

West Devon Audit Committee



West Devon
Borough
Council

Title:	Agenda
Date:	Tuesday, 6th September, 2022
Time:	12.30 pm
Venue:	Chamber - Kilworthy Park
Full Members:	<p style="text-align: center;">Chairman Cllr Ball Vice Chairman Cllr Davies</p> <p><i>Members:</i> Cllr Bolton Cllr Samuel Cllr Bridgewater Cllr Yelland Cllr Ridgers</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

In accordance with the Code of Conduct, Members are invited to declare any Disclosable Pecuniary Interests, Other Registerable Interests and Non-Registerable Interests including the nature and extent of such interests they may have in any items to be considered at this 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

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Meeting held on 5 July 2022

5. Draft Statement of Accounts for 2021-22

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6. Update on Progress on the 2022-23 Internal Audit Plan

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7. Strategic Risk Register

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8. Annual Treasury Management report 2021/22

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9. Investment Property Update and Monitoring Report

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Agenda Item 4

At a Meeting of the **AUDIT COMMITTEE** held in the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **5th** day of **July 2022** at **2.00pm**

Present: Cllr K Ball (Chairman)
Cllr M Davies
Cllr A Bridgewater
Cllr P Ridgers
Cllr L Samuel
Cllr J Yelland

Officers in attendance: Section 151 Officer
Deputy Section 151 Officer (via Teams)
Internal Auditor
Democratic Services Officer
External Auditor
Head of Strategy and Projects (via Teams)
Mr Middlemass – Devon Audit Partnership
Internal Audit Manager

Also in attendance: Cllr C Edmonds (lead Hub Committee Member). Cllr N Jory (Leader of the Council)
Cllr P Crozier.

***AC 1 CONFIRMATION OF MINUTES**

The Minutes of the Committee Meeting held on 7 December 2021 were confirmed by the Committee as a true and correct record.

The Chairman recorded his thanks to Cllr Davies for his past Chairmanship. Thanks were also recorded for the Internal Auditor as this was his last meeting in his role.

***AC 2 GRANT THORNTON –AUDIT PLAN 2021-22**

The External Auditor presented the Audit Plan to the Committee. He highlighted the risks as being management override of controls, valuation of land and buildings and pension fund liability. IT control environment had been brought into the audit this year. There were no issues or weaknesses to report.

In response to a member questions the External Auditor gave the following replies:

- There would be a nationwide response should there be an inflationary rise in pay and pensions.
- The audit fee of £5,000 has been put in as a figure and how that is managed will be discussed towards the end of the audit. The S151 Officer stated that as part of the Redman Review Government had reimbursed the council £15,600 as a one off

grant. Some of this grant would be used to pay the increased audit fee.

It was noted that only 30% of councils completed their audit on time and West Devon was one of these.

It was then **RESOLVED** that:

The report was noted.

***AC3 GRANT THORNTON –GUIDANCE FOR REVIEWING THE ACCOUNTS**

The External Auditor answered questions on the report:

- Regarding identifying Journals, the system is becoming more automated and spot checks are carried out.

It was then **RESOLVED** that:

The Guidance for Reviewing the Accounts be noted.

***AC4 GRANT THORNTON –INFORMING THE AUDIT RISK ASSESSMENT FOR 2021-22**

The report was introduced by the External Auditor.

It was then **RESOLVED** that the report be noted.

***AC5 INTERNAL AUDIT ANNUAL REPORT 2021-22**

The Lead Hub Member introduced the report. The Internal Auditor touched on areas of the report. Direction of travel was upward. Loss of resources due to staff working on business grants during the pandemic had impacted on debt recovery. A service review for revenue and benefits had taken place and with the action plan in place, improvements would be seen.

He informed members that a few cases of fraud in business grants were detected, however the diligence of the team meant no payments were made to these fraudulent claims. Two of the cases detected were linked to national fraud.

The S151 Officer stated she was responsible for the administration of the grants. The audit opinion for this was of substantial assurance. With procedures in place West Devon appeared in the top quartile for making payments. The Chairman acknowledged the teams effort of ensuring a robust system was in place.

The team making the business grants became involved in the administration of the £150 Council Tax rebates.

The S151 Officer stated that the review of discounts and reliefs had suffered due to resource issues.

It was suggested and voted on that a press release would be made on discounts and eligibility asking people to check on a change of circumstances and inform the Council of any changes.

It was then **RESOLVED** that;

1. The Audit Committee noted that overall and based on work performed during 2021/22, and that of Internal Audit's experience from previous year's audit, the Head of Internal Audit's Opinion was of "Reasonable 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 2021/22.

(The Meeting terminated at 3.23pm)

Dated this

Chairman

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Report to: **Audit Committee**

Date: **6 September 2022**

Title: **Draft Statement of Accounts and Draft Annual Governance Statement 2021/2022**

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

Wards Affected: **All**

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

Date next steps can be taken: **1 November 2022**

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

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Recommendations:

1. The Draft Statement of Accounts and the Draft Annual Governance Statement (AGS) for the financial year ended 31 March 2022 are noted.

1. Executive summary

- 1.1 The report advises Members that an underspend of £196,000 was generated in 2021/2022 which was transferred to the General Fund Balance (un-earmarked revenue reserve). The level of this reserve now stands at £1.49 million at 31 March 2022.
- 1.2 The Narrative Statement to the Accounts gives a summary of the main items in the Statement of Accounts for 2021/2022.

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 2020/21 and 2021/22 statutory timetable was extended. In accordance with statute the draft Accounts for 2021/22 were published by 31 July 2022.
- 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 2021/22 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 underspend on the General Fund in 2021/2022 of £196,000 is essentially a break-even position. **The 2021/22 budget was £7.30 million and therefore the underspend of £196,000 means that the actual spend was 2.7% less than the budget.** In accordance with normal accounting practice, this underspend has gone into Unearmarked Reserves, with a view to it being reinvested in our core services and 'The Plan for West Devon'. Unearmarked Reserves have increased by £196,000 in 2021/22 and total £1.490million at 31 March 2022.
- 3.2 The main variations from budget are shown on Page 9 of the Narrative Statement in the Statement of Accounts.

