to the service

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. These charges are therefore replaced by the 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.

g) 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 (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) 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 benefit. 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.

SECTION 3 NOTES TO THE ACCOUNTS

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to end an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. These benefits are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement, to terminate 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 Authority 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 Authority are members of the Local Government Pensions Scheme, administered by Devon County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Scheme

The Local Government Scheme is accounted for as a defined benefits scheme in the following way:

- The liabilities of the Devon County Council Pension Fund attributable to the Authority 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 estimates of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate.
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value.

For further information please refer to Note 36.

SECTION 3 NOTES TO THE ACCOUNTS

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

- **Service cost comprising:**
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - 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 as part of Non Distributed Costs
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – 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.

- **Re-measurements comprising:**
 - 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
 - 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
 - contributions paid to the Devon 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 Authority 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 earned by employees.

SECTION 3 NOTES TO THE ACCOUNTS

Discretionary Benefits

The Authority 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 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.

h) Events after the Reporting Period

Events after the Reporting Period 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:

- 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
- 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.

i) Financial Instruments

Financial Liabilities

Financial liabilities 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 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 the borrowings held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

SECTION 3 NOTES TO THE ACCOUNTS

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 cash flow characteristics.

The three main classes of financial assets are 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 i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified at amortised cost, except for 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 Council 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.

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.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI). This was previously classified as an Available for Sale asset at 31 March 2018.

The Council has made an irrevocable election to designate its equity instrument as FVOCI on the basis that it is held for non-contractual benefits, it is not held for trading but for strategic purposes. The asset was transferred to the new asset category on 1 April 2018.

The asset is initially measured and carried at fair value.

Dividend income is credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

SECTION 3 NOTES TO THE ACCOUNTS

Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

The same accounting treatment was adopted in the prior year when the asset was classified as Available for Sale, except that accumulated gains and losses on the available for sale asset were previously held in an Available for Sale Financial Instruments Reserve at 31 March 2018.

The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), 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.

Fair Value

The Council measures some of its assets and liabilities at their fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability. The Authority 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 Authority 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.

SECTION 3 NOTES TO THE ACCOUNTS

The Authority 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 the Council's fair value measurement of its assets and liabilities 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.

j) Government Grants and Contributions

General

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

- the Authority 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 acquired using 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

SECTION 3 NOTES TO THE ACCOUNTS

Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

A Business Improvement District (BID) scheme operates in Tavistock. This scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as an agent for the Tavistock BID Company, the Council is the billing Authority and collects the levy on the BID company's behalf. No income or expenditure is included in the Comprehensive Income and Expenditure Statement, and any cash balance collected by the Council but not yet paid to the BID company at the year end is carried in the Balance Sheet as a creditor.

k) Heritage Assets

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. The Council has reviewed its insurance and assets registers and has not identified any material assets that require disclosure.

l) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. As with Property, Plant and Equipment a de minimis level of £10,000 has been set for capitalisation.

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 3 years to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation charges are not permitted to have an impact on the General Fund Balance. Therefore, these charges are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

m) Investment Properties

Investment properties are those that are used solely to earn rentals and/or for 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, based on the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income

SECTION 3 NOTES TO THE ACCOUNTS

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.

n) Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with other partners that involve the use of the assets and resources of the partners rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

o) 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 (i.e. embedded leases).

The Authority as Lessee

Finance Leases

The Council does not hold any finance leases as a lessee.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Where material, 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. there is a rent-free period at the commencement of the lease).

SECTION 3 NOTES TO THE ACCOUNTS

The Authority as Lessor

Finance Leases

The Council does not hold any finance leases as a lessor.

Operating Leases

Where the Authority 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 relevant line within the 'Cost of Services' or 'Financing and Investment Income' in the Comprehensive Income and Expenditure Statement. Where material, the rental income is credited on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

p) Overheads and Support Services

Costs of overheads and support services are only recharged to services requiring full cost recovery. Apart from these exceptions support services are shown in the Comprehensive Income and Expenditure Statement in their own reporting segment, which is in line with the Council's internal reporting method.

q) Property, Plant and Equipment

Assets that have physical substance and are held for use in the 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.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment 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 Authority and the cost of the item can be measured reliably. 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.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- 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

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

SECTION 3 NOTES TO THE ACCOUNTS

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair 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.

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

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 at 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 as follows:

- 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.

De minimis policy for capital controls and accounting purposes

CIPFA have not set specified de minimis levels and it is up to authorities to decide for themselves having regard to their particular circumstances.

In order to reduce the administrative burden a general de minimis limit of £10,000 has been set for the recognition of capital expenditure except for:

- Vehicles and Plant for which the limit is £7,000
- Loans which have no limit

SECTION 3 NOTES TO THE ACCOUNTS

Component Accounting

The International Financial Reporting Standards (IFRS) code requires separate accounting for depreciation of significant components of assets that are:

- acquired on or after 1 April 2010
- enhanced on or after 1 April 2010
- revalued on or after 1 April 2010

Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge.

Significant components which have different useful lives and/or depreciation methods, will be accounted for separately.

Where a component is replaced or restored, the carrying amount of the old component shall be derecognised and the new component reflected in the assets carrying amount, subject to the recognition principles of capitalising expenditure. Derecognition of a component from the Balance Sheet takes place when no future economic benefits are expected from its use. Such recognition and derecognition takes place regardless of whether the replaced part has been depreciated separately.

Assets eligible to be considered for componentisation are those classified within the following categories:

1. Operational Buildings
2. Assets Held for Sale

The following will be considered outside the scope for componentisation:

1. Non-Depreciable Land
2. Assets Under Construction
3. Investment Properties
4. Infrastructure
5. Plant and Equipment
6. Community Assets
7. Intangible Assets

The criteria for components to be separately valued are that:

De minimis threshold - *The overall gross asset value must be in excess of £400k to be considered for componentisation and*

Materiality - *The component must have a minimum value of £200k or be at least 20% of the overall value of the asset (whichever is the higher) and*

Asset lives - *The estimated life of the component is less than half of that of the main asset.*

SECTION 3 NOTES TO THE ACCOUNTS

All three rules above must be met to consider componentisation. These rules will apply to revaluations and when replacing components within an asset.

Where enhancement is integral to the whole asset then unless there is significant evidence to the contrary, the asset life of the enhancement will have the same remaining life as the existing asset and will not be separately identified as a component.

Where assets are material and will therefore be reviewed for significant components, it is recommended that the **minimum** level of apportionment for the non-land element of assets is:

- Plant and equipment and engineering services
- Structure

The Valuer will assign to each standard property type a group of significant components common to all property assets within that property type.

Where a component is replaced the existing component shall be derecognised and the new component cost added to the carrying amount. The amount derecognised will be estimated based on the cost of the replacement part. This principle will apply to componentised and non-componentised assets.

Assets and asset components will be revalued in accordance with the annual valuation schedule agreed with the Valuer. The Valuer will be responsible for providing valuations apportioned in accordance with the assets property type.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. This formal impairment review is undertaken by the Council's Valuer. Where indications 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 as follows:

- 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.

SECTION 3 NOTES TO THE ACCOUNTS

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 calculated on a straight-line allocation over the useful life of the asset. Useful lives are determined on a case by case basis. Typical useful lives are:

Asset	Useful life
Buildings	Sixty years
Infrastructure	Twenty years
Refuse vehicles	Seven years
Light vans	Five years
IT equipment	Four years

Where an item of Property, Plant and Equipment 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 line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously 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 been 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

SECTION 3 NOTES TO THE ACCOUNTS

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.

The written-off value of disposals is not a charge against council tax, as the cost of 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.

r) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority 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.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority 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 by the Authority.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

SECTION 3 NOTES TO THE ACCOUNTS

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. The Council operates a disclosure de minimis policy for contingent liabilities and assets of £50,000.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

s) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund 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 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 Authority – these reserves are explained in the relevant policies.

t) Revenue Recognition

With the adoption of accounting standard IFRS 15, revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient. Material revenue sources will be disclosed on the face of the Consolidated Income and Expenditure Statement and as part of Note 2, Material Items of Income and Expenditure.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

The analysis carried out to date indicates that there will be no material impact on the revenue recognised in relation to the significant contracts entered into by the Council. A review will take place each year to identify whether any disclosure is necessary.

SECTION 3 NOTES TO THE ACCOUNTS

Further details of specific revenue recognition are provided in policies b) Accruals of Income and Expenditure and y) Accounting for Local Taxes.

u) Revenue Expenditure Funded from Capital under Statute (REFCUS)

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 Authority 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 Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

v) Section 106 Deposits

Developer contributions are initially treated as Capital Receipts in Advance unless a clear capital use is identified in the terms of the agreement, in which case they are defined as Capital Contributions Unapplied.

w) Shared Services

West Devon Borough Council and South Hams District Council have been in a shared services arrangement since 2007. Following the implementation of the joint Transformation Programme (T18), all of the Councils' non-manual workforce are shared across both Councils.

Officers have produced a methodology for recharging the salary costs of shared officers based on the most appropriate cost driver and ratio to best reflect the officer's split of workload between the two Councils. Examples of the cost drivers used are caseloads, call volumes, property numbers, number of claims or cases processed etc, and other methods such as time recording. The work carried out includes establishing from the Heads of Practice/Group Managers the relevant recharge requirements for all of the non-manual workforce. On an annual basis, the Audit Committee approve the methodology for recharging the salary cost of shared officers.

x) 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.

y) Accounting for Local Taxes

Billing authorities act as agents, collecting council tax and business rates on behalf of the major preceptors (including government for business rates) and, as principals, collecting council tax and business rates for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and business rates. Under the legislative framework for the Collection

SECTION 3 NOTES TO THE ACCOUNTS

Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than predicted.

Accounting for Council Tax and Business Rates

The council tax and business rates income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and business rates that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and business rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

z) Minimum Revenue Provision

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

40. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) introduces changes in accounting policies that will have to be adopted fully by the Authority in the 2020/21 financial statements i.e. from 1 April 2020.

The Authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new/amended standard that has been issued, but is not yet required to be adopted by the Authority.

It was originally envisaged that the financial impact of IFRS16 *Leases* would need to be disclosed in the 2019/20 Accounts. This standard will require local authorities that are lessees to recognise leases on their balance sheets as right-of-use assets with corresponding lease liabilities. However, CIPFA/LASAAC have recently deferred implementation of IFRS16 for local government for a further year from 1 April 2020 to 1 April 2021 due to the COVID-19 pandemic.

SECTION 3 NOTES TO THE ACCOUNTS

Following this deferral there are no changes in accounting requirements for 2020/21 that are anticipated to have a material impact on the Council's financial performance or financial position.

41. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 39, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The cost drivers used to apportion Shared Service costs are appropriate and result in recharges which fairly reflect actual workloads and costs.
- The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area, with effect from 1 April 2013. Provision is made for likely refunds of business rates as a result of appeals, against the rateable value of business properties. The appeals provision is based on the total value of outstanding appeals at the year end as advised by the Valuation Office Agency. Using this information an assessment was made about the likely success rate of appeals and their value.
- The ongoing impact of the Covid-19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property and infrastructure allocations as at 31 March 2020 are difficult to value according to preferred accounting policy. Professional Valuers have not been actively valuing many similar sized assets in the market due to the current lockdown environment. As such movements in the value of investments due to current economic uncertainty will affect the valuation of the pension liability. If the value of investments is found to have changed from the estimates used by the actuaries, it will impact the overall value of the pension liability. For instance, a 5% increase in the pension liability would have an impact of £1.2m on the financial statements.

SECTION 4 COLLECTION FUND

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2020

This account reflects the statutory requirements for the Council as a billing Authority to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

2018/19 Business Rates £000	2018/19 Council Tax £000		2019/20 Business Rates £000	2019/20 Council Tax £000
		INCOME		
	(39,054)	Income from Council Tax	(10,610)	(41,219)
(10,637)	-	Business Rates Receivable	(268)	-
(400)	-	Transitional Relief		-
(11,037)	(39,054)		(10,878)	(41,219)
		EXPENDITURE		
		Precepts, Demands and Shares*:		
-	-	Central Government	4,957	-
5,797	26,781	Devon County Council	892	27,930
-	3,788	Devon & Cornwall Police Authority	-	4,283
98	1,690	Devon & Somerset Fire Authority	99	1,746
3,930	5,889	West Devon Borough Council (net including Towns/Parishes)	3,965	6,127
70	-	Business Rates written off and change in impairment allowance	313	-
-	461	Council Tax written off and change in impairment allowance	-	719
590	-	Business Rates increase/(decrease) in provision for appeals	388	-
84	-	Business Rates – Costs of collection	82	-
		Distribution/collection of previous year's estimated surplus/(deficit):		
37	-	Central Government	390	-
7	433	Devon County Council	70	385
-	60	Devon and Cornwall Police	-	54
1	28	Devon and Somerset Fire Authority	8	24
30	96	West Devon Borough Council	312	84
10,644	39,226		11,476	41,352
(393)	172	MOVEMENT ON BALANCE	598	133

SECTION 4 COLLECTION FUND

*Business Rates Pilot Status 2018/19

Devon was selected as one of 10 areas to take part in a national pilot allowing Councils to retain a higher share of business rates growth in 2018/19. This pilot status is reflected in the movement in the Preceptor's Shares above for 2018/19 with no surplus due to Central Government and Devon County Council's share increasing from 9% to 59% in 2018/19. The pilot was for one year, 2018/19 and has generated an extra £460,000 of business rate income for the Borough Council.

1. COUNCIL TAX AND COUNCIL TAX BASE

In 2019/20, the Council's average Band D Council Tax was £1,986.74. The charge for each band is a ratio of band D. The 2019/2020 charges therefore were:

Band	Ratio to Band D	Band D Council Tax (£)
Disabled		
A	5/9	1,103.74
A	6/9	1,324.49
B	7/9	1,545.24
C	8/9	1,765.99
D	1	1,986.74
E	11/9	2,428.24
F	13/9	2,869.74
G	15/9	3,311.23
H	18/9	3,973.48

These charges are before any appropriate discounts or benefits. The Council tax base, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes, appeals and new builds. The tax base estimate for 2019/20 was **20,176.57** as calculated below (20,117.85 in 2018/19).

SECTION 4 COLLECTION FUND

Band	Dwellings per Valuation List	Adjustment for Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
Dis A	-	10.00	10.00	5/9	5.56
A	3,519	(614.75)	2,904.25	6/9	1,936.17
B	6,443	(755.25)	5,687.75	7/9	4,423.81
C	5,358	(499.50)	4,858.50	8/9	4,318.67
D	4,165	(287.00)	3,878.00	1	3,878.00
E	3,373	(230.75)	3,142.25	11/9	3,840.53
F	1,778	(89.00)	1,689.00	13/9	2,439.67
G	1,016	(78.50)	937.50	15/9	1,562.50
H	81	(9.00)	72.00	18/9	144.00
Total	25,733.00	(2,553.75)	23,179.25		22,548.91
Less allowance for non-collection					(676.47)
Plus adjustment for armed forces dwellings					21.00
Other adjustments including Council Tax Support					(1,716.87)
Tax base					20,176.57

2. Rateable value

The total business rates rateable value at 31 March 2020 was £32,483,174. This compares to £32,228,374 at 31 March 2019. The standard business rates multiplier was 50.4p in 2019/20 (2018/19 49.3p). Without reliefs this would generate a total income of £16,371,519.70 (2018/19 £15,888,588.38). These figures are a snapshot only and differ from the value of business rate bills issued due to changes in rateable values during the year, small business rate relief, void properties and charitable relief.