Capital Expenditure

3.3 Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £1.1 million in 2021/22. The main areas of expenditure were as follows:

- Housing renovation grants including disabled facilities grants (£0.6m)
- IT schemes (£0.2m)
- Purchase of property (£0.2m)

4 Earmarked Reserves

4.1 The total Earmarked Reserves balance at 31 March 2022 of £9.2m includes £1.6m held in the Business Rates s31 Compensation Grant Reserve. This is due to a technical accounting adjustment where Councils were compensated for the business rates holidays that were announced by the Government for the retail, hospitality and leisure sectors in 2020/21 and 2021/22 (this funding is in the S31 Compensation Grant Reserve). This temporary increase in reserves will reverse back out again in the 2022/23 Accounts, to fund the deficit on the Collection Fund. Therefore this is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.

5. Proposed Way Forward

4.1 Members are advised that the accounts are being audited by our External Auditors, Grant Thornton during July, August and September 2022. Following the Audit, the Statement of Accounts will be brought back to the Audit Committee for approval in November.

5. 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>

Financial implications to include reference to value for money		<p>The financial implications to this report are that an under spend of £196,000 was generated in 2021/2022. This means that the Council's actual spend for 2021/2022 was 2.7% less than the budget set for the year.</p> <p>As part of Grant Thornton's external audit of the Statement of Accounts for 2021/2022, they will assess the arrangements the Council has in place for:-</p> <ul style="list-style-type: none"> • Improving economy, efficiency and effectiveness • Financial Sustainability • Governance <p>The outcome of Grant Thornton's work in this area will be reported to Members at the Audit Committee meeting on 1 November 2022.</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 2021/22 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 Thematic Delivery Plans within the Council's strategic vision, 'A Plan for West Devon'.</p> <p>In particular for the 'Council Theme', the Accounts summarise how the Council is delivering efficient and effective services and demonstrating strong financial management and strategic financial planning.</p> <p>Our Guiding Principles of the Corporate Strategy are 'to provide value for money and good customer service'.</p>
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 2021/22
- Appendix B – Annual Governance Statement 2021/22

Background Papers:

None

APPENDIX A



West Devon Borough Council Draft Statement of Accounts 2021/2022



West Devon Borough Council

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Statement of Accounts 2021-22

The Statement of Accounts 2021-22 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

Introduction to the 2021/22 Statement of Accounts by Councillor Neil Jory, Leader of West Devon Borough Council



I am very pleased to welcome you to the 2021/22 Statement of Accounts for West Devon Borough Council which summarises the work the Council has been involved in over the past year.

The Council has delivered on many of the targets within 'The Plan for West Devon'. This also highlights both our ambitions and the manner in which West Devon has responded to recent events, as it works its way out of the Covid-19 pandemic and into the emerging problems of a post-Covid World. This has been complicated by the spectre of a major war in Europe.

I am immensely proud of the way that our Borough as a whole has responded over the past couple of years. Residents have supported each other, their local communities and local businesses throughout the period. The manner of that response has made our jobs as Councillors, at County, Borough, Town and Parish levels, that little bit easier despite the difficulties we all faced. I am also appreciative of the work of officers of the Council who have continued to adapt to ways of working and efficiently and effectively distributed millions of pounds of support to businesses, via a plethora of different schemes, at a time when they most needed it.

One major boost for the Borough and Okehampton, was the reintroduction of regular rail services to the town's station. We are sure that this project will give an economic boost to the area, the rest of the Borough and beyond. We are grateful to all those that worked with Devon County Council, Great Western Rail, Network Rail, West Devon, Okehampton Town Council and the OkeRail Group to bring this about. We continue to work with our partners to provide additional access via a proposed West Devon Transport Hub to that line, in order to enhance the service still further.

Our contracted Waste and Recycling Service has also performed admirably for most of that period. I have the utmost admiration for the staff there, the job they do and the manner in which they carry it out. However, that service has suffered from the national shortage of HGV drivers and resourcing difficulties which have resulted in some collection problems. We continue to work with the contractor to find ways to meet the high performance standards to which we aspire.

Despite all the difficulties and problems, there were many positive achievements over the year and the Council will report a balanced budget. The next few years will continue to be challenging – we need to deliver more around our climate change and biodiversity targets, respond to the housing crisis, provide assistance to residents struggling with high cost of living increases, welcome refugees to the Borough under the Homes for Ukraine scheme and so on.

I am pleased to report a small surplus for the 21/22 year of £196,000 (2.7% of the net budget of £7.3m). This demonstrates the Council's financial resilience and actions taken to maintain longer term stability in service delivery going forward. This surplus will go into the Council's unearmarked reserves, with a view to it being reinvested in our core services and The Plan for West Devon.

Councillor N Jory, Leader of the Council

Foreword by the Chief Executive



I have been incredibly impressed by the efforts of staff across the Council to support our residents and communities. We began the year continuing with our response to the global pandemic and as we ended the year, teams from across the Council were stepping up to support the Homes for Ukraine scheme. While our staff have continued to work from home throughout the pandemic, we have started to see a return to a form of normality, bringing our office staff together and working face to face.

I have to say, personally it has been fantastic to begin meeting colleagues in the office for the first time in over two years! I've also been pleased to have been able to begin joining local Members in their Towns and Parishes, experiencing first hand the incredibly positive work being delivered across the Borough. I look forward to being able to carry out many more of these insightful visits in the coming year.

It is great achievement that West Devon Borough Council and South Hams District Council won the Gold award at the iESE Public Sector Transformation Awards in 2022. The Councils installed software called Liberty Create which enabled both Councils to quickly set up an online system for businesses to apply for emergency Government business grants. The software saved the Councils time and money (£450,000) and also helped us to respond to the needs of our business community when they needed us most. In West Devon, £33m in COVID business support grants have been awarded by the Council over the last two years, providing a vital lifeline across West Devon's business sectors.

The Borough Council has also been highly commended at the 2022 Local Land Charges Awards for Excellence. Typically the Council handles about 2,000 searches per year and aims for a 5 day turn around on all searches submitted to them. I am proud of the team for consistently providing timely, accurate property searches to conveyancers, especially during the challenging property market of the last 12 months. This reward is particularly unique, as the commendations are given by the customers who use the service.

Yet again, the Council has managed to balance its budget exceptionally well while continuing to provide a level of good service to residents of the Borough. Time and again, our staff have impressed me with their efforts to support the people and communities of West Devon. There are ongoing challenges presented by COVID-19 and we continue to work with our waste contractor to find ways to meet the high performance standards to which we aspire. We're responding to new challenges that continue to appear, like making sure we offer adequate support to our Ukrainian guests through the Homes for Ukraine scheme, but I have no doubt that our teams will continue to rise to those challenges

We know that the year ahead will be challenging for many across the Borough, as the cost of living continues to provide day to day challenges. We will do all we can to support our residents and businesses by delivering the essential support you need.

Andy Bates, Chief Executive

Message from the Section 151 Officer and Corporate Director for Strategic Finance - 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 2022 and how the Council has performed against the budget set for 2021/22
- 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.

Prudent financial management in the past, has meant that the Council was in a relatively healthy position financially before the pandemic hit. 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. The pandemic has also changed the world we operate in. Across the Council, staff have been called upon to continue the efforts to help local communities against the impact of the pandemic.

The management of risk and promoting financial resilience is a key principle of our budget strategy and this has helped facilitate our response. Key to the authority's financial resilience are our reserves, which are at a prudent level.

The recent challenges presented by the war in Ukraine with its broader implications along with the current 'cost of living crisis' will have an impact on the Council's finances as well as the finances of the residents of the Borough. The Council's approach to delivering services remains steadfast.

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.

There is no indication yet of the detailed local government funding levels for 2023/24 and beyond and therefore there are many uncertainties in preparing for the challenges we know we will face in the near future. These include the review of local authority funding as part of the Government's fair funding review, the business rates baseline reset and changes to the New Homes Bonus scheme. We will continue to assess the impacts on our finances and our communities through long term strategic financial planning.

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

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 2021/22 budget for West Devon was £7.30 million. A surplus of £196,000 means that the actual spend was 2.7% less than the budget. This saving will go into the Council's Unearmarked Reserves which now stand at £1.49 million. The main components of the General Fund budget for 2021/22 and how these compare with actual income and expenditure are set out below:

	Estimate £000	Actual £000	Difference Cost/ (Saving) £000
Cost of services	7,405	7,099	(306)
Parish Precepts	1,763	1,763	-
Interest and Investment income	(105)	(35)	70
Amount to be met from Government grants and taxation	9,063	8,827	(236)
<i>Financed from:</i>			
Business Rates (baseline funding level)	(1,648)	(1,648)	-
Business Rates (achieved over baseline funding level)	(25)	(25)	-
Business Rates Pooling Gain - See Note* below	(40)	-	40
Council Tax	(6,653)	(6,653)	-
Deficit on Collection Fund	10	10	-
Rural Services Delivery Grant	(487)	(487)	-
Lower Tier Services Grant	(70)	(70)	-
Budgeted Earmarked Reserve Contributions	(150)	(150)	-
UNDERSPEND FOR 2021/22	-	(196)	(196)

Note* - The 2021/22 Business Rates Pooling Gain of £127,000 has been transferred to the Business Rates Retention Earmarked Reserve and has therefore not been used to support the cost of services in 2021/22.

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 2021	(1,294)
Surplus for the 2021/22 financial year	(196)
General Fund Balance (un-earmarked revenue reserve) at 31 March 2022	(1,490)

*On including the earmarked reserves, Total General Fund Reserves are £10.68 million.

4. The surplus on the General Fund Balance of £196,000 is essentially a break-even position and represents less than 0.9% of the Council's gross turnover in 2021/22 of £23 million.
5. The table below shows a reconciliation of the position shown on the bottom of the Comprehensive Income and Expenditure Statement and the underspend for 21/22.

	£000
Total Comprehensive Income and Expenditure Statement	(5,373)
Surplus on the revaluation of Property, Plant and Equipment	767
Deficit on the revaluation of Financial Instruments	83
Remeasurements of the net defined benefit pension liability	4,038
Transfers to earmarked reserves	248
The detail of the items below are shown in Note 7 'Adjustments between Accounting Basis and Funding Basis under Regulations' in the General Fund Balance column.	
Adjustments primarily involving the Capital Adjustment Account	(1,001)
Adjustments primarily involving the Capital Grants Unapplied Account	237
Adjustments primarily involving the Capital Receipts Reserve	13
Adjustments primarily involving the Pensions Reserve	(1,116)
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account	258
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account	1,653
Adjustments primarily involving the Accumulated Absences Account	(3)
Underspend for the 2021/22 financial year	(196)

6. A summary of the main differences from budget in 2021/22 is provided below:

ANALYSIS OF VARIATIONS (% column shows variation against budget)	£000	% variation
Reductions in expenditure/additional income		
Recycling Credits and Dry Recycling - additional income (transferred to the Waste Earmarked Reserve as shown below)	(250)	75.8%
Housing Benefit payments – mainly unbudgeted Housing Benefit overpayment recoveries	(82)	-
Salaries – mainly vacancy savings	(81)	1.9%
Homelessness – savings in Homelessness prevention expenses	(77)	82.8%
Savings on staff and Member travel and expenses	(30)	33.0%
Trade Waste – additional income	(28)	186.7%
Street Cleaning – mainly an underspend on cleansing contract costs	(24)	5.0%
Garden Waste – additional income	(17)	6.9%
Land Charges – additional income	(13)	13.7%
Compensation from the Government income guarantee scheme for sales, fees and charges for April to June 21 – mainly for car parking income (£44k)	(46)	-
Increases in expenditure/reduction in income		
Car Parking income – net loss is £82,000 after taking into account the Government sales, fees & charges compensation for April to June 21 of £44k	126	11.0%
COVID-19 expenditure - extra housing costs, ICT and remote working, waste, cleaning costs and community support costs.	123	-
Investment income - shortfall in treasury management investment income due to low base rates	70	66.7%
ICT software and support contracts – additional costs from above inflation increases, increased number of users on the Council's network and disability access legislation compliance.	58	11.6%
Waste & Recycling – the three weekly waste collection trials were not extended to the whole of the Borough due to significant structural changes in the waste industry and other external pressures such as the national LGV driver shortage. Therefore the additional income target in 2021/22 of £50,000 was not achieved.	50	-
Joint Local Plan contribution	25	-
Council Tax Collection – shortfall in budgeted income from summons costs	13	12.7%
Other small variances	7	-
Sub Total	(176)	
Less: Transfer to the Waste and Cleansing Options Review Earmarked Reserve: (Additional recycling credits and dry recycling income transferred to the waste earmarked reserve) – Council CM42 4 th December 2018	250	-
Add: Transfer from the COVID Earmarked Reserve: (This is Government funding that was used to support the cost of Covid-19 expenditure and net losses on car parking income in 2021/22) – Council CM39 28 th Sept 2021	(190)	-
Add: Transfer from the Salary Savings Earmarked Reserve: (to support salary costs) – Council CM57 15 th February 2022	(80)	-
TOTAL UNDERSPEND FOR 2021/22	(196)	(2.7%)

The 2021/22 budget for West Devon was £7.30 million but the actual spend was 2.7% lower, providing an underspend of £196,000 as shown above.