SECTION 4 COLLECTION FUND

3. Collection Fund balance

2018/19 Business Rates £000	2018/19 Council Tax £000		2019/20 Business Rates £000	2019/20 Council Tax £000
(152)	(701)	Fund balance at 1 April	(545)	(529)
(393)	172	Deficit/(surplus) for year	598	133
(545)	(529)	Fund balance as at 31 March – deficit/(surplus)	53	(396)

The balance on the Collection Fund is split between the preceptors as follows:

2018/19 Business Rates £000	2018/19 Council Tax £000		2019/20 Business Rates £000	2019/20 Council Tax £000
(39)	-	Central Government*	(91)	-
(283)	(372)	Devon County Council*	122	(275)
-	(52)	Devon and Cornwall Police	-	(43)
(5)	(24)	Devon and Somerset Fire Authority	1	(17)
(327)	(448)	Total deficit/(surplus) due to Preceptors	32	(335)
(218)	(81)	West Devon Borough Council	21	(61)
(545)	(529)	Fund balance as at 31 March – deficit/(surplus)	53	(396)

*Business Rates Pilot Status for 2018/19

The Business Rates balances above reflect the Council's Business Rates Pilot Status for 2018/19. Unlike the other Business Rates Preceptors, Central Government's Collection Fund balance was not increased by a share of the 2018/19 surplus following the Devon Authorities successful bid for Pilot status. In addition the larger balance due to Devon County Council at 31 March 2019 reflected their increased share of business rates for 2018/19 from 9% to 59%. The pilot was for one year, 2018/19 and has generated an extra £460,000 of business rate income for the Borough Council.

SECTION 5 STATEMENT OF RESPONSIBILITIES / APPROVAL OF THE ACCOUNTS

The Authority's responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Corporate Director of Strategic Finance (Section 151 Officer)
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

The Chief Financial Officer's responsibilities

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

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2020.

.....

Lisa Buckle BSc (Hons), ACA
Corporate Director of Strategic Finance (Section 151 Officer)

15 July 2020

SECTION 5 STATEMENT OF RESPONSIBILITIES / APPROVAL OF THE ACCOUNTS

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee as its meeting held on TBA.

Signed on behalf of West Devon Borough Council

.....

Councillor M Davies

Chairman of the Audit Committee

SECTION 6 AUDITORS REPORT

The Auditors' report will be received following the annual audit of the accounts.

SECTION 7 GLOSSARY OF TERMS

GLOSSARY OF TERMS

ACCRUALS	A sum included in the account to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end date of the period for which the accounts have been prepared.
ACTUARIAL GAINS & LOSSES	These are changes in actuarial deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.
BALANCES	The surplus or deficit on any account at the end of the year. Amounts in excess of that required for day to day working may be used to reduce the demand on the Collection Fund.
BUSINESS IMPROVEMENT DISTRICT (BID)	A Business Improvement District is a partnership between a local Authority and the local business community to develop projects and services that will benefit the trading environment within the boundary of a clearly defined commercial area.
CAPITAL EXPENDITURE	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
CAPITAL RECEIPTS	Income received from sale of assets which is available to finance other capital expenditure or to repay debt on assets financed from loans.
CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY	The governing body responsible for issuing the statement of recommended practice to prepare the accounts.
COLLECTION FUND	A separate fund which must be maintained by a district for the proper administration of Council Tax and Non Domestic Rates.
CURRENT SERVICE COST	Amount chargeable to Services based on the Actuary's assessment of pension liabilities arising and chargeable to the financial year.

SECTION 7 GLOSSARY OF TERMS

CURTAILMENTS	The amount the Actuary estimates as costs to the Authority of events that reduce future contributions to the scheme, such as granting early retirement.
DEFINED BENEFIT SCHEME	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
DEMAND	The charging authorities own Demand is, in effect, its precept on the fund.
FAIR VALUE	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
FEES & CHARGES	In addition to the income from charge payers and the Governments, Local Authorities charge for services, including Planning Consents, Hire of Sporting Facilities, Car Parking etc.
FINANCIAL INSTRUMENTS	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
GOVERNMENT GRANTS	Payments by Central Government towards the cost of Local Authority services, including both Revenue and Capital.
IMPAIRMENT ALLOWANCE (“BAD DEBT PROVISION”)	Provisions against income to prudently allow for non collectable amounts.
INTEREST COST	For the pension fund this represents the discount rate at the start of the accounting period applied to the liabilities during the year based on the assumptions at the start of the accounting period.
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & THE CODE OF PRACTICE (CODE)	Formal financial reporting standards adopted by the accounting profession and to be applied when dealing with specific topics within its accounting Code. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

SECTION 7 GLOSSARY OF TERMS

LIBID	Acronym for the London Inter-bank Bid Rate, being the interest rate at which a market maker or underwriter will offer to buy bonds and securities.
MINIMUM REVENUE PROVISION (MRP)	This is a statutory requirement to make an annual calculation of an amount or MRP considered prudent to offset against borrowings made under the Prudential Borrowing rules.
PAST SERVICE COST	These will typically be additional benefits awarded on early retirement. This includes added years or augmentation and unreduced pension benefits awarded before eligible retirement age in the pension scheme.
PRECEPT	The levy made by precepting authorities including the County Council and Parish Councils, on the District Council requiring it to collect the required income from council taxpayers on their behalf.
PROJECTED UNIT METHOD	<p>An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:</p> <ul style="list-style-type: none">a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases,b) the accrued benefits for members in service on the valuation date. <p>The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.</p>
RATEABLE VALUE	A value placed on all properties subject to Rating. The value is based on a national rent that property could be expected to yield after deducting the cost of repairs.
REVENUE EXPENDITURE	Recurring items of day to day expenditure consisting principally of Salaries and Wages, Debt Charges and general running expenses etc.

SECTION 7 GLOSSARY OF TERMS

SETTLEMENTS	A settlement will generally occur where there is a bulk transfer out of the Pension Fund or from the employer's share of the Fund to a new contractor's share of the Fund as a result of an outsourcing. It reflects the difference between the IAS 19 liability transferred and the assets transferred to settle the liability.
STRAIN ON FUND CONTRIBUTIONS	Additional employers pension contributions as a result of an employee's early retirement
SUNDRY CREDITORS	Amounts owed by the Authority at 31 March.
SUNDRY DEBTORS	Amounts owed to the Authority at 31 March.

**West Devon Borough Council
Annual Governance Statement
2019-2020**

1. Scope of Responsibility

West Devon Borough Council is responsible for ensuring that:

- its business is conducted in accordance with legal requirements and proper standards
- public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, West Devon Borough Council is also responsible for ensuring that there is a sound system of governance (incorporating the system of internal control) and maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including arrangements for the management of risk. A Statutory Officers' Panel was set up in 2015 and a key role of this Panel is strategic risk management.

West Devon Borough Council and South Hams District Council have been shared services partners since 2007. As two of the very first Councils to share a Chief Executive in 2007, the Councils have been bold in challenging the traditional local government model and have always been at the forefront of radical change and innovation.

Following the conclusion of our transformation programme, and the departure of three members of the Senior Leadership Team (SLT), a restructure of both the Senior and Extended Leadership Team (ELT) was undertaken in late 2019. This was to ensure that the Council's leadership was better aligned to become more customer focused, ensure our future financial sustainability and to better align ourselves to deliver our corporate priorities. Our Chief Executive left us in early March 2020 and following an external recruitment process, her replacement will be taking up post in June 2020.

The role of the Senior Leadership Team (SLT) is to implement the plans and policies to support the strategic direction of the Council as set by Members. SLT are supported by an Extended Leadership Team (ELT). The ELT includes the principal people managers and professional lead officers in areas such as

Housing, Planning, Environmental Health, Asset Management, Environment Services and Waste and Support Services such as Finance, Legal, IT and Human Resources.

The Council's Corporate Director of Strategic Finance is the officer with statutory responsibility for the administration of the Council's financial affairs as set out in section 151 of the Local Government Act 1972.

The S.151 Officer, who acts as the Chief Financial Officer (CFO), has responsibility for the administration of the financial affairs of the Council; will contribute to the corporate management of the Council, in particular through the provision of professional financial advice; will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all Members and will support and advise Members and officers in their respective roles; and will provide financial information to the media, Members of the public and the community. (Constitution Article 10)

The CFO leads the promotion of good financial management including through the provision and publication of Financial and Contract Procedure Rules. The Council's S.151 Officer is a qualified accountant.

A review of the Council's arrangements against the CIPFA guidance on the Role of the Chief Finance Officer in Local Government has concluded that the recommended criteria have been met in all areas.

2. The Purpose of the Governance Framework

The governance framework comprises the cultural values, systems and processes used by the Council to direct and control its activities, enabling it to engage, lead and account to the community. The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether appropriate, cost-effective services have been delivered.

A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework was in place at West Devon Borough Council for the year ended 31 March 2020 and is expected to continue up to the date of approval of the Accounts by the Audit Committee.

This Statement explains how West Devon Borough Council has met the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive's (SOLACE) Framework Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016.

Included within this framework are seven core principles of governance:

PRINCIPLE A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

All Council decisions incorporate a legal implications section which are published on the Council's website. Officers and Members receive support from Legal Services in considering legal implications and if specialist legal advice is required then the Council will engage external advisors. The Section 151 Officer and Monitoring Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal and financial requirements and for reporting any such instances to Members.

In addition the Council undertakes the following to ensure a strong commitment to ethical values and behaving with integrity:

- Staff are assessed against a set of key behaviours (known as 'IMPACT') to establish the right values and culture
- The Council's whistle-blowing policy, known as the Confidential Reporting Policy, is available to all staff on the Council's Intranet (including Frequently Asked Questions) and is also publicised internally on an occasional basis to maintain its profile. It was last reviewed and adopted by Members in July 2016 and is reviewed annually (along with the Council's regulatory framework) by the Statutory Officers' Panel and remains fit for purpose.
- The Council's Constitution also defines the roles of Members and officers. Part 5 of the Constitution includes a Protocol on Councillor / Officer Relations. The Protocol is a guide to Members and Officers in their dealings with each other, and applies equally to co-opted Members of Council bodies in their dealings with officers where appropriate.
- There are codes of conduct in place for Members and Officers which include arrangements for registering interests and managing conflicts of interest. The Officers' Code of Conduct was reviewed and agreed with the Unions in 2017-18. A Members' Code of Conduct is in place and is fit for purpose but is due for review on the conclusion of the Local Government Association's consultation (and issue of) a new model code of conduct.
- The Standards Committee is responsible for overseeing the Members' Code of Conduct and good governance by Members and its terms of reference are set out in the Constitution.

- There is an effective Audit Committee in place with clear terms of reference, which oversees internal and external audit, the Constitution, Risk Management and regulatory policies.

PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement

All Committee and Council meetings are open to the public, with papers available in advance on the Council's website (save where 'Exempt' under the Local Government Act 1972 following formal evaluation of the public interest).

The Council also undertakes the following to ensure openness and comprehensive engagement:

- Publishes consultations and surveys on the Council website and uses a consultation checklist based on the Gunning Principles to structure consultations to ensure good communication guidelines are adhered to.
- Utilises social media on a daily basis including Twitter, Instagram, Facebook, LinkedIn and YouTube to provide instant information on Council services thus allowing for a free flow of comments from stakeholders.
- Uses dedicated Locality Engagement Officers to attend local events to canvas the opinions of stakeholders to help shape the delivery of Council services.
- Produces specific e-bulletins for various interest groups including Business, Housing, Neighbourhood Planning, etc.
- Publishes an Annual Report available on the Council website which openly demonstrates how Council resources are used.

PRINCIPLES C AND D - Defining, optimising and achieving outcomes

The Council has a number of strategic documents and plans that guide its approach to achieving its vision and ensuring that it remains financially sustainable. The Council's adopted Priorities are confirmed in Article 6 of the Constitution and again are published on the Council's website.

The Council's policies, aims and objectives are well established and monitored at various levels for example forward plans, annual service planning process and personal development reviews.

Corporate Strategy

On 10th September 2019, the Hub Committee considered a series of desired outcomes to support its Corporate Strategy which was recommended and approved by Council. Minute HC33 refers

<https://mg.swdevon.gov.uk/documents/s22989/Corporate%20Strategy.pdf>

The Five Year Corporate Strategy 2018 – 2023 has six Corporate Strategy Themes as below:-

Council – Delivering efficient and effective services

Homes – Enabling homes that meet the needs of all

Enterprise – Creating places for enterprise to thrive and business to grow

Communities – Council and residents working together to create strong and empowered communities

Environment – Protecting, conserving and enhancing our built and natural environment

Wellbeing – Supporting positive, safe and healthy lifestyles and helping those most in need

Annual Report for 2019-2020

The Council's Annual Report sets out the Council's achievements for 2019/20 by each of the themes within the Corporate Strategy.

This will be published alongside the Annual Governance Statement and considered by Audit Committee in July 2020.

The report will then be published online.

PRINCIPLE E - Developing capacity and capability

Staff throughout West Devon and South Hams perform well with average days of short term sickness on or above target. HR policies allow a fair and positive relationship between employer and employee.

Regular staff briefings and an online staff appraisal system ensures staff are up to speed with Council priorities. Employees are able to evidence their achievements and identify any training needs through the appraisal process. The Councils are committed to providing opportunities to young people and have an apprenticeship scheme.

The Council also undertakes the following to develop capacity and capability:

- Delivers an induction programme for Officers and Members
- Provides a Member training and development programme

- Promotes to staff the use of “Learning Pool” an extensive online learning resource
- Delivers focused training on specific issues (e.g. complaints, data protection)
- Extended Leadership Team development programme
- Works in partnership with local authorities and other bodies to achieve economies of scale
- Conducts a staff survey to gauge employee satisfaction and assist in improving how the organisation performs. The survey results have shown significant improvement over the past 4 years.
- The Council holds an annual Staff Awards ceremony to recognise outstanding performance

PRINCIPLE F - Managing risks and performance

There is a culture of risk ownership and management throughout the Council and in 2019/20, particular focus has been given refreshing the risk register for the new Council term. Risks are logged centrally and are updated regularly.

For each risk, the uncertainties are identified, along with the consequences, likelihood of occurrence and strategic impacts that would result. The Council’s Senior Leadership Team review the corporate risk log quarterly and updates are reported to Elected Members via the Audit Committee on a biannual basis.

A Member Risk Management training session was delivered during July 2019. This was a joint session with South Hams District Council in order to help Members understand how we consider risks and steps that we can take to treat them.

Elected Members also have the opportunity to raise concerns with the mitigating actions being taken by officers and can suggest new risks for consideration.

A Statutory Officers’ Panel which meets quarterly has been set up comprising of the Chief Executive (Head of Paid Service), Corporate Director for Strategic Finance (S151 Officer) and the Monitoring Officer, Director of Governance and Assurance and the Deputy Chief Executive, with other key officers invited as appropriate. Its key roles are to ensure that the Council complies with and manages:

- Governance frameworks
- Strategic risk management, and
- Regulatory framework

The Statutory Officers’ Panel has important links with the Audit Committee and the Overview & Scrutiny Committee. It has a rolling programme of works

which are set out in a Forward Plan. On 25th June 2019, the Audit Committee considered the Annual Report of the Statutory Officers' Panel.

As part of the Statutory Officer's Panel work programme, the Finance Procedure Rules have been updated and reported to the Council's Audit Committee.

All Committee reports include a reference where relevant to the potential impact on the Council's priorities and community plan themes, and address as appropriate any financial, staffing, risk, legal and property implications, and are monitored by appropriate senior officers (including the S151 Officer and the Monitoring Officer).

With regards to managing performance throughout the year we have continued to improve performance to meet the needs of our customers.

We have systematically reviewed areas of poor performance, streamlined processes, embedded new IT solutions and delivered staff training. As a result we have seen a significant reduction in call volumes and an increase in transactions online.

In October 2019, staff away days were held to specifically focus on further improving the customer experience. These were attended by all employees of the Council over a number of days.

To manage performance the Council ensures the following:

- Continuous managerial review of services to ensure continuous improvement and the economic, effective and efficient use of resources
- Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Quarterly budget monitoring reports are presented to the Hub Committee.
- Active performance management arrangements including quarterly reports to Overview & Scrutiny Committee on performance measures
- A robust complaints/ compliments procedure is in place and is widely publicised, with the Ombudsman's Annual Report being reported to the Overview and Scrutiny Committee
- Freedom of Information requests are dealt with in accordance with established protocols

PRINCIPLE G Implementing good practices in transparency, reporting, and accountability

The Council follows the Government Communication Service guidance on providing clear and accurate information and has a number of measures in place to demonstrate transparency and accountability.