KEY AREAS TO NOTE FROM THE 2021/22 STATEMENT OF ACCOUNTS

Pension Liability

7. 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.
8. The Actuary has estimated a net deficit on the funded liabilities within the Pension Fund as at 31 March 2022 of £24.2 million, which compares to a deficit of £27.1 million as at 31 March 2021. The deficit is derived by calculating the pension assets and liabilities at 31 March 2022. See Note 36 for further information.

Business Rates

9. 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.
10. 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.
11. In 2021/22 there has been an £86,000 increase in the provision for appeals within the Collection Fund. The balance on the Business Rates Collection Fund at 31 March 2022 is a deficit of £3.09 million (£7.21 million in 2020/21). West Devon Borough Council's share of the deficit is 40% (£1.23 million).
12. Monies are set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of volatility in Business Rates income due to the complex accounting arrangements for Business Rates. In 2021/22 the balance of the Business Rates Retention Scheme (BRRS) earmarked reserve reduced by £0.17m to £1.09m as at 31 March 2022 (£1.26m at 31 March 2021). 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.

13. In addition, a new earmarked reserve was created in 2020/21 called the S31 Compensation Grant (Business Rates) Reserve to hold the S31 grant (£2.46m) received in 2020/21 to offset the business rate reliefs given to businesses during the pandemic and the Tax Income Guarantee S31 grant for Business Rates (£0.15m). The balance on this reserve as at 31 March 2021 was £2.61m. Under current Collection Fund accounting rules, the S31 grants received will not be discharged against the Collection Fund deficit until the following year. In 2021/22 further S31 grants were transferred to the S31 Compensation Grant (Business Rates) Reserve (£1.39m) and S31 grant received in 2020/21 was discharged to the Business Rates Collection Fund (£2.37m). This compensation grant will continue to be applied to the Collection Fund over the next three years to smooth the impact of the Business Rates deficit. The balance on this reserve as at 31 March 2022 is £1.63m.

Trading Company

14. 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 2021/22 and a set of statutory dormant Accounts will be filed with Companies House for the period 1 April 2021 to 31 March 2022. The future of Servaco Limited will be reviewed during 2022/23.

Borrowing

15. In 2021/22 the long term borrowing of the Council decreased from £28,342,000 (20/21) to £27,726,000. Short term borrowing increased from £603,000 to £615,000.

Capital Spending

16. The Council spent £1.1 million on capital projects in 2021/22. The main areas of expenditure were as follows:

- Housing renovation grants including disabled facilities grants (£0.6m)
- IT schemes (£0.2m)
- Purchase of property (£0.2m)

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

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

17. 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.
18. 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 made 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.
19. A summary of the position of these equity instruments as at 31 March 2022 is shown below:

	Purchase cost	Fair Value at 31 March 2022	Movement in Financial Instruments Revaluation Reserve 2021/22
	£000	£000	£000
Equity Instrument			
CCLA Local Authorities Property Fund	500	553	82

FINANCIAL NEEDS AND RESOURCES

20. 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.
21. General Fund reserves (which include earmarked reserves) have increased by £0.44m from the preceding year and stand at £10.68m at 31 March 2022. This reflects the 2021/22 surplus of £196,000 and an increase in earmarked reserves of £248,000.

22. The total Earmarked Reserves balance at 31 March 2022 of £9.2m includes £1.6m held in the Business Rates s31 Compensation Grant Reserve. This is due to a technical accounting adjustment where Councils were compensated for the business rates holidays that were announced by the Government for the retail, hospitality and leisure sectors in 2020/21 and 2021/22 (this funding is in the S31 Compensation Grant Reserve). This temporary increase in reserves will reverse back out again in the 2022/23 Accounts, to fund the deficit on the Collection Fund. Therefore this is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.
23. The General Fund Balance (un-earmarked reserve) has increased by £196,000 in 2021/22 and totals £1.490m. 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.
24. Capital Reserves are represented by capital receipts and capital contributions unapplied. The balance at 31 March 2022 amounts to £0.409m, compared to £0.377m at the end of the previous year.
25. 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.
26. 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 sheet has reduced the reported net worth of the Authority by £24.2 million at 31 March 2022. 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.
27. 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.

Annual Governance Statement (AGS)

28. 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 2021/22.

Housing Crisis

29. In February this year, the Council declared a housing crisis. This called for recognition of the current difficulties in the housing market and the effect on the affordability of good quality housing within the Borough.
30. House prices in West Devon are the least affordable in Devon with average housing costs at over 12 times the average salary. An almost complete lack of long term rented accommodation is one of the leading problems contributing to the crisis, alongside the increasing trend for people to move to the area from urban locations. Whilst the Joint Local Plan is working well and we are beating the targets for new houses, this national initiative is not enough to match our current local situation. The Council has identified 15 core actions to help resolve the crisis. This will be a key focus for us in the coming year.

A Plan for West Devon

31. During the year we continued the development of a new corporate strategy for the Council, now known as 'A Plan for West Devon'.
32. A Plan for West Devon was developed over 12 months in response to the impacts of Covid-19 and a post-Brexit UK. A series of workshops were held with our Councillors and a wide range of partner organisations were consulted to shape our focus for the next three years. The strategy is underpinned by a detailed delivery plan setting out specific actions that we will undertake in each of the years.
33. Each meeting of the Overview and Scrutiny committee now considers a detailed update on one of the themes. Furthermore, we have implemented a quarterly 'Integrated Performance Management Report' process to highlight progress and key risks related to the strategy to our Hub Committee.

Achieving our Vision

Our longer term vision will be delivered by concentrating on the following areas. These areas of focus will be supported by detailed annual delivery plans.



Strengthening our communities

An area that our communities can be proud of



Enhancing community wellbeing

Every resident is able to live a healthy and active life



Improving homes

Every resident has access to a quality and safe home



Maximising Council resources

Making the best use of our resources



Stimulating a thriving economy

A Borough that attracts high quality employment opportunities and space for business to grow



Growing our natural environment

An environment where people and nature thrive together



Adapting our built environment

Planning for the future, celebrating the past



Delivering inclusive and accessible services

A listening, accessible and caring council

Annual Report of Achievements

34. The Council has prepared an Annual Report of Achievements setting out the key activities it has been involved in during the year.

2021/22 Annual Report

67%
Average new service requests completed within one week of being received

Balancing the Budget
As set out earlier in the report, we receive 8% of your total Council Tax bill which pays for a whole host of services – so its important we plan well and spend it on the right things. In December we were hoping for longer term certainty on funding from Government but that didn't come – however in February we still set a balanced budget, ensuring we will be able to continue to provide essential services and support those most in need within the Borough.

Celebrating colleagues achievements
In December, we were able to celebrate the amazing efforts that staff from across the Council have made to deliver quality services for our residents and businesses. From delivering activities that are seen on the ground such as ensuring a great visitor experience, delivering business grants and other Covid-19 activities through to just as important recognition of colleagues that are known for offering a listening ear to others! Great work.

Investing in our future
During the year we've ensured our colleagues are well placed to provide quality Council Services. 5 members of staff have commenced apprenticeships. Three are undertaking a Level 7 qualification in Chartered Town Planning, 1 in Business Administration and 1 in Supervisory skills. We also supported 5 young people through the Government Kick Start scheme (for those 16-24 year olds on Universal Credit). One of the young people has since secured a permanent post in the Council.
We've also secured train releases on a flexible basis after National Future leaders programme as

35. The Annual Report was considered by Hub Committee at their meeting on 7th June 2022 and can be found on our Website.

LOOKING FORWARD TO THE FUTURE AND NEXT STEPS

Continuing to respond to the housing crisis

36. A significant focus for us during 2022/23 will be on delivering our action plan to address the Housing Crisis in West Devon. We will be pressing ahead with our action plan while continuing to deliver on our longer-term housing strategy,
37. We have already committed to increasing capacity within the Housing Team and recruitment to these roles will be carried out in the coming year.

Climate Emergency Response

38. This year will be the third year of delivering of our Climate and Biodiversity Emergency Action Plan. We will be continuing to deliver on those actions including ensuring the Council delivers on commitments including progressing plans for an electric vehicle fleet and continuing with our wild flowering on Council land.

Homes for Ukraine

39. As the conflict in Ukraine continues, we will be ensuring that the Borough Council develops a package of support for our Ukrainian guests and those residents stepping up to offer them a safe space to live. We'll be working closely with the voluntary sector to ensure wrap-around support and to ensure that as many host/sponsor placements as possible are maintained as they come towards the end of the initial 6-month term.

Levelling up

40. A significant focus for the Council in the coming 12 months will be submitting bids for Levelling Up funding and the Shared Prosperity Fund. We'll be identifying and working up bids for projects that can make a positive difference to the lives of our communities and businesses in the future.

Our financial future

41. 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. In his speech to the Local Government Association (LGA) conference on 28 June 2022, the Secretary of State, Michael Gove MP, promised to give local authorities greater "financial certainty". It was confirmed that a 2-year financial settlement will be introduced. The proposal for a 2-year settlement suggests that there will be rollover settlements in both 2023/24 and 2024/25, meaning financial settlements that are broadly similar to 2022/23. The Fair Funding Review, business rates baseline reset, and other funding reforms now look set to be pushed back to 2025/26. It also suggests that the 2021 Census might not be reflected in funding allocations until 2025/26. In addition, the timing of the cessation of the current New Homes Bonus scheme is not clear, but if it does continue, it will be smaller in value with no historic legacy payments.

42. Pushing these major changes back to 2025/26 means that they can be aligned with the next spending review period (the current spending review runs to 2024/25). 2025/26 now looks like it is shaping up to be a very significant financial year for local government, incorporating a new spending review, the 2021 Census and funding reforms.

Going Concern

43. As highlighted above there is a high degree of uncertainty about future levels of funding for local government. However, the S151 Officer is keeping a close watch on developments and planning for this longer-term uncertainty. For example, the Council has a Financial Stability earmarked reserve to help secure financial stability for the longer term. This will include addressing any future financial pressures from changes in local government funding levels. The balance on the Financial Stability earmarked reserve at 31 March 2022 is £0.454m.
44. Based on the S151 Officer's management assessment (which has included consideration of the Government support available, the Council's current level of reserves, the level of working capital including cash and investments, a sensitivity analysis on forecast cashflows, income from local taxation and borrowing headroom etc.), there is no material uncertainty and as a result the Accounts for 2021/22 are prepared on a going concern basis.

Issue of the Accounts

45. The Corporate Director for Strategic Finance (Section 151 Officer) authorised the unaudited Statement of Accounts 2021/22 for issue on 29 July 2022. Events taking place after this date are not reflected in the financial statements or notes.

CORPORATE PERFORMANCE FOR 2021/22

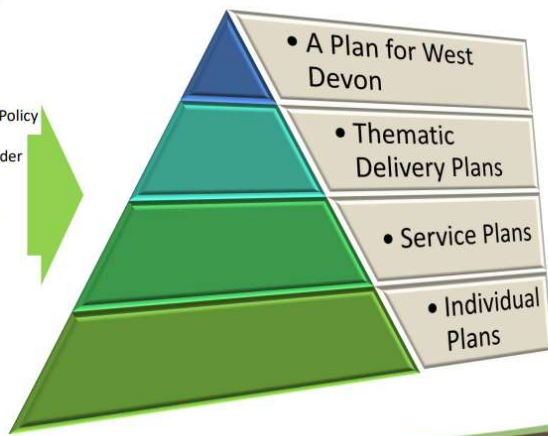
The Council adopted its Plan for West Devon in September 2021 and regularly reports on the performance of the delivery plan to both Overview and Scrutiny and the Hub Committee. At the end of the year, the performance for the priorities within the strategy is as set out below. Overall, positive progress has been made across all themes. Each theme has a lead officer and lead Member who meet regularly to monitor progress. Performance against each theme is also considered by an Advisory Group consisting of 6-8 Councillors.