The Audit Committee meets five times a year and its role is to provide an oversight of the financial reporting and audit processes plus the system of internal controls and compliance with laws and regulations.

The Council also has two internal audit staff managed by the Devon Audit Partnership who provide an opinion on the internal control environment and governance processes. In March 2019 (Minute AC39), it was recommended to Council for West Devon to join the Devon Audit Partnership as a 'non-voting' partner from 1 April 2019 (or as soon as is reasonably practicable thereafter). This was approved by Council in March 2019.

Six applications for exemptions to Contract/Financial Procedure Rules were received in the year, all were accepted.

External audit was provided by Grant Thornton for 2018/19 and in July 2019 they reported that they had concluded that the Council had made proper arrangements to secure economy, efficiency, and effectiveness in its use of resources. (The 2019/20 Accounts will be reported on by Grant Thornton by September 2020).

To further ensure transparency the Council undertakes the following:

- Provide training to Members on the Overview and Scrutiny Committee on effective scrutiny practices
- Ensure all Member decisions are formally minuted
- Publishes all Council decisions online together with background reports
- Produces an Annual Report detailing Council performance and spend

Process for maintaining and reviewing effectiveness of the Council's Governance arrangements

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This responsibility is in practice carried out by Senior Managers, with the Chief Executive informing the Hub Committee of any significant matters warranting their attention. The Council ensures the delivery of services in accordance with Council policies and budgets, which includes long term financial planning, good financial management and ensuring up to date risk management across the Council. The Overview and Scrutiny Committee is responsible for performing a review function and on 9th July 2019 they considered their Annual Report for 2018/19, which set out a summary of the work programme they have considered for the previous 2018/19 year.

The Audit Committee

The Audit Committee has a specific role in relation to the Council's financial affairs including the internal and external audit functions and monitors the internal workings of the Council (broadly defined as 'governance'). It is responsible for making sure that the Council operates in accordance with the law and laid down procedures and is accountable to the community for the spending of public money. The Audit Committee will provide:-

- i) independent assurance of the adequacy of the risk management framework and the associated control environment
- ii) independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment
- iii) oversees the financial reporting process.

The review of effectiveness of the system of internal control is informed by three main sources: the work of Internal Audit; by managers who have responsibility for the development and maintenance of the internal control environment; and also by comments made by external auditors and other review agencies/inspectors.

Internal Audit

The Council's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2011. This responsibility is delegated to the S151 Officer.

The Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources. All audit reports go to the Senior Leadership Team who agree any recommendations. Members receive an annual report of internal audit activity and approve the annual audit plan for the forthcoming year.

The Internal Audit annual report for 2019/20 was considered by the Audit Committee on 23rd June 2020. The report contains the Head of Internal Audit's Opinion for the 2019/20 year which is that of "Substantial Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

Senior Managers

Individual managers are responsible for establishing and maintaining an adequate system of internal control within their own sections and for contributing to the control environment on a corporate basis. There are a number of significant internal control areas which are subject to review by internal audit. All managers acknowledge their responsibilities and confirm annually that they have implemented and continuously monitored various significant controls.

External auditors and other review agencies/inspectories

Our external auditors (Grant Thornton) will issue their 'External Audit Report ISA260 report' for 2019/20 in September 2020 which will be considered by the Audit Committee. The document will summarise their key findings in relation to their external audit of the Council for 2019/20 and will contain an opinion on the Council's financial statements, the control environment in place to support the production of timely and accurate financial statements and the Council's significant risk areas.

The key messages from Grant Thornton's External Audit report for 2019/20 (which will be presented to the Audit Committee in September 2020) will be inserted in here in September 2020

Value for Money (VFM) audit conclusion – Grant Thornton's VFM audit conclusion will be inserted in here in September 2020 on the conclusion of the audit.

Significant Governance Issues

Given the sudden and significant global impact of the Covid-19 pandemic, we have set out the significant governance issues for the year in two sections. The first covering the 11 months of the year to the end of February 2020, the second section covering March 2020.

April 2019 – February 2020

The following action plan has been drawn up to address the weaknesses identified and ensure continuous improvement of systems or to deal with governance issues:

Issues and action plan from the System of Internal Control

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p><i>Financial Uncertainty</i></p> <p>The Council continues to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.</p> <p>The Council was already under financial strain before the coronavirus crisis, with a predicted budget gap in 2021/22 of £0.42 million and a cumulative budget gap of £1.6 million over the five year period to 2024/25. This is on an annual net budget of £7.2 million for 2020/21.</p> <p>Since 2010 we have had to redesign our services to balance the books. We have done this by sharing a single workforce with South Hams, generating an ongoing annual saving of £2.2 million for West Devon and by reducing our staffing levels by 30% through our Transformation Programme.</p> <p>In September 2019, Council approved the Medium Term Financial Strategy (MTFS) which looks at financial planning and management over a five year strategy. It sets out the strategic intention for all of the different strands of funding available to the Council.</p> <p>The MTFS will need to be updated in the light of Covid 19.</p>	<p>An updated Medium Term Financial Strategy will be presented to Members in October/November 2020.</p>	<p>Director of Strategic Finance By October/November 2020</p>

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p>The Council responded to consultations on the Fair Funding Review and Business Rates reform in February 2019 and copies were sent to all Members and MPs for West Devon.</p>	<p>Continue to respond to Government consultations as and when they are issued.</p>	<p>S151 Officer In line with consultation timetables</p>
<p>Review all Fees and Charges for 2021/22 onwards</p>	<p>Report to be presented to the Hub Committee</p>	<p>Head of Finance Practice December 2020</p>
<p>Keep all Members updated on changes to the Local Government Finance system (e.g. New Homes Bonus and Negative Revenue Support Grant) that will be announced as part of the Spending Review for 2021/22 onwards</p>	<p>On-going as announcements are made by Government. It is likely that until the Relative Needs and Resources review is completed by Central Government, the Council may only receive a one year finance settlement for 2021/22.</p>	<p>S151 Officer December 2020</p>
<p>Larger unknowns on resetting of business rate baseline and fairer funding review which could have a negative impact on finances. These developments will fundamentally change the Local Government Finance environment, which is now characterised by an increased shift towards locally-generated resources, with an accompanying transfer of both risk and opportunity.</p>	<p>Continue to respond to Government consultations as and when they are issued.</p>	<p>S151 Officer In line with consultation timetables</p>

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p><u>Climate & Biodiversity Emergency</u></p> <p>The Council declared a Climate Change and Biodiversity Emergency on 21 May 2019. This followed on from declarations made nationally and by Devon County Council.</p> <p>The Council committed to produce an Action plan which was adopted on 17 December 2019 and the following was resolved;</p> <ol style="list-style-type: none"> 1. The Council aims to reduce its organisational carbon emissions (Scope 1, 2 and 3 emissions) to net-zero by 2030; 2. The Council commits to working with partners through the Devon Climate Emergency Response Group to aim to reduce the Borough of West Devon's carbon emissions to net-zero by 2050 at the latest; 3. The Council aims for a 10% Biodiversity Net Gain in the habitat value of its green and wooded public open space by 2025; 	<p>Development of a Strategic Framework and action plan to support delivery against the adopted aims.</p>	<p>Director of Governance and Assurance September 2021</p>

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p><u>Senior and Extended Leadership Team Restructure</u></p> <p>The Chief Executive, in consultation with the Leaders and with advice from the Local Government Association, undertook a restructure of the Leadership Team resulting in the following changes:</p> <p>Deletion of the following posts:-</p> <ul style="list-style-type: none"> • Group Manager Business Development • Group Manager Commercial Services • Commissioning Manager • Specialist Manager x 2 • Case Management Manager x 2 • Head of Commercial Services <p>Addition of the following posts:-</p> <ul style="list-style-type: none"> • Corporate Director Governance and Assurance • Strategic Director Economy and Enterprise • Head of Strategy & Projects • Business Manager – Specialists • Business Manager – Case Management • Customer Improvement Manager <p>Shortly after the conclusion of the restructure, the Chief Executive took up a new post at another Local Authority. As a result, a recruitment process was undertaken with a new Chief Executive due to take up post in June 2020.</p>	<p>Appointment has been approved by Full Council, actions are now around ensuring full briefing of new Chief Executive from Acting Chief Executive.</p>	<p>Deputy Chief Executive – June 2020</p>

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p>Business Continuity Management Strategy and Work Programme</p> <p>On 29th January 2019, the Hub Committee considered a Business Continuity Strategy and Work Programme (Minute HC70). The Management Strategy and Work Programme was adopted.</p> <p>During 2018/19, an Internal Audit review noted that there were 'Fundamental Weaknesses' primarily due to not ensuring Business Continuity Plans were kept updated (or missing). During 2019/20, a further review noted that updated plans were now in place and considered that the overall status had improved to 'Improvements Required'</p> <p>At the end of 2019/20, the leadership team undertook an extensive review of our business continuity arrangements along with in depth planning sessions including responding to a pandemic flu outbreak. This put the Council in a good position to act quickly in response to Covid-19.</p>	<p>A work programme is in place and will continue to be updated.</p> <p>While the Covid-19 pandemic is not over, the Incident Management Team will undertake a review of our business continuity response in July 2020 to inform future planning</p>	<p>Senior Specialist (Environmental Health)</p> <p>Timescales as set out in Work Programme</p> <p>Senior Specialist (Environmental Health) / Head of Strategy July 2020</p>

<p>Internal and External Audit Reports</p> <p>Some issues have been identified in audit reports by the Council's shared in-house internal audit team and the Council's external auditor, Grant Thornton. Individually the recommendations do not impact on the wider system of internal control, but action plans for remedial action have been agreed where appropriate.</p>	<p>All remedial actions detailed in external and internal audit reports will be completed in line with the agreed timescales. These actions will be monitored by the auditors' 'follow up' procedures.</p>	<p>Extended Leadership Team (ELT) S151 Officer Internal Audit Manager In line with agreed timescales</p>
--	--	--

March 2020

As set out above, the Covid-19 pandemic has had significant and sudden impacts on the Council that will be long lasting. In line with CIPFA guidance issued on 7 April 2020, 'Matters to consider as a result of the coronavirus pandemic' briefing note, the following action plan has been drawn up to address the weaknesses identified and ensure continuous improvement of systems or to deal with governance issues arising in the period March 2020

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p><u>Covid-19 Response & Recovery</u></p> <p>The Covid-19 pandemic required the Council to quickly take action to ensure compliance with government guidance. While the full impact will not be understood for some time, immediate impacts are being considered and a recovery plan being developed.</p> <p>The pandemic has significantly increased the Councils risk profile in a number of areas:-</p> <p><u>Financial Sustainability</u></p> <p>The social distancing measures and subsequent national lockdown has significantly impacted on Income that the Council would typically receive. The Government has announced a package of support and the Council is awaiting details of this and guidance on the Government support scheme.</p> <p>The factors affecting the Council's finances are issues affecting the whole Local Government sector. The Council is well-placed to meet the financial challenges arising from Covid19, due to its prudent financial management over previous years.</p>	<p>Review of initial response and overview of implications for the Council to be presented to Overview and Scrutiny</p> <p>Covid-19 Recovery Plan to be developed</p> <p>The Council will continue lobbying with 'Team Devon' for further Government financial support in light of the impact of Covid19.</p> <p>The Council will complete the monthly Government returns on COVID costs and loss of income.</p>	<p>Director of Governance & Assurance – June 2020</p> <p>Director of Governance & Assurance – September 2020</p> <p>Director of Strategic Finance (S151 Officer) – September 2020</p> <p>Director of Strategic Finance (S151 Officer) – September 2020</p>

<p>On 2nd July, the Rt Hon Robert Jenrick MP announced a new comprehensive package of support for Councils, to address spending pressures and losses in income streams. There were three central pillars of support announced:-</p> <ol style="list-style-type: none"> 1) A new scheme to compensate Councils for losses of income, though not in their entirety (an 'income guarantee' scheme) 2) An extra £500million to cover extra COVID19 expenditure costs 3) To allow council tax and business rate losses in income to be repaid over the next 3 years of budget cycles, instead of just the next one year <p>Income losses above the first 5% will be compensated by the Government paying for 75 pence in every pound thereafter. This is only the income losses from sales, fees and charges so it isn't clear yet which categories of income this will include.</p> <p>Covid19 has had a significant impact on leisure provision given the nature of activities and hygiene requirements. The risk is that as leisure centres make adjustments to reduce the risk of Covid19 to both staff and customers, the capacity of the centres is significantly reduced while many overheads and operating costs remain the same.</p>	<p>Monthly budget monitoring reports will be reported to Members.</p> <p>The Council's Capital Programme will be reviewed and a comprehensive review of all Earmarked Reserves will be undertaken and contributions to Earmarked Reserves.</p> <p>Monthly meetings of the Financial Stability Review Group (FSRG) to formulate the strategy for the amended Budget proposals.</p> <p>An amended Budget for 2020/21 will be presented to the September 2020 cycle of Committee meetings, following a Member Budget Workshop in August.</p> <p>Regular dialogue and discussions with the Council's leisure provider (Fusion) and regular reporting to Members when further information is known. Lobbying of the Government on financial assistance for leisure providers.</p>	<p>Director of Strategic Finance (S151 Officer) – September 2020</p> <p>Director of Strategic Finance (S151 Officer) – September 2020</p> <p>Director of Place and Enterprise and Director of Strategic Finance September 2020 and on-going.</p>
--	--	--

Impact on Business as Usual activities

The Council is fortunate that it was quickly able to require the majority of its employees to work from home, even ahead of formal government guidance. This mitigated any spikes in sickness absence or impact on service provision in many areas in the first couple of weeks of the lockdown. We have however had to refocus areas such as business rates and housing teams to focus on the Business Grants scheme and our Community Response. This has had an impact on service delivery.

Impact on Corporate Priorities

The Council has adopted its corporate priorities and desired outcomes for the period to 2023 based on its Medium Term Financial Plan. Clearly the impact of Covid-19 on these plans could have a significant impact on the Council's ability to achieve its desired outcomes and they will likely need to be reviewed.

Changes to Council Governance arrangements

The Councils have been fortunate that Officers and Members have been using remote meeting technology for some time. As soon as the legislation to enable remote meetings was passed, we were able to recommence meetings for essential business and enable the democratic process to function. Consideration will need to be given to ongoing use of such technology to enable full public participation in such meetings.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

CONCLUSION

The Council is satisfied that appropriate governance arrangements are in place. However it remains committed to maintaining and where possible, improving these arrangements, in particular by addressing the issues identified by Internal Audit and External Audit in their regular reports to the Audit Committee.

Signed:

**Cllr N Jory
Leader of West Devon Borough Council**

Signed:

**Andy Bates Chief Executive
On behalf of West Devon Borough Council**

Date:

Draft issued on 15th July 2020
(to be signed in September 2020 on the conclusion of the Audit of the Accounts for 2019/20)

Report to: **Audit Committee**

Date: **21 July 2020**

Title: **Annual Report**

Portfolio Area: **Leader of the Council**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: **Immediately following this meeting**

Author: **Neil Hawke** Role: **Head of Strategy & Projects**

Contact: Neil.Hawke@swdevon.gov.uk or **01803 861323**

Recommendations:

- 1. That the progress and achievements made by the Council be noted; and**
- 2. That the West Devon Annual Report (as presented at Appendix A) be considered for the financial year 2019/20, with any amendments being suggested prior to publishing**

1. Executive summary

- 1.1 It is good practice to undertake a review of the Council's progress across a range of internal and external activities as well as providing a public record.
- 1.2 The Council's Annual Report reviews progress and achievements during the previous financial year. The Annual report is presented at Appendix A.