Performance Management: The Golden Thread

From Strategic priorities to individual targets

What shapes our plans?

- Research & Intelligence
- Consultations
- Legislation & Government Policy
- Partner and other stakeholder plans
- The budget available to us
- Risk Assessments



How will we know we're succeeding?

- Residents and customer feedback
- Overview & Scrutiny Committee reviews
- External assessments
- Performance and financial monitoring
- Benchmarking against other Councils
- Annual appraisals for staff members

A Plan for West Devon

Overall Performance Against Actions

Status		Total Actions Within Category	% of overall actions	Compared to previous Quarter
	This action is on track with good progress being made. There are no significant risks which require action and we are on track to deliver as planned	91	93%	
	There are some issues or risks which are requiring management but a plan is in place to bring back on track	7	7%	
	There is a significant risk that we cannot deliver this activity as planned. Regular monitoring and support from Lead Member and Senior Leadership Team is required	0	0	
	This activity is not yet due to start in the current year	0		NA/ First report
	Totals	98	100%	

The performance by theme is as set out below.

Strengthening Communities

From awarding funding to support community schemes to ensuring we've continued to deliver leisure facilities within the Borough.

Focus Area	Total Actions 2021/22	 On Track	 Slightly off track but plan in place	 Risk that unable to deliver on time	 Not yet due to commence
Empowering our communities to enhance their area	11	11			
Supporting the voluntary sector in responding to community needs	4	4			

Community Wellbeing

Ensuring the wellbeing of our residents has continued to be a major focus for the Council and we've made positive progress on this front.

Focus Area	Total Actions 2021/22	 On Track	 Slightly off track but plan in place	 Risk that unable to deliver on time	 Not yet due to commence
Reducing Health Inequalities & rural poverty	3	2	1 (CW1.1)		
Leisure provision that meets residents needs	5	5			
Mental Health and Wellbeing	3	3			

Improving Homes

We know that having a decent, safe home is essential for the wellbeing of all residents. This year we've taken the step of declaring a Housing Crisis in West Devon to highlight the significant shortage of homes within the Borough.

Focus Area	Total Actions 2021/22	 On Track	 Slightly off track but plan in place	 Risk that unable to deliver on time	 Not yet due to commence
Housing for Place	3	3			
Housing for People	6	5	1 (IH1.5)		

Thriving Economy

2021/22 continued to see sectors within our economy impacted by the Covid-19 pandemic, but we've taken positive steps to support West Devon businesses into the future.

Focus Area	Total Actions 2021/22	 On Track	 Slightly off track but plan in place	 Risk that unable to deliver on time	 Not yet due to commence
Promote Destination West Devon	8	8			
Helping West Devon Towns and Businesses thrive	7	7			
Respond to opportunities to enhance the economy	2	2			

Natural Environment

During the year we have continued to progress delivery of our ambitious Climate and Biodiversity Action Plan as well as delivering on our wider commitments for our Natural Environment.

Focus Area	Total Actions 2021/22	 On Track	 Slightly off track but plan in place	 Risk that unable to deliver on time	 Not yet due to commence
Working towards net zero	4	3	1 (NE1.1)		
Making the best use of our incredible natural environment	6	6			

Built Environment

During the year we were able to support a number of events across the Borough that celebrated our heritage and also took steps to ensure that our Planning Service adapts to meet the needs of residents. We were also 'Highly Commended' at the 2022 Land Data Local Land Charges awards.

Focus Area	Total Actions 2021/22	 On Track	 Slightly off track but plan in place	 Risk that unable to deliver on time	 Not yet due to commence
Celebrating our heritage and ensuring its protected	4	3	1 (BE1.1)		
Planning infrastructure for the future	4	4			

Inclusive Services

During 2021/22 we've continued implementing systems that improve our online access for residents. We had 534,600 visits to our website in 12 months and were pleased to be ranked 22nd out of all Local Authorities for the accessibility of our online pages.

Focus Area	Total Actions 2021/22	 On Track	 Slightly off track but plan in place	 Risk that unable to deliver on time	 Not yet due to commence
Being a listening and accessible Council	10	9	1 (IA1.2)		

Maximising Resources

During the year our ICT transformation programme was recognised at a national level when we won Gold for implementation of customer friendly ICT.

Focus Area	Total Actions 2021/22	 On Track	 Slightly off track but plan in place	 Risk that unable to deliver on time	 Not yet due to commence
Value for money of existing services	5	4	1 (R1.1)		
Finance fit for the future	13	12	1 (R1.6)		

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. The latest update was presented to the Audit Committee on 9th December 2021 and a high-level summary considered by Hub Committee as part of the quarterly Integrated Performance Management Reports.

Our Risk Management Objectives

We have 6 key objectives that guide our approach to Risk Management



1. Adopt a strategic approach to risk management in order to make well informed decisions
2. Integrate risk management into how we run Council services and deliver key projects.
3. Support a culture of well-measured risk taking throughout the Council including setting risk ownership and accountabilities.
4. Accept that even with good risk management and our best endeavours, things can go wrong. We will learn lessons where this happens.
5. Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management
6. Ensure that risk management continues to be a key and effective element of our Corporate Governance




Benefits of Effective Risk Management



- 
Improved Strategic Management
 - Greater Ability to deliver against our corporate objectives and targets
 - Improved decision making, planning and prioritisation
- 
Improved Operational Management
 - Plans in place to response to incidents when they occur
 - Better service delivery
- 
Improved Financial Management
 - Better informed financial decision making
 - Greater financial control
 - Minimising waste and improving Value for Money
- 
Improved Customer Service
 Service disruption to customer minimized


Summary of Strategic Risks November 2021



Risk Title	Description	Latest update to Audit (November 2021)
<p>Adherence to Medium Term Financial Strategy</p> 	<p>Failure to sustain a robust on-going medium term financial strategy in WDBC with adequate reserves to meet unforeseen circumstances, due to cost pressures and reduced income, council decisions, changes in Government policy with regard to business rates and affordable housing; Potential impact on delivering the MTFS, particularly if national/regional businesses successfully appeal against business rate valuations or litigation proceedings / legal challenges / planning appeals, etc.</p>	<p>The Council has closed its Accounts for 2020/21 and the Audited Accounts were published on 2nd November 2021. The Council reported a small surplus for the 20/21 year of £75,000 (1%) against the Council's total net budget of just over £7million. The Council has to be entirely independent to fund all of its services, as the Borough Council no longer receives any main Government Grant (Revenue Support Grant). The Council has had a reduction in core Government funding of £3million per year since 2010. The Council prepared its Medium-Term Financial Strategy for the period covering 2022/23 to 2024/25 and this was presented to the Hub Committee at its September 2021 meeting. The Council will continue to respond to national funding consultations and lobby alongside other Devon Councils and national organisations such as the District Councils' Network for a multi-year financial settlement, to aid long term strategic financial planning. The Fair Funding Review and the re-setting of the Business Rates baseline will be deferred until at least 2023/24. The Council is also awaiting further Government announcements on the New Homes Bonus funding. The Budget Gap over the next two years is predicted to be in excess of £0.5million and work is already underway to address this. Much will also depend on the next Government financial settlement for the three year period from 2022/23 and confirmation on funding items like Negative Revenue Support Grant, which has been assumed in the modelling to start impacting in 2023/24 onwards.</p>
<p>Covid-19 Impact on Services</p> 	<p>The risk is that Covid-19 (Coronavirus) will impact on the ability for the Council to deliver its services leading to a drop in operational performance and customer satisfaction. There is the potential for additional financial implications due to increased demand for services or a reduction in income.</p>	<p>Our office based staff continue to work from home in order to mitigate the risk of spreading Covid 19 and in turn reducing the capacity of our workforce. Our frontline staff continue to employ safety measures to reduce the risk of transmission of Covid with risk assessments continually being updated.</p> <p>Member meetings have resumed face to face for many months and with the exception of wearing facemasks when moving around the building and maintaining social distancing, other safety measures have been removed. This has not so far resulted in any significant outbreaks. We will continue to monitor the impact on services (particularly given Omicron variant developments) over the winter but overall the impact on services to this point has not been significant.</p>

Risk Title	Description	Latest update to Audit (November 2021)
Inadequate Staffing Resource 	<p>The risk is that the Council fails to have sufficient staffing arrangement resulting in a loss of staff morale, and inadequate resources for training and reskilling in an ongoing period of change. Failure to engage staff resulting in uncertainty regarding changes in working practices and job security. Particular risk in relation to future terms and conditions. Cost and time of retraining/up-skilling staff. Unrealistic expectations in relation to staffing capacity.</p>	<p>Good progress has been made in reducing this risk. - Planning (Development Management) Review has identified a requirement for additional planning officers. This has been approved by Members and recruitment underway. - Extended Leadership Team has been realigned to better support delivery of our priorities and also to ensure an even spread of management across the organisation which will enable improved support for staff across the Council. - New performance management and appraisal process has begun to be rolled out which will ensure we enhance our understanding of training and development requirements for staff. - A Plan for West Devon is now guiding the work planning and in turn enabling better resource planning.</p>
Organisational Commitment to Change 	<p>The risk is that there is a lack of on-going organisational commitment to support changes needed for ongoing financial sustainability & community resilience.</p>	<p>In September 2021, Council unanimously adopted 'A Plan for West Devon' its longer-term plan for the Council and Borough as a whole. Developed over many months and with full Member engagement through workshops, it is now underpinned by detailed delivery plans. This is a positive step and will guide the work of the Council, its resource allocations and its priorities for lobbying and partnership working. We will also soon have much greater certainty around funding with proposals for a three year financial settlement from government. This will further enhance our future financial planning capabilities.</p>
Health and Wellbeing (Leisure) Service Provision 	<p>Covid-19 has 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 Covid-19 to both staff and customers, the capacity of the centres is significantly reduced while many overheads and operating costs remain the same.</p>	<p>At their meeting on 2nd November 2021, Hub Committee considered a report on the Leisure Services provision as a result of the pandemic. The report set out that following their reopening (from lockdown) on 12th April 2021, and with more activities able to take place from 19th July as restrictions were eased, centre participation has increased across both Fusion operated leisure centres in the Borough. Meadowlands participation has increased by 67% and Parklands has increased by 63%. The report also set out some actions that Fusion are taking to further increase participation including launching a new tourist membership and extending hours to increase uptake where demand and revenue growth has allowed. The report set out options to Members in respect of the contract management fee for delivery of the leisure services. Further work is planned to consider this and a decision will be taken by Members In the new year.</p>

Risk Title	Description	Latest update to Audit (November 2021)
<p>Business Continuity</p> <p>Risk Score (Current)</p>  <p>Likelihood 4 x Impact 5</p>	<p>The risk is that we do not develop and keep maintained robust processes to ensure business continuity in the event of a significant event occurring, e.g. Failure to ensure the continuous availability of critical IT systems leading to inability to deliver key council services.</p>	<p>While we still find ourselves in the 'response' phase of the pandemic however focus is now changing to refining our broader business continuity plans to cover other scenarios. Our ability to work online is fundamental to our ongoing delivery of services and this is therefore a key focus for our Business Continuity Planning. We are aware of rising incidents of cyber attacks on local authorities and are monitoring their learning closely in order to refine our own response plans. Where cyber attacks on those have been successful (i.e. not prevented by their systems and processes) they have been without core operating systems for many months and with the cost of recovery being in the several millions of pounds. As a result of this learning we have increased the financial impact score to 5. Additionally, our Waste collection service continues to be impacted by the national HGV driver shortages and while out of our control, does represent an increase in the risk of further impacts to delivery of that service (particularly as we get into the typical flu season and with added Covid risk). We have commissioned external advice to support us in updating our ICT Business Continuity Plans with this work aiming to complete in January 2022. Following this we can update our other service business continuity plans. A group of core officers will be recommencing a dedicated work stream to reduce this risk to acceptable level</p>
<p>Emergency Response</p> <p>Risk Score (Current)</p>  <p>Likelihood 3 x Impact 5</p>	<p>The risk is that the council fails to meet the high public expectation in relation to supporting communities during storm damage/flooding/ other events, as well as engagement in longer term recovery, in particular assumptions about capital investment to restore assets. The risk relates to how best to support dispersed communities, e.g. with filling, transporting and laying sandbags as well as providing workforce on site, given limited resources and expectations during an event.</p>	<p>The Council continues to engage with the Local Resilience Forum and is keeping its emergency response plans up to date. Winter plans are developed and in place. Most of our emergency response support will be provided by the Environmental Health Team who are also the team that are involved in supporting any requirements to respond to Covid-19. To support their ability to respond to any other emergencies through the winter, we have extended the contract of the covid-19 support officers until end of March 2022.</p>