2. Background

- 2.1 The last financial year has been one of significant change for this Council with local elections taking place in May 2020 and a new Council being formed.
- 2.2 It is appropriate to take stock of the key issues, successes and challenges met by the Council and how they have been addressed.

- 2.3 The Annual report, along with the Annual Governance Statement should help reassure the public that the Council is undertaking its statutory functions, delivering its services efficiently and meeting its financial responsibilities in an open and transparent way.
- 2.4 The Annual report also aims to provide Members, the public and our staff with an overview of the achievements within the year

3. Outcomes/outputs

- 3.1 The Annual report demonstrates the progress made throughout 19/20 in delivering against our Corporate Strategy desired outcomes and acknowledges the challenges that have been faced.
- 3.2 While for 11 months of the year our plans were largely on track, including delivery of our Medium Term Financial Strategy, in March 2020 the Covid-19 pandemic begun to significantly impact progress. This is highlighted as an area of concern for the coming year.

4. Options available and consideration of risk

- 4.1 The Annual Report is a balanced view of the challenges faced by the Council but also the challenges it has faced. It is published on our website and so available to our residents and communities.
- 4.2 Alternative ways of delivering the report in the future could be considered, including replacing it with a verbal report from the Leader at Full Council but it is considered best practice to have a formal document that is accessible to all.

5. Proposed Way Forward

- 5.1 It is proposed that the contents of the report are agreed
- 5.2 Member’s views on the content of the Annual Report would be helpful to inform the final published report.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	N	There are no legal implications as a result of this report. It is considered good practice to produce an Annual Report so as to highlight to Members and the public how the Council conducts its business and the key issues that the Council faces.
Financial implications to include reference to value for money	Y	This report provides an overview of the Council’s financial performance during the 2019/20 Financial Year and sets out some of the key activities that the Council has been delivering.

		It does not seek any financial decisions or recommendations.
Risk	Y	The main risk is around not producing an Annual Report and the lack of transparency this could cause.
Supporting Corporate Strategy	Y	The Annual Report summarises some of the key achievements against delivery of our Corporate Strategy.
Climate Change - Carbon / Biodiversity Impact	Y	The Annual Report considers actions we have taken under the 'Environment' theme. We have taken the decision to not print copies of the Annual Report to reduce our resource use.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	No policy or service change proposed
Safeguarding	N	No policy or service change proposed
Community Safety, Crime and Disorder	N	No policy or service change proposed
Health, Safety and Wellbeing	N	No policy or service change proposed
Other implications	N	None

Supporting Information

Appendices:

Appendix A – Draft Annual Report 2020/21

Background Papers:

None

This page is intentionally left blank



West Devon
Borough Council

West Devon Annual Report

2019 - 2020



West Devon in Numbers

6,300
businesses

46
Town and Parish
Councils

55,796
Population
(2019 Mid Year
Estimates)

£7.1m
West Devon
Borough Council
Net Budget
2019/20

15.2%
of West Devon
Residents living
in Fuel Poverty

120
square miles

£24,978
average income



x 9.3

Average House
Price above
annual average
income

5199.4

metric tonnes of Co²
equivalent per year -
Borough Council's
total net carbon
footprint

4

Town
Centres

83.2%

working age
residents in
employment

0.68

Job Density
(meaning 0.68 jobs
in West Devon
per working age
resident)

2.16m

annual waste
collections

Foreword by the Leader and Chief Executive

The financial year 2019/20 saw the Induction of a new Council following Local Elections in May 2020 with over fifty percent of our elected Members being new to the Council.

Our new contract with our longstanding waste provider, FCC commenced this year which will provide significant savings to the Council and we also declared a Climate and Biodiversity Emergency with work already commencing to deliver on our commitment to becoming a carbon neutral council by 2030.

We continue to work closely with South Hams District Council with whom we share a single workforce. This arrangement generates an ongoing annual saving of £2.2m for West Devon.

A key project this year has been the successful implementation of a new multi million pound contract for recycling, waste collection and street cleansing services. FCC have provided Waste and Recycling services in West Devon for a number of years but our new contract, which went live on 1st April 2019 will save us around £2 million during the lifetime of the contract. It will also allow us to recycle a much wider range of items, hopefully within the next 12 months.

We continue to play a significant role in our region, working with other local authorities and partners through the Heart of the South West Joint Committee, with the Local Enterprise Partnership and agencies such as Homes England to improve infrastructure, facilitate economic growth and support the building of affordable housing in our area.

At the end of 19/20 we have found ourselves in quite uncharted territory. The Covid-19 pandemic begun to impact our communities as well as our own services and finances in March 2020.

£2.2m
annual workforce
saving

Climate and
Biodiversity
Emergency
declared

£2m
Waste Contract
term Saving

The Council has adapted well in an incredibly short space of time, with our employees ending the year working from home full time and many of them undertaking new roles to support our response to the pandemic.

More widely, we must mention the significant community response to supporting the most vulnerable residents in our communities. Community groups quickly spring in to action to ensure that support was provided where it was needed.

Work is already underway to assess the impact on the Council and our communities in West Devon. While we have yet to fully understand the longer term impact, we know that it will be long lasting and require a joined up approach with all partner agencies and neighbouring Councils working closely to support one another.

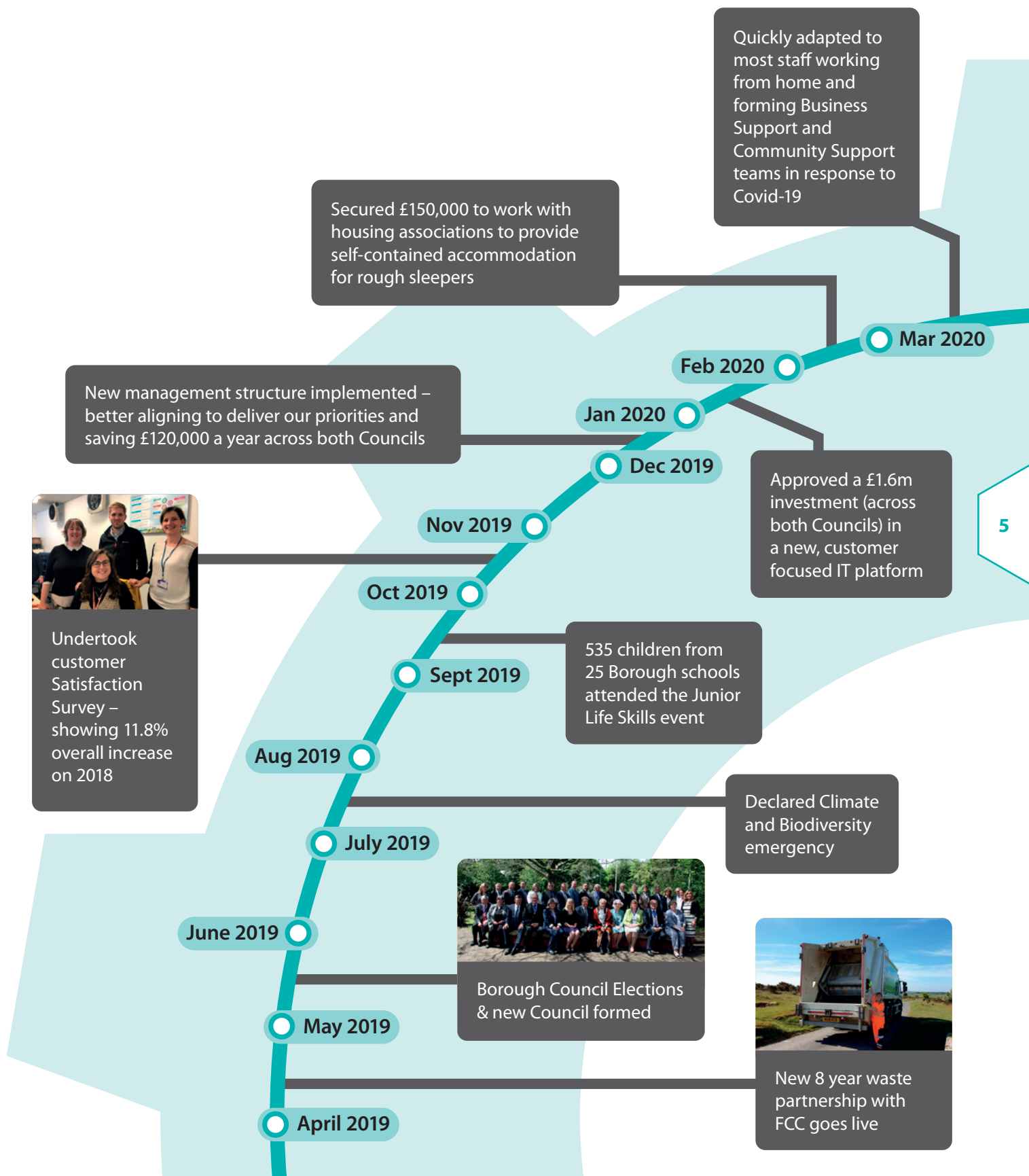


Cllr Neil Jory
Leader of the Council



Andy Bates
Chief Executive

2019/20 Highlights



Finance

Our core funding has been reduced by around £3 million over the last few years. We now receive any core government grant funding and so the Council has had to change dramatically to become self-sufficient.

During this year, West Devon Borough Council has continued to lobby Central Government to get them to recognise how difficult and more costly it is to provide services over a large rural area.

However, despite the challenges, the Council has been able to close a predicted budget gap of £440,000 for this coming year and find funds to invest in district wide issues such as housing and climate change.

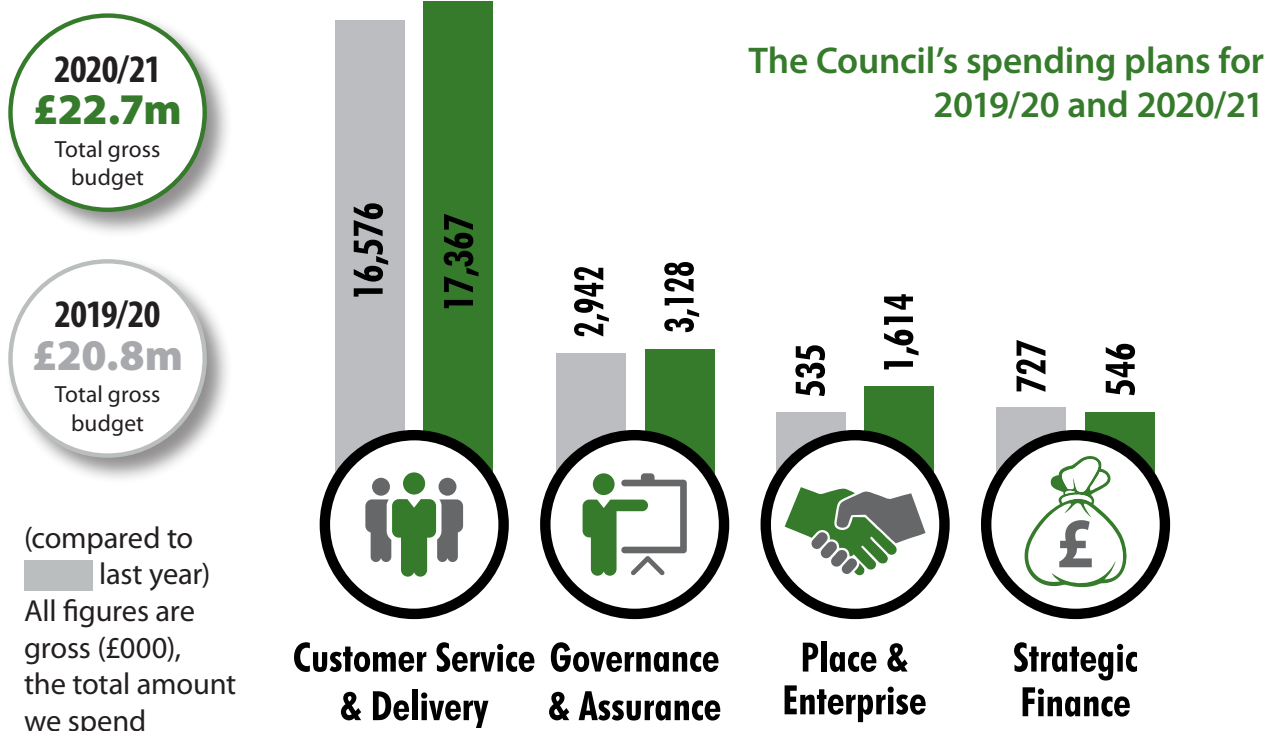
We are continuing to make a significant investment in community housing projects. This year we approved expenditure of £4.3m to build the first

two Community Housing schemes which will deliver 29 residential units in West Devon.

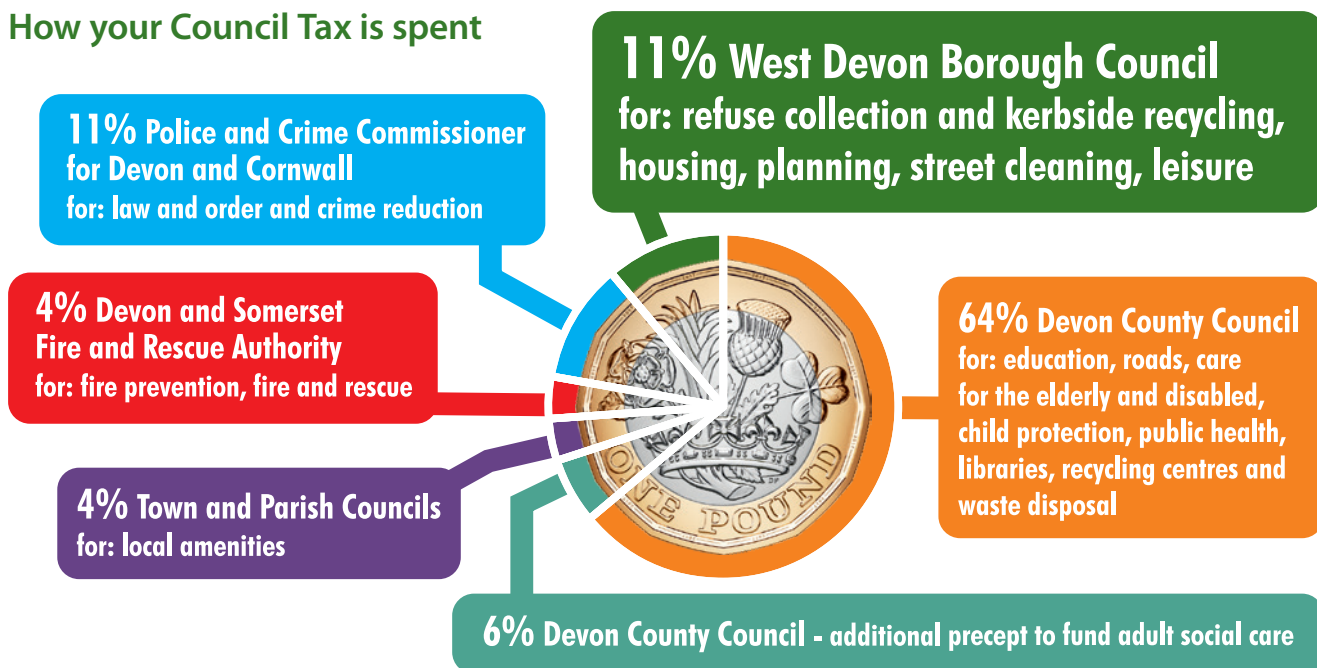
During 2019/20, we approved £750,000 over 5 years to enable us to upgrade the Council's IT systems. The new solution will start rolling out in 2020/21 and provide a better, more responsive customer experience

We have also supported our aim to make the Council carbon neutral by 2030 by allocating funding to appoint a Climate Change Officer to lead our work in helping us tackle climate change and biodiversity loss within the Borough.

6



How your Council Tax is spent



To support the wellbeing of our residents, we have also allocated £780,000 for Disabled Facilities Grants, to enable less able residents to live independently within their own home.

All of this has been made possible thanks to careful financial management including the shared service with West Devon Borough Council, whereby the Councils share the cost of a single workforce which has saved us £2.2m a year.