Risk Title	Description	Latest update to Audit (November 2021)
<p data-bbox="159 286 375 470">Maximising the use of Government economic support funds</p> <div data-bbox="159 504 375 739"> <p data-bbox="167 510 367 537">Risk Score (Current)</p>  <p data-bbox="167 705 367 732">Likelihood 2 x Impact 3</p> </div>	<p data-bbox="406 286 750 582">The risk is that the Council does not maximise the use of government high street support funding and business grants which in turn support the economic recovery of the area leading to a longer-term negative impact as we begin to recover from Covid-19.</p>	<p data-bbox="774 286 1404 728">As part of its Plan for West Devon, the Council has placed a significant emphasis on the support to the economy of West Devon with a clear delivery plan in place for the next three years. One aspect of supporting project activity is funded by ERDF monies. The Council has recently been notified that its first claim for funding was successful and payment is being processed. We were able to demonstrate through the claim process our compliance with the requirements of the scheme. It is a requirement of the scheme that the funding scheme is included on the Councils strategic risk register. This funding has enabled to support projects in all of our key towns and we have plans for further promotional and marketing activities over the Christmas period.</p>

Section 2

Core Financial Statements

SECTION 2A COMPREHENSIVE INCOME & 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.

2020/21				2021/22		
Gross Expenditure	Gross Income	Net Expenditure	Segment	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
19,260	(14,114)	5,146	Customer Service & Delivery	17,959	(13,130)	4,829
477	(50)	427	Strategic Finance	519	(89)	430
3,556	(2,885)	671	Place and Enterprise	3,306	(3,066)	240
3,660	(644)	3,016	Governance & Assurance	3,858	(1,210)	2,648
26,953	(17,693)	9,260	Cost of Services	25,642	(17,495)	8,147
		1,659	Other operating expenditure (Note 9)			1,785
		(785)	Financing and investment income and expenditure (Note 10)			779
		(11,626)	Taxation and non-specific grant income (Note 11)			(11,196)
		(1,492)	(Surplus) or Deficit on Provision of Services			(485)
		(1,724)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(767)
		4,787	Remeasurements of the net defined benefit liability			(4,038)
		3	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income			(83)
		3,066	Other Comprehensive Income and Expenditure			(4,888)
		1,574	Total Comprehensive Income and Expenditure			(5,373)

SECTION 2B: MOVEMENT IN RESERVES STATEMENT

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.

2021/22	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 2021/22 £000
Balance at 31 March 2021 carried forward	1,294	8,941	10,235	158	219	10,612	(9,748)	864
Movement in Reserves during Year								
Total Comprehensive Income & Expenditure	485	0	485	0	0	485	4,888	5,373
Adjustments between accounting basis & funding basis under regulations (Note 7)	(41)	0	(41)	(102)	134	(9)	9	0
Transfers to/from Earmarked Reserves (Note 8)	(248)	248	0	0	0	0	0	0
Increase/ (Decrease) in Year	196	248	444	(102)	134	476	4,897	5,373
Balance at 31 March 2022 carried forward	1,490	9,189	10,679	56	353	11,088	(4,851)	6,237

SECTION 2B: MOVEMENT IN RESERVES STATEMENT

2020/21 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 2020/21 £000
Balance at 31 March 2020 carried forward	1,219	4,984	6,203	159	208	6,570	(4,132)	2,438
Movement in Reserves during Year								
Total Comprehensive Income & Expenditure	1,492	0	1,492	0	0	1,492	(3,066)	(1,574)
Adjustments between accounting basis & funding basis under regulations (Note 7)	2,540	0	2,540	(1)	11	2,550	(2,550)	0
Transfers to/from Earmarked Reserves (Note 8)	(3,957)	3,957	0	0	0	0	0	0
Increase/ (Decrease) in Year	75	3,957	4,032	(1)	11	4,042	(5,616)	(1,574)
Balance at 31 March 2021 carried forward	1,294	8,941	10,235	158	219	10,612	(9,748)	864

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 2021		Notes		31 March 2022
£000				£000
25,594	Property, Plant & Equipment	12		25,743
19,830	Investment Property	13		19,120
200	Intangible Assets			285
471	Long Term Investments	14		553
46,095	Long Term Assets			45,701
6,500	Short Term Investments	14		17,200
6,283	Short Term Debtors	15		3,732
12,760	Cash and Cash Equivalents	17		10,011
25,543	Current Assets			30,943
(11,138)	Short Term Creditors	18		(14,602)
(603)	Short Term Borrowing	14		(615)
(689)	Revenue Grants in Advance	31		(125)
(886)	Provisions	19		(921)
(13,316)	Current Liabilities			(16,263)
(179)	Long Term Creditors	18		(184)
(28,342)	Long Term Borrowing	14		(27,726)
(27,142)	Pension Fund Liabilities	36		(24,220)
(1,795)	Capital Grants Receipts in Advance	31		(2,014)
(57,458)	Long Term Liabilities			(54,144)
864	Total Net Assets			6,237
10,612	Usable Reserves	20		11,088
(9,748)	Unusable Reserves	21		(4,851)
864	Total Reserves			6,237

The notes on pages 33 to 113 form part of these financial statements. The unaudited accounts were issued on 29 July 2022.

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.

2020/21 £000		2021/22 £000
(1,492)	Net (surplus) or deficit on the provision of services	(485)
(4,580)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 22)	(4,802)
669	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 23)	754
(5,403)	Net cash flows from Operating Activities	(4,533)
2,111	Net increase/(decrease) in Investing Activities (Note 24)	10,107
1,009	Net