This year we have entered in to a joint waste and recycling partnership with South Hams District Council and FCC Environmental which went live on 1st April 2019. FCC have provided the Waste and Recycling in West Devon for a number of years but through this new contract we should save around £2m (during the contract life) along with making Improvements to the service and aligning it with the rest of Devon.

It should be noted that while the Council has set a balanced budget for the 2020/21 financial year, the impact of Covid-19 will have significant and potentially long lasting impacts on our budget. We are already seeing significant reductions in income and longer term as the full economic impact sets in, we expect further reductions on income to funding core Council services.

This, along with us only keeping 11p in ever pound of the Council Tax that we collect means that difficult decisions will need to be made in the year ahead. The following two pages show all of the services that we deliver for this amount.

What your Council Tax money goes towards and who is responsible

- West Devon Borough Council
- Town and Parish Council
- Devon County Council (DCC)
- Police and Crime Commissioner

West Devon Borough Council

Below is a street scene showing the key services provided by West Devon Borough Council.

www.westdevon.gov.uk

Devon County Council

Here are some of the Devon County Council services which are often mistaken with the services provided by West Devon.

www.devon.gov.uk

Town and Parish Council

To find out services from your Town and Parish Council, contact your local clerk ...

www.westdevon.gov.uk/contactyourparishcouncil

Devon and Somerset Fire and Rescue

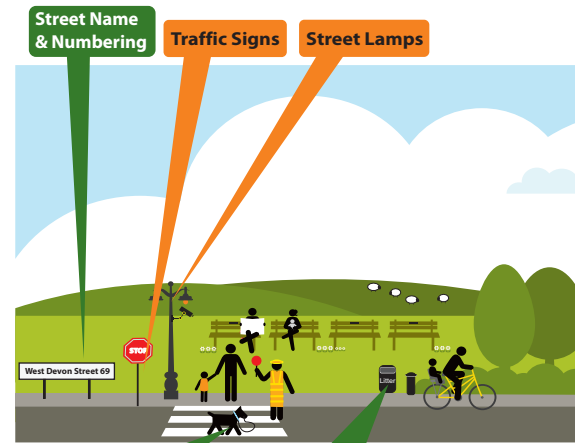
Services provided by DSFR can be found at...

www.dsfr.gov.uk

Police and Crime Commissioner

For services provided by the Police use the Ask Ned function...

www.devon-cornwall.police.uk/askned



Stray Dogs

In the case of lost cats and aggressive dogs contact **Police 101**

Street Litter Bins

Some may be owned by Town or Parish Councils

Bottle Banks



Abandoned Vehicles on Public Roads and Council Owned Land

Leisure Centres

If you have any issues go direct to the relevant Leisure Centre.

Trip Hazards

Building Maintenance Service

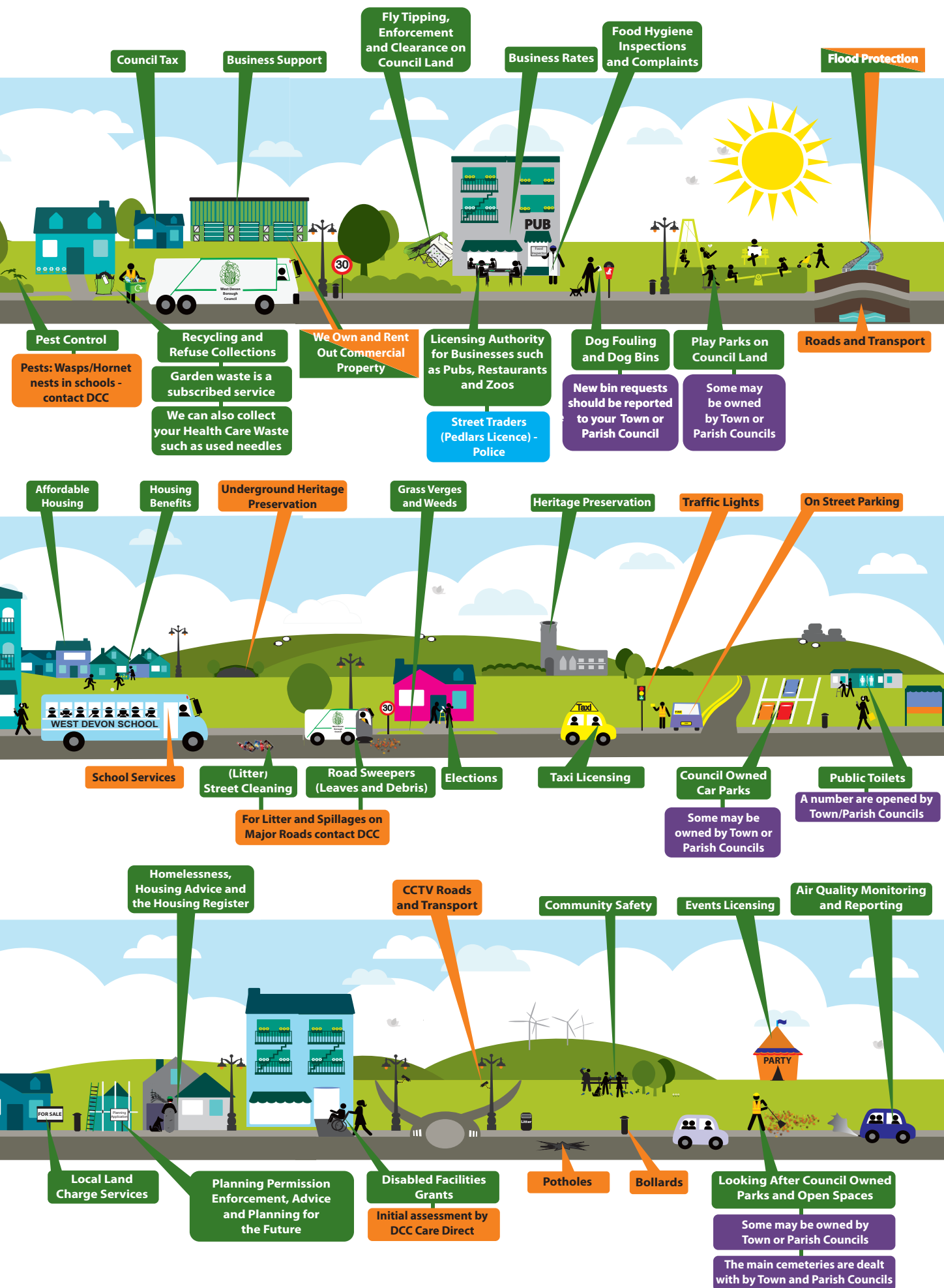


Council Owned Land and Property

Blocked Drains

Cleaning leaves and odour - contact DCC

For overflowing drains contact South West Water



Achievements 2019/20



Strong and Empowered Communities

West Devon is characterized by many unique Towns and Villages spread out over a large rural area. Working closely with these individual communities will be key to their future strength and resilience.

Action	19/20 Progress
Agreed 3 year funding to partner agencies	This year we agreed to a three year funding arrangement with partner organisations rather than agreeing it annually. This will provide those organisations providing vital frontline support to our communities with medium term certainty over their finances. These include CVS and Citizens Advice.
Support to community schemes	Our Members each have a locality fund which support local community initiatives. During 2019/20, grant payments of £9,300 were made supporting 19 community activities including refurbishment of woods, contribution to community defibrillators, art workshops and contribution to a local Dads support group.
Community Lottery	Enabled community groups to raise £25,000 for specific causes through the Seamoor Lotto www.seamoorlotto.co.uk
Covid-19 Community Response	In March, the Council acted quickly to establish a Community Response Team to assist community groups and residents with responding to the Covid-19 pandemic. 35 employees were quickly re-tasked to providing frontline support, working closely to support the work of our Members. The Council has worked closely with voluntary sector and partner organisations, developing a support website and dedicated telephone support line offering emergency food and welfare grants, signposting to mental health support amongst many other support functions.
Community Events attended	We attended Okehampton, Chagford and Lamerton shows, providing our residents with an opportunity to engage with the Council as well as holding regular engagement events at supermarkets in Tavistock and Okehampton.

10



114

Community events /
outreach sessions
attended



£25,000

raised for good
causes through the
Seamoor Lotto



Efficient and Effective Council

Residents and businesses cannot choose which Council provides their services. They pay their Council Tax or Business Rates and get the service provided. Therefore, we have a duty to give our customers the best value for their money and to do that we need to make sure our services are as efficient and effective as they can possibly be.

Action	19/20 Progress
Improved the efficiency of our IT systems	<p>This year we implemented a new Benefits platform that enables users to sign in to an account to see the progress of their benefits claim rather than having to contact the Council.</p> <p>During the year we also approved a business case for a further £1.6m investment (jointly with South Hams District Council) in our other customer facing IT systems. The new systems will be implemented during 2020/21 and will enable us to be much more responsive to customer need and ensure a better overall customer experience.</p>
Positive progress on our Customer Improvement programme	<p>In 2018 we joined the Institute of Customer Service and undertook our first Customer Satisfaction benchmarking. Following the results, we started a programme of improvements to improve our customer experience. This year we undertook a follow up survey which showed a real improvement including an 11.8% improvement in our 'Getting it right first time' score. This is a real achievement at a time when across all sectors, the average customer satisfaction levels are decreasing! Our benchmarking score is now 4.1 times higher than the national local council average.</p> <p>Calls to our call centre reduces by 14110 on last year and visits to Kilworthy reception reduced by 5,145 which we see as a positive indication that we're getting more right first time.</p>
Elections & Member Induction	<p>In May 2019 we held District Council as well as Town and Parish Council elections followed by the General Election in December. An incredibly busy year for the elections team.</p> <p>Borough Councillors undertook a comprehensive Induction programme with over 40 hours of induction and training offered to each Councillor.</p>
New Waste and Recycling Contract	<p>The Council's new Waste and Recycling contract went live on 1st April 2019. This new contract will save the Council £2m during its lifetime.</p> <p>Additionally, in February 2020 we began a trial of three weekly waste collections in three areas of West Devon which includes collecting a wider range of recyclable materials including foil, cartons, printer cartridges and a wider range of plastics in order to reduce the amount going in to black bags. The results of the trial will be brought back to Council to consider during 2020/21.</p>



Restructure of Management team	It is important that the Council remains efficient in deployment of its staff. A recommendation of the Peer Challenge in 2018 was that we should look to realign our management team to better support our future priorities. As a result, the Senior and Extended Leadership Teams and Management functions of the Council were restructured with the new team in place for January 2020. This not only enables us to focus on our priorities, but has also reduced our management costs by £120,000 across the two Councils (£60,000 for West Devon)
Statement of Accounts Outturn	The Accounts show that the Council has underspent against its 2019/20 budget of £7.08 million by £133,000 (1.9%). This underspend of £133,000 will go into the Council's Unearmarked Reserves which now stand at £1.219 million.



£2.2 million
annual saving by working with South Hams District Council



7,670
visitors to Kilworthy Park reception



50,799
calls handled by our call centre (9,264 less than 2018/19)



9.8 days
faster than the national target processing Housing Benefit claims



11.8%
Improvement in our 'Delivering Right First Time' services



Enterprise and Economy

The Council collaborates with businesses and communities to support a thriving economy that enhances wellbeing for all residents

Action	19/20 Progress
Investing in renewables	In July 2019, Council agreed to amend our investment strategy to include investments in renewable energy developments.
Supporting our businesses	Through our partnership with Business Information Point we have provided 90 hours of 1-to-1 business support including 62.5 hours support to people looking to start a new business in West Devon. Workshops and a Small Business Day were also delivered during the year attended by 22 businesses.
Greater Dartmoor LEAF	As above £80,800 awarded in last 12 months to 7 projects expected to create 12 FTE jobs. Projects include the development of better facilities for communities, expanding small local businesses so they can take on more staff and become more profitable, helping food and drink producers grow and improve their production lines, support for farmers to buy new high tech equipment. To date 27 new FTE jobs have been created in West Devon through this fund. In recognition of the programmes success, additional funding of £153k has been awarded by Defra to extend the programme during 2019-2020

13



£158,000

funding awarded to businesses through the Greater Dartmoor LEAF



90 hours

1-1 business support through our partnership with Business Information Point



Environment

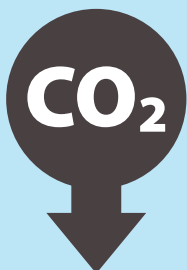
From protecting what we can see in our immediate environment; our countryside, our coast and its habitat, to reducing our impact on the world. South Hams and its communities have an important role to play.

Action	19/20 Progress
New Waste and Recycling Contract	In April 2019, our new partnership with FCC for recycling, waste and street cleansing services went live. This contract will allow us to improve the environmental impact of the Borough by enabling our residents to increase what they can recycle as well as saving us around £2m over the lifetime of the contract.
Fusion Leisure reduced CO2 output	Our Leisure partners, Fusion Leisure, have implemented a range of energy saving measures which have reduced the CO2 emissions from the centres by 71 tonnes compared to 2018.
Carbon Neutral by 2030	The Council has agreed an ambitious plan to support its aim to be a carbon neutral organisation by 2030 and to help the whole Borough reach carbon neutral by 2050. We have appointed a Climate Change Officer to lead this work.
Electric charging points for car parks	Working with other Devon Councils (who have collectively secured a £817,712 grant) we have commenced a project to install electric charging points in key car parks in Tavistock and Okehampton.
Launched an Electric Car Scheme	We have already taken massive steps in reducing the Councils carbon footprint by enabling our staff to work from home (which saves approximately 1million miles a year) but during 2019 we've gone further and launched a scheme to enable our staff to purchase electric vehicles – 6 staff have already signed up to the scheme.

Declared Aim to be Carbon Neutral by 2030



17,560 Tonnes of household recycling collected



58 Tonnes reduction in CO₂ from Leisure Centres compared to 2018



136 Fly Tips Investigated



1 Million Road miles saved last year by staff working from home



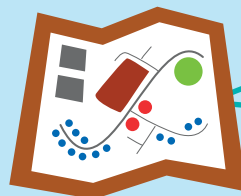
Homes

West Devon can be viewed as an area of conflicting housing need: large properties set in stunning scenery owned by wealthy people seeking a quiet life in the country, or second home owners, and struggling market towns where the average worker cannot afford to buy, or rent, a decent property.

Action	19/20 Progress
Homelessness prevention	During 19/20 we supported 164 households who considered themselves at risk of becoming homeless and for whom our intervention resolved their situation.
Disabled Facilities Grants	In the last 12 months we have completed 75 Disabled Facilities Grants which enable people to continue to live more independently in their own homes.
Rough Sleeper support	In 2019 the Council adopted a Rough Sleeper Strategy as part of its overall Homelessness Strategy with the aim to reduce the number of people sleeping rough by 50% by the end of 2022. Working with South Hams District Council and Teignbridge District Council, we have secured £150,000 to work in partnership to continue the work of three outreach workers to help rough sleepers. This work has developed accommodation strategies and support plans for vulnerable residents as well as sharing best practice.
Affordable Housing	The Council have approved £4.3m funding for the construction of 29 residential units in Lamerton and Brentor. This will be the first delivery of new homes by the Council in a generation.



£4.3m
Funding for
affordable
residential
units



Delivered

700
Planning notices
4000
neighbourhood
notifications



99%
Collection rate on
Seamoor Lettings Rental



350
Potentially
empty properties
visited



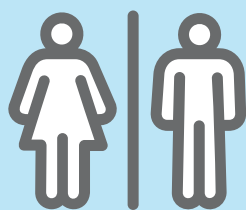
75
Disabled Facilities Grants
Awarded enabling people
to stay in their own homes



Wellbeing

The Council has an important role to play in the health and wellbeing of our communities. Many factors affect the health and wellbeing of residents beyond just healthcare.

Action	19/20 Progress
Investing in Leisure	<p>Our Leisure partner, Fusion, completed the improvement works at Meadowland and Parklands Leisure Centres</p> <p>Across the Fusion SW Devon operation (which includes South Hams Leisure Centres) Membership has increased by 22% compared to 2018/19. The most significant increase in West Devon being an over 20,000 increase in people participating in activities.</p>
Community Safety Partnership Schemes	<p>Through our partnership with the Community Safety Partnership we have delivered a number of community safety activities including:-</p> <ul style="list-style-type: none"> ● Erected 'Moorwatch' banners at West Devon beauty spots with high crime which has significantly reduced the number of car thefts ● Co-ordinated multi agency meetings to support vulnerable young people in Okehampton (Operation Linger) ● Provided funding for youth outreach and diversionary activity in Bere Alston
Covid-19 Support	<p>At the end of the year, we quickly formed Community Support Teams to facilitate support to community groups and our most vulnerable residents. This enabled us to ensure we could deliver emergency supplies to residents that we're shielding or provide small grants to community groups that we're better placed to support residents.</p>
Junior Lifeskills	<p>In September, we held our Junior Life skills event</p> <p>The scheme is an important milestone in students taking more independence before they move up to secondary education and challenges children in 'real-life' scenarios which teach essential safety lessons and helps to prevent issues from developing. This gives the students the opportunity to learn crucial life skills.</p> <p>A total of 535 children engaged in small groups with a range of agencies such as the Police, RNLI, BT, Western Power, Dartmoor Rangers, the Dogs Trust, the Royal Life Saving Society, with First Aid and West Devon Borough Council.</p> <p>During their visit, the children gained an understanding of personal safety and community responsibility, as well as an awareness of health and safety issues.</p>

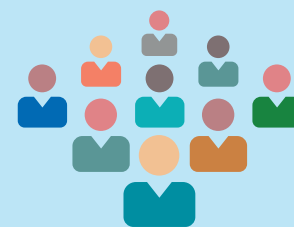


400

routine public toilet inspections



Increase in Leisure Centre Membership



535

Children took part in the Junior Lifeskills event

Next Steps 2020-21

In June 2020, we welcomed our new Chief Executive, Andy Bates. Andy will be the Chief Executive for both West Devon Borough Council and our shared services partner South Hams District Council.

During 2020/21 we have a number of exciting projects to deliver including;

- Implementing a new, modern IT system to improve how our customers interact with us, both online and over the phone
- Starting to deliver on our climate and biodiversity commitment of becoming a carbon neutral council by 2030, supported by a new Climate Change officer
- Considering the results of our 3 weekly waste collection trial and decide on whether to roll out across the Borough

Covid-19 Impact

The Covid-19 pandemic will have long lasting impacts on the council, our communities, residents and businesses and we have yet to see the full impact.

As we write this report (June 2020) we are very much focusing on how we continue to provide support where it's needed but also how we, as a Council, adapt and recover.

There is a real opportunity for us to shape our work and strategy based on what we've learnt from adapting to the pandemic.

Our employees are continuing to provide our services with all our support functions being delivered from home and our frontline services adapting to new social distancing rules.

In September 2020, Council will be asked to consider a recovery plan and an in-year revised budget to ensure that the Council can continue to deliver key services.



**West Devon
Borough
Council**

**If you would like this publication
in another format please contact:
Communications Team on
communications@swdevon.gov.uk
or 01803 861368**

This page is intentionally left blank

NOT FOR PUBLICATION

This report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (matters affecting the financial affairs of the Council) - (applies to Appendix 2 and 3)

Report to: **Audit Committee**

Date: **21 July 2020**

Title: **Commercial Investment Property – Update and monitoring report**

Portfolio Area: **Assets – Cllr Neil Jory**

Wards Affected: **All Wards**

Relevant Scrutiny Committee: N/A

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: **N/A**

Author: **Chris Brook** Role: **Director of Place and Enterprise**

Contact: **Telephone/email: Chris.brook@swdevon.gov.uk**

Recommendations:

That the performance and risks of the commercial property portfolio to date be noted.

1. Executive summary

- 1.1. This report considers the performance of the portfolio to date and the risks associated therewith looking forward.
- 1.2. Four purchases have been made to date totalling £21.5m including costs representing 43% of the agreed borrowing for all Council services (£50m).
- 1.3. The net revenue (an ancillary benefit) after allowing for management, maintenance and risk mitigation is £290,000 per year.
- 1.4. The portfolio has achieved a geographic and sector balance in line with the strategy. It has not achieved a balance of spread between tenants and there are future pressure points in 2028 created by lease events.
- 1.5. It is noted that should the Council wish to mitigate these risks, it would need to continue to build the portfolio. The revised strategy, in particular the location constraints and agreed borrowing limits will make balancing the portfolio difficult, particularly if funds are retained for in-area development.

- 1.6. Over the last 9 months a number of opportunities have been and continue to be considered, however, no purchases have been made since the last report in September 19.
- 1.7. The increase in PWLB borrowing rates in the autumn of 2019 has affected the opportunities that officers have been considering over the previous 9 months.
- 1.8. The report sets out the latest portfolio valuation information as shown in Appendix 3.
- 1.9. The impact on the COVID crisis on the portfolio and its tenants is also reviewed in Appendix 2.

2. Background

- 2.1. Four property acquisitions have now been made, totalling £21.5m including associated costs.
- 2.2. The project has met its initial projection of a net income and will generate £290,000 in the financial year, which is an ancillary benefit which contributes to the financial sustainability of the Council, enabling it to continue to deliver, and where possible improve, frontline services.
- 2.3. The portfolio is currently un-balanced (explained in Sections 3 and 4) and further acquisitions should be considered to meet the strategies objectives, mitigate the risk in the portfolio and further increase the ancillary revenue benefit for the Council.
- 2.4. The Commercial Investment Strategy (as adopted) was revised in July 19 to include investment in renewable energy.
- 2.5. In simple terms, the upper borrowing limit of £50m (for all Council services, including the commercial property portfolio) adopted and approved imposes a choice moving forward between in-area developments (if these can be sourced and achieve planning permission) which could offer both financial and social return, or, further commercial acquisitions providing a better risk profile to the portfolio and financial position.
- 2.6. PWLB (Public Works Loan Board) interest rates increased by circa 1% in the autumn of 2019 which was unexpected. This rise directly affects the net income that could be achieved from an opportunity. Therefore opportunities with a higher yield have needed to be considered to ensure an appropriate return is obtained.
- 2.7. This report sets out the risks, statistics and performance of the portfolio to date so as to provide Members with the ability to make informed decisions going forward.

3. Outcomes/outputs

- 3.1. The average net income of the portfolio is 1.3% which is above the minimum target of 1% and reflects the current 'appetite for risk' of the Council through the Invest to Earn Committee. Further purchases can look to raise this percentage if the available opportunities allow.

- 3.2. A net income of £290,000 per annum is currently generated as an ancillary benefit of the commercial investment portfolio. This is after deducting an allowance of 10% for the management, maintenance and risk mitigation fund (a fund set up to deal with maintenance, repairs or unforeseen risks).
- 3.3. The project has a property in each of the main asset classes – Office, Industrial and Retail.
- 3.4. A geographical spread within the SW peninsula has been achieved; Regional - Bristol, Sub-regional – Exeter & Plymouth, Local – Okehampton. Following government guidance the portfolio has been restricted to the South West Peninsula, particularly within the LEP.
- 3.5. Single and Multi-let opportunities have been acquired, with a mix of tenants (11 in total), including those with the strongest covenant strength.
- 3.6. A spread of lease expiries and breaks have been achieved, however, there are certain points, particularly 2028, at which there is a concentration of lease events. Any future purchases need to avoid having similar lease event dates. The acquired properties have various unexpired lease terms – these are shown in Appendix A.
- 3.7. The Revenue Earmarked Reserve for the Management, Maintenance and Risk Mitigation (MMRM) currently stands at £190,000 at 31.3.2020. This is shown in the Earmarked Reserve Note to the Statement of Accounts for 2019-20. 10% of rent from the portfolio goes into the Revenue Earmarked Reserve for MMRM which will fund void periods, management costs and repairs as and when they arise.
- 3.8. Further acquisitions will mitigate the risk within the portfolio, by increasing the number of rental streams, spreading the points at which the income into the portfolio ceases (e.g. lease ends and break clauses) and increasing the diversity of tenants.
- 3.9. Committing to further purchases would increase the likely success of the overall commercial property strategy, due to the balancing of risk, and making these risks easier to manage over the life of the strategy.
- 3.10. The Portfolio was revalued in March 20, details are shown in Appendix 3 (Exempt).
- 3.11. Full details of the portfolio performance can be found in Appendix 1. Details relating to the rental income are in Appendix 2 (Exempt).

4 **Options available and consideration of risk**

- 4.1 Rather than committing to further purchases, the strategy could end at its current position. This would leave the portfolio unbalanced with the risks as highlighted above.
 - 4.1.1 As an example, if one of our tenants did not renew their lease and another served a break clause, 73% of the current rental income could end in 2028. Alternative tenants would be sought, however, this is one of the risks that would be mitigated by further purchases.

- 4.1.2 As a further example, 55% of the rental income is currently paid by one tenant (also one of the tenants mentioned in 4.1.1), again this could be mitigated by further purchases.
- 4.1.3 Therefore the net income into the Council's budget from the strategy could be significantly affected should it suffer a tenant default or tenancies ending coinciding with each other.
- 4.1.4 The project has a management, maintenance and risk mitigation (MMRM) fund to help off-set the above situations. However depending on the income shortfall encountered, this may just cover debt repayments rather than contribute to the income budget.
- 4.2 If the strategy commits to further acquisitions, the following could be considered. These are examples rather than requirements/targets as the strategy can only acquire those properties that are available.
 - 4.2.1 Avoid properties with significant lease events in 2028 and balance the portfolio with expiry dates before and after.
 - 4.2.2 The Bristol office is quite a high proportion of the income, particularly being single let. Look to acquire further offices, but to alternative tenants and consider multi-let offices.
 - 4.2.3 Balance the portfolio with further industrial/logistic property – however, noting that this sector is particularly difficult to buy at the moment, particularly within our yield and geographic requirements.
 - 4.2.4 Continue to very cautiously consider retail, in particular supermarket and smaller convenience store opportunities, but recognise the structural changes in the retail market.
 - 4.2.5 Continue to explore alternative sectors, such as the recent consideration of renewable energy opportunities.

5 **Proposed Way Forward**

- 5.1 It is recognised that the Council has other demands on the level of funds it can prudently borrow. Therefore further funds for this strategy will be balanced against the requirements of other projects.
- 5.2 When considering how to invest up to the permitted maximum, the Council should recognise that from a commercial property perspective, the acquisition of further properties would help achieve a more balanced portfolio and risk position.
- 5.3 If in area development projects are considered instead (such as employment assets), the Council should consider this impact on the portfolio balance and remain true to the risk based approach set out in the commercial property strategy, so as not to over expose the Council to one sector or area.
- 5.4 That the MMRM fund continues to be set aside for its intended purpose; to ensure there is a buffer against any significant unforeseen events and to deal with future likely points of expected expenditure.

6 Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The public interest test has been applied as to whether Appendix 2 & 3 should be published and the public interest lies in non-disclosure at this time.
Financial	Y	The commercial property strategy was implemented in April 2018 and four commercial properties have been purchased to date. The net income (an ancillary benefit) is anticipated to be £290k in 2020/21. Further details are shown in Appendix 1.
Risk	Y	Refer to section 4 and Appendix 1
Comprehensive Impact Assessment Implications		
Equality and Diversity		N/A
Safeguarding		N/A
Community Safety, Crime and Disorder		N/A
Health, Safety and Wellbeing		N/A
Other implications		

Supporting Information

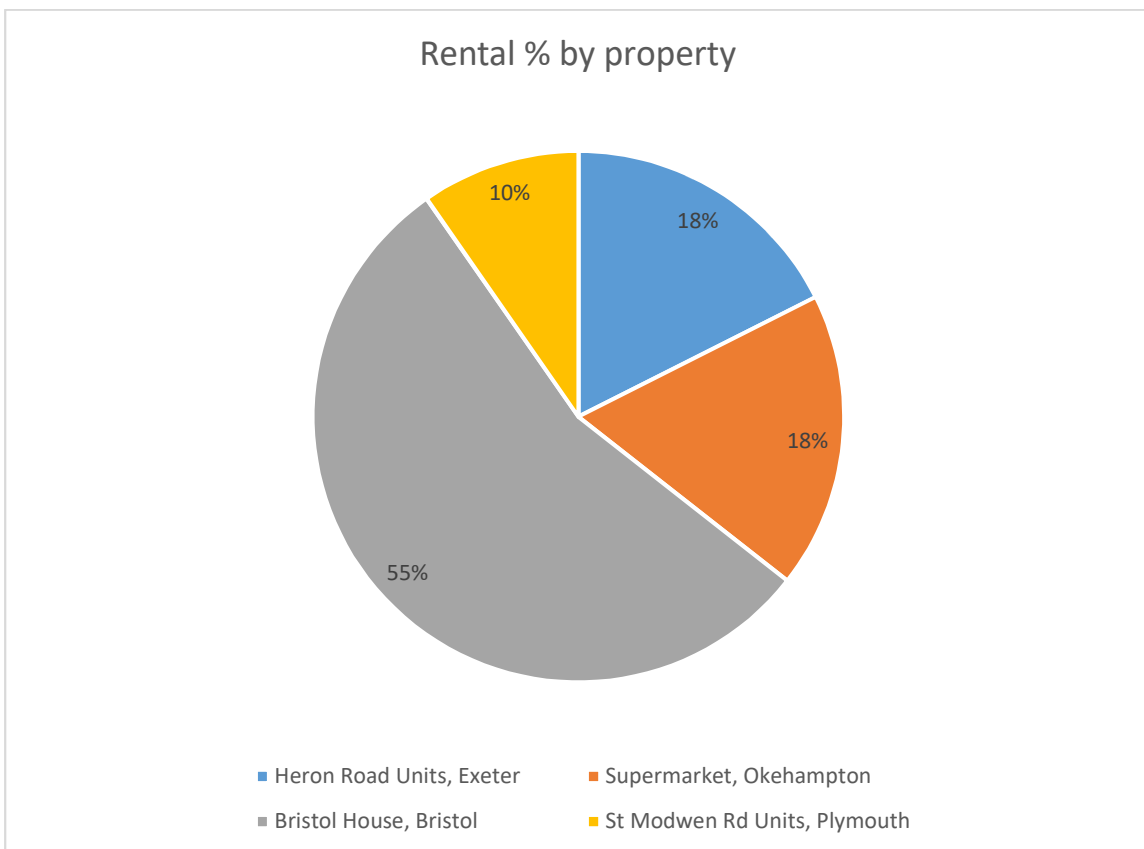
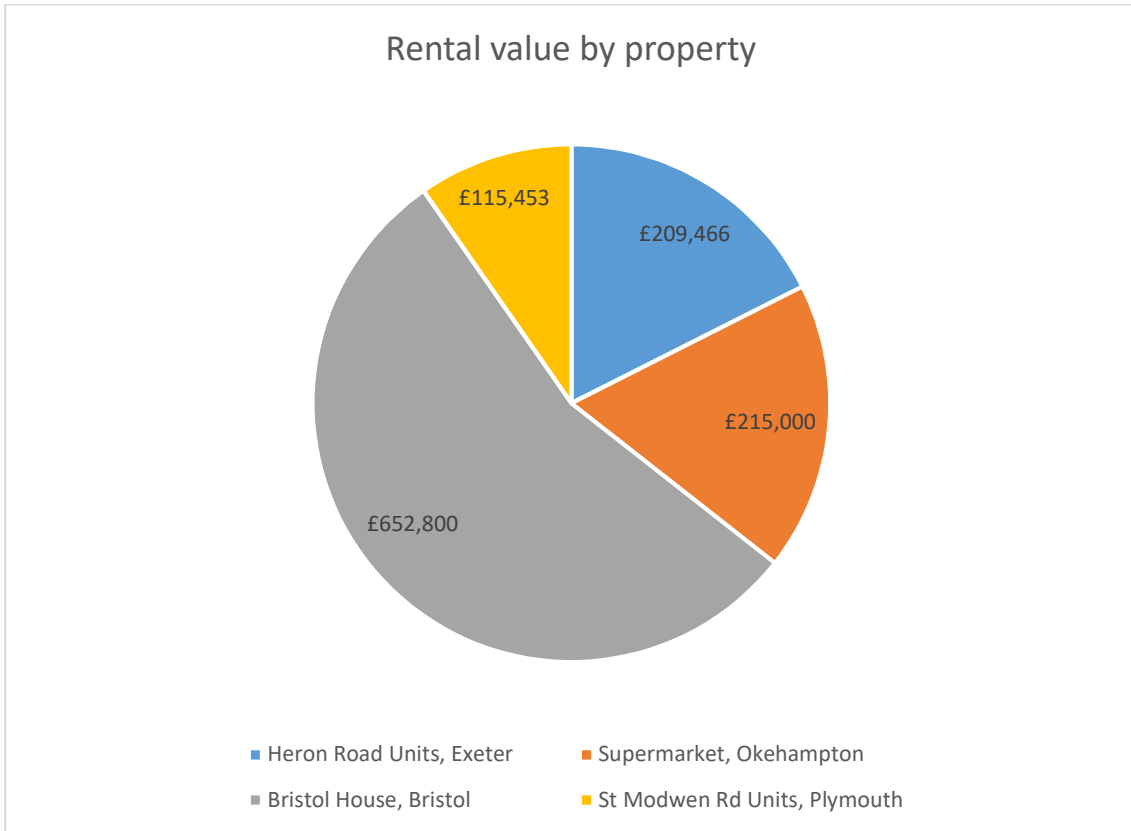
Appendices:

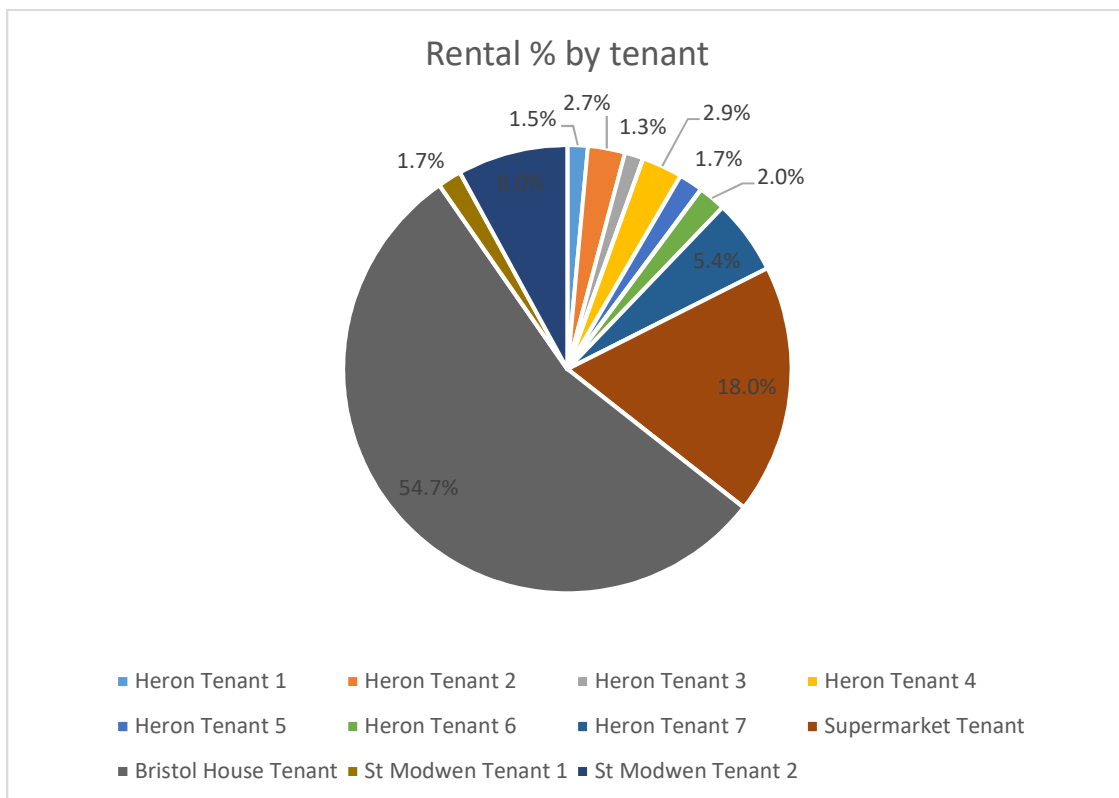
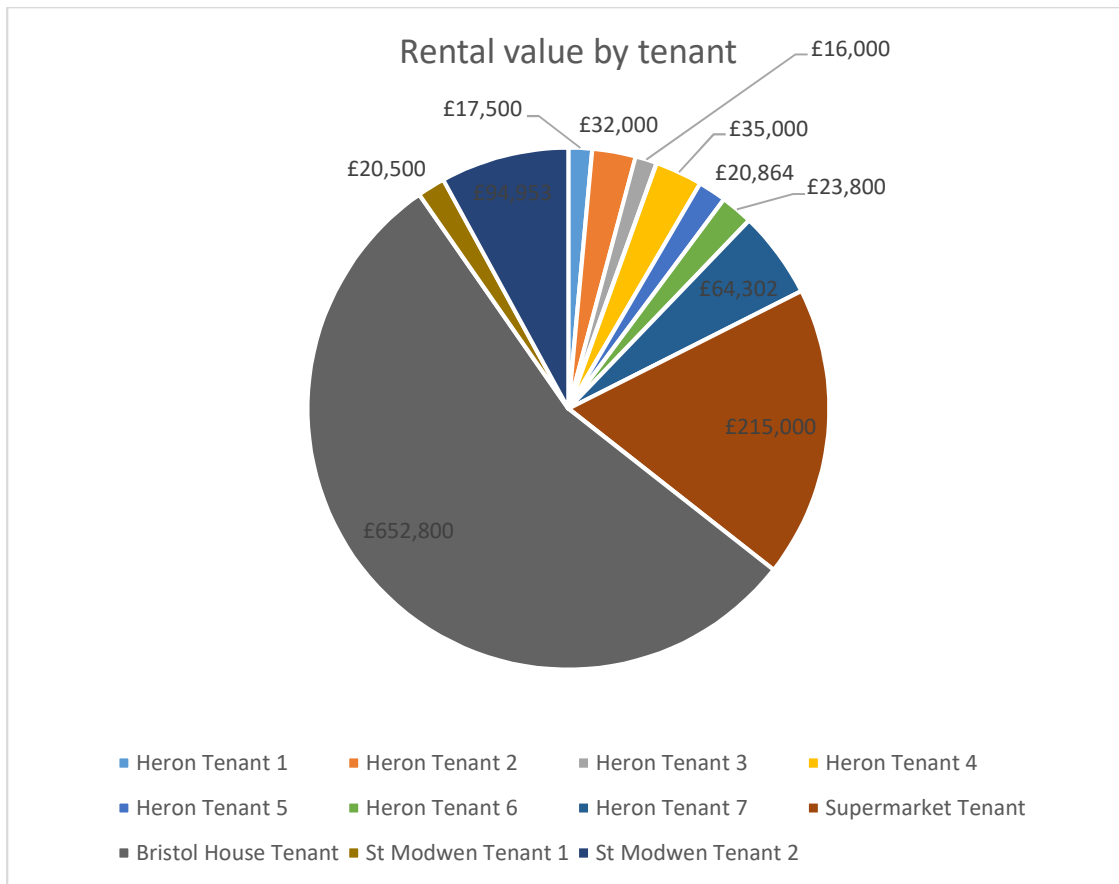
- Appendix 1 – Portfolio performance reports
- Appendix 2 – Covid-19 non-payment of rent position
- Appendix 3 – Portfolio revaluation information

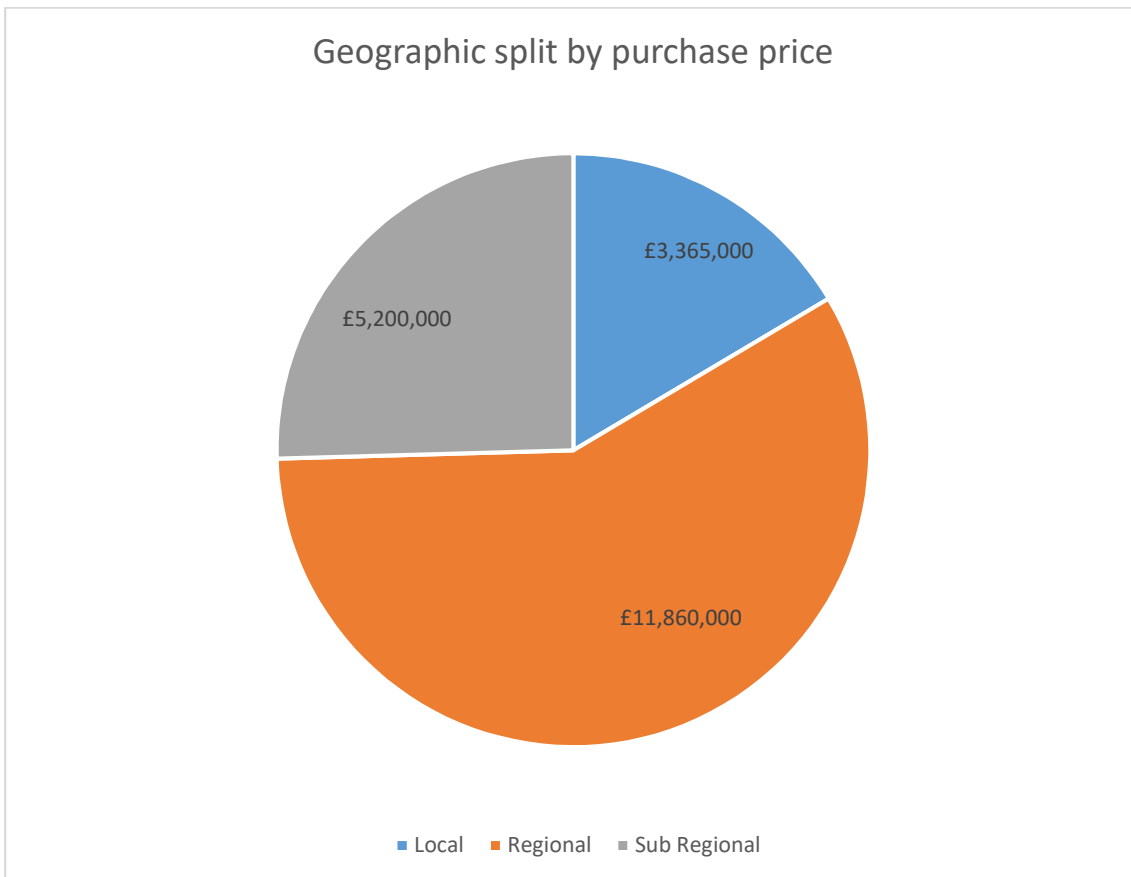
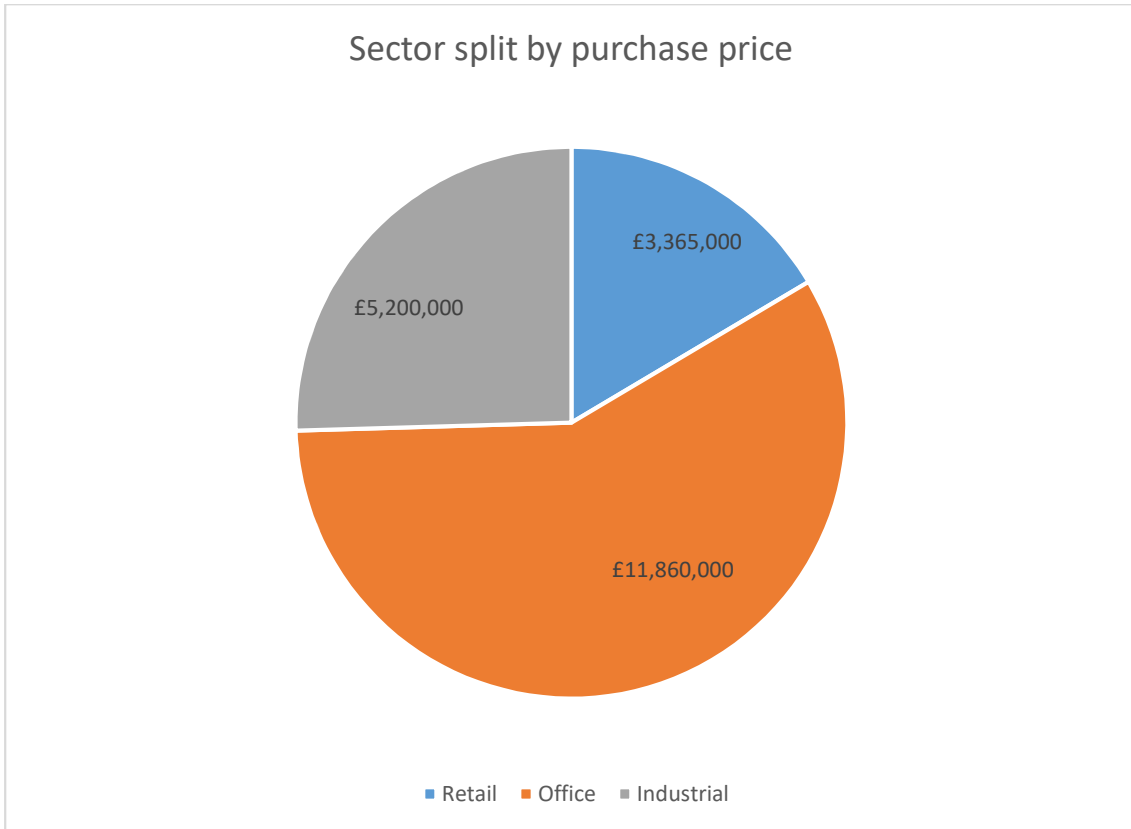
Background Papers:

- Commercial Investment Property – Update and monitoring report – Audit Committee 29th October 2019
- Commercial Property Strategy Amendment, presented to Hub Committee July 2019
- Commercial Property Strategy Amendment, presented to Hub Committee September 11th 2018

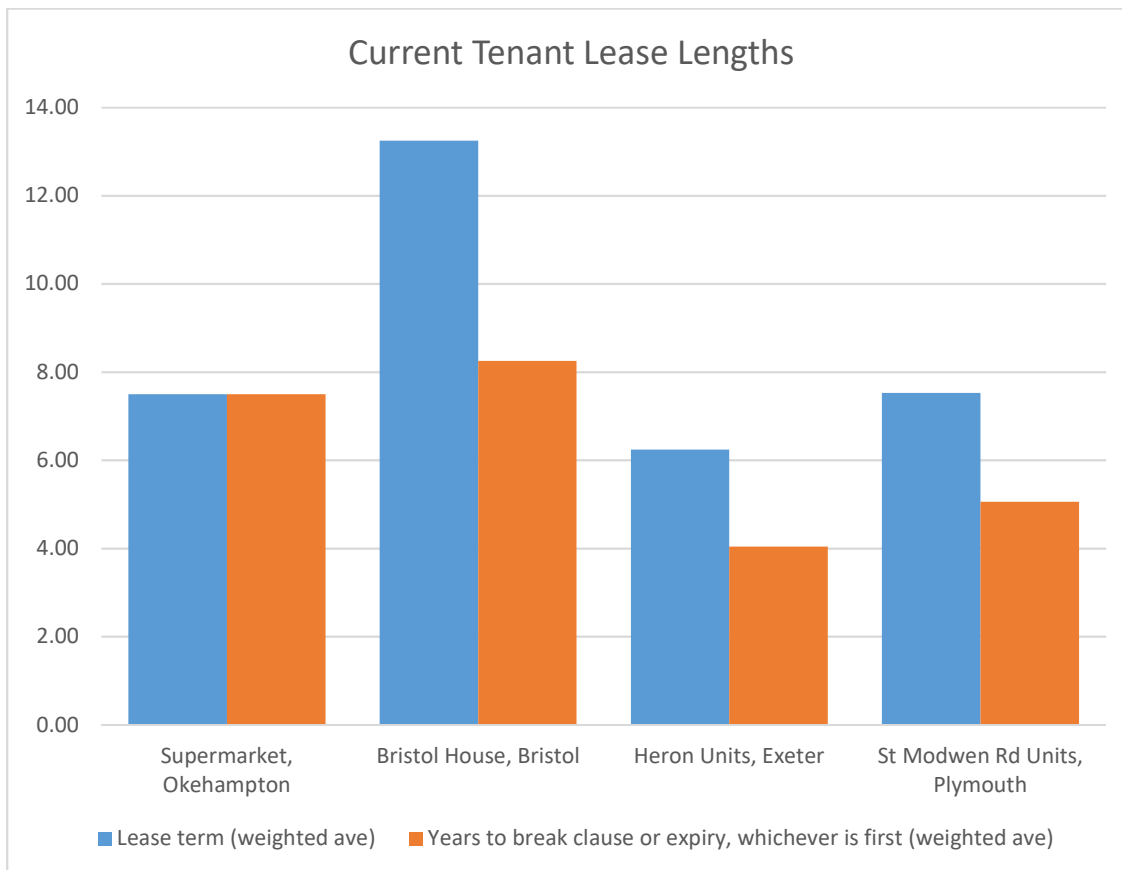
- Commercial Property Acquisition Strategy Update, presented to Council March 27th, 2017
- Commercial Property Acquisition Strategy Update, presented to Council December 5th, 2017
- Investment in Commercial Property, presented to Council July 25th 2017
- Investment in Commercial Property, presented to Hub Committee June 20th 2017

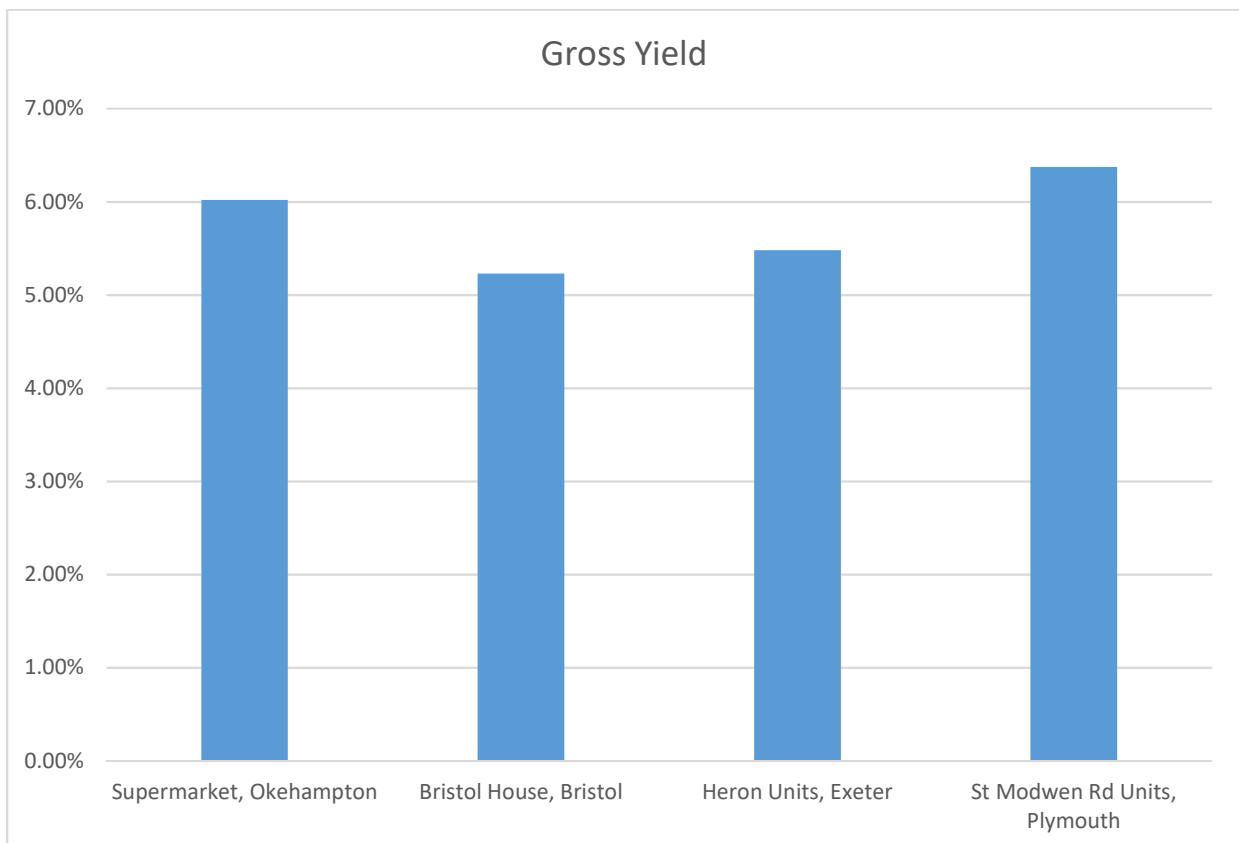
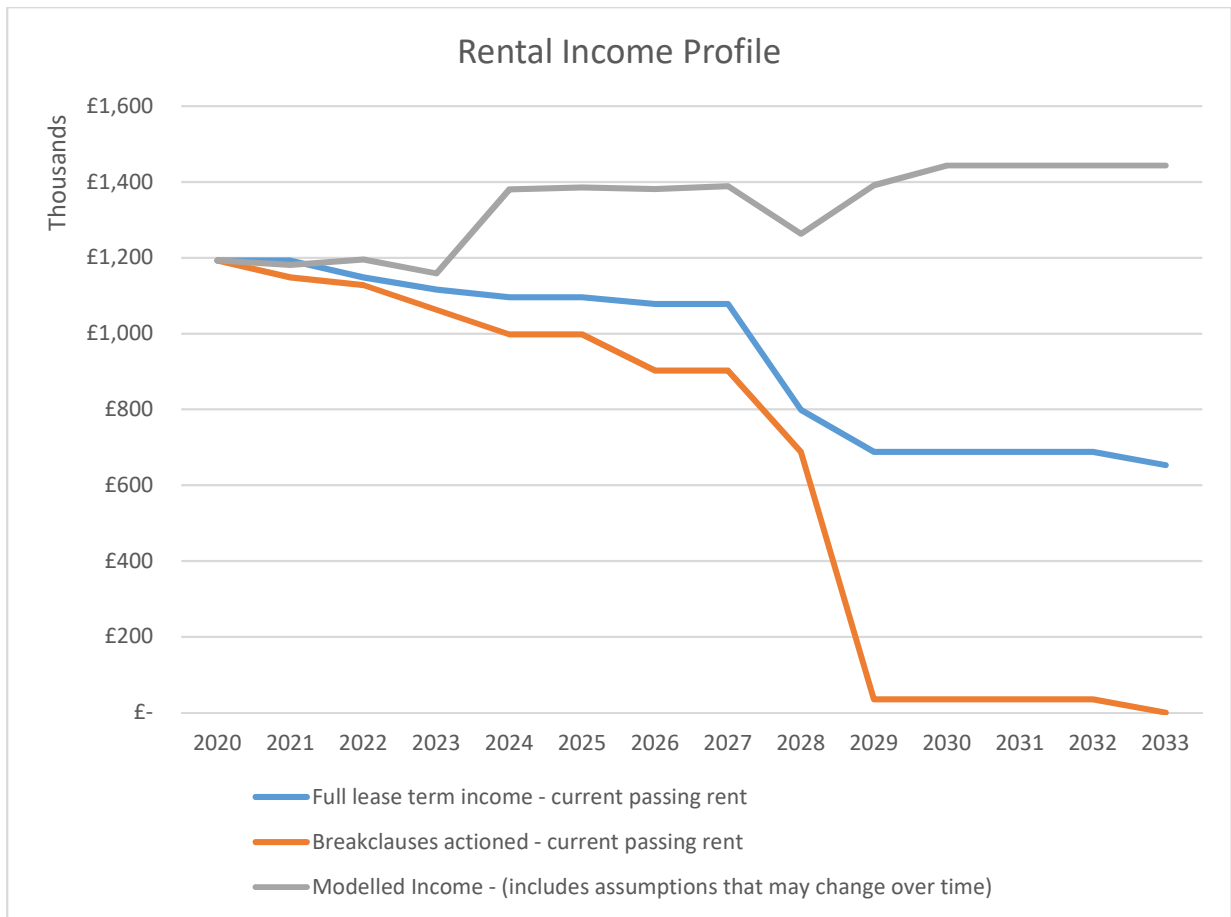


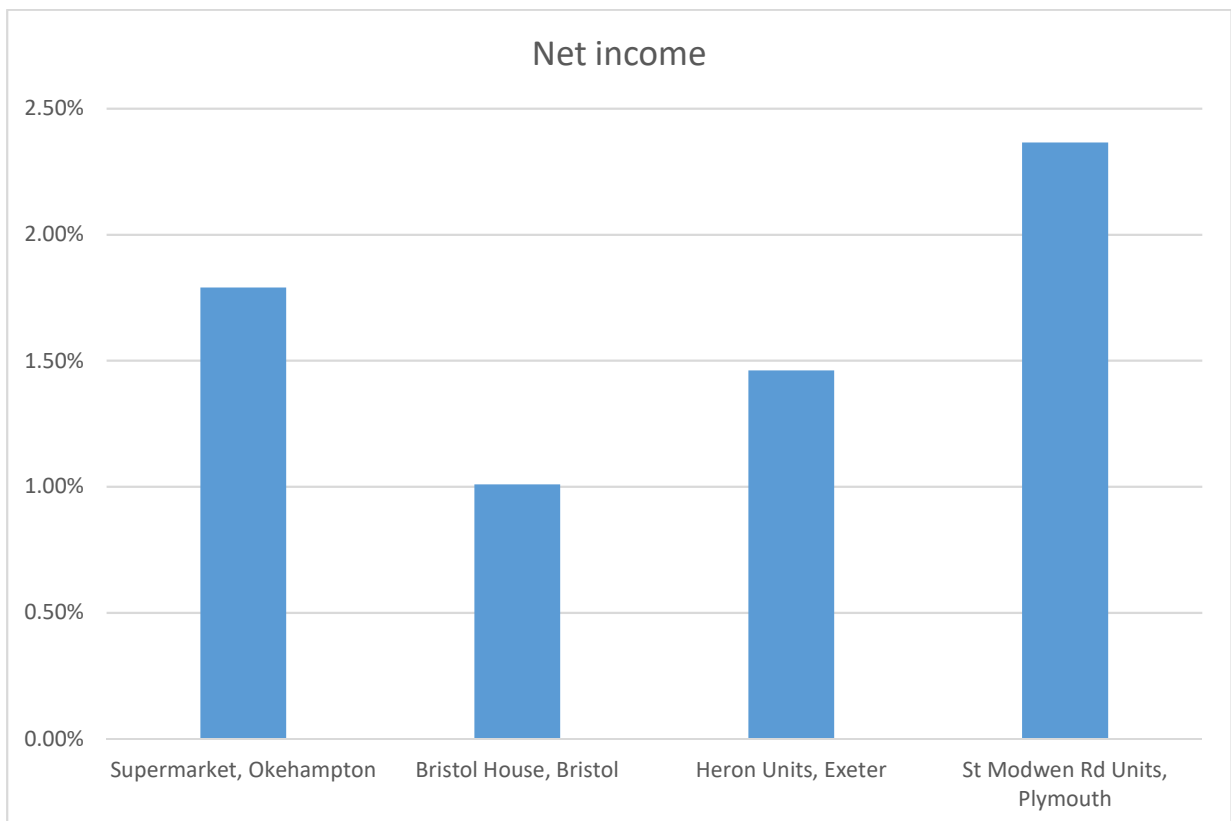
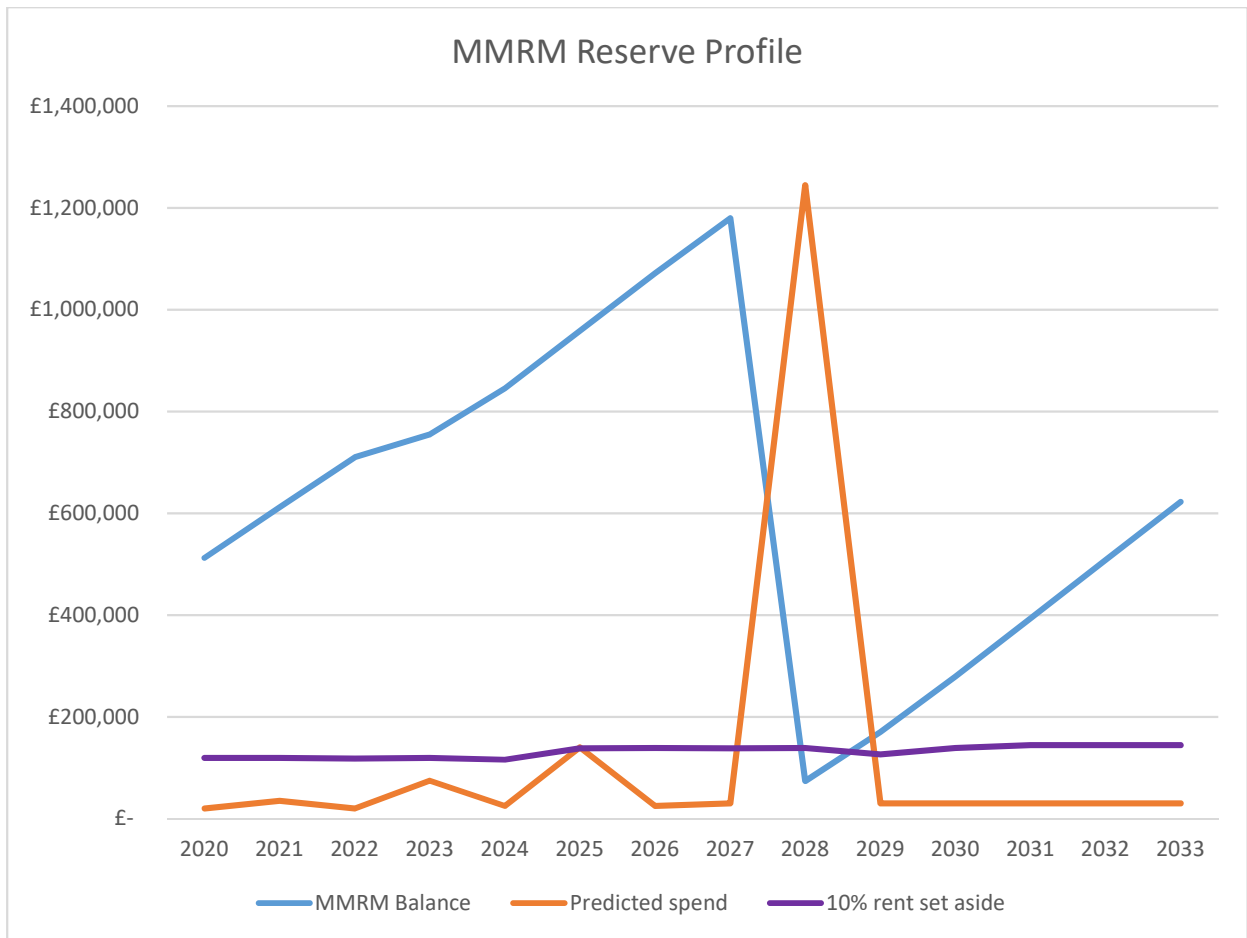




Appendix 1
Commercial Investment Property Audit Report - July 2020







Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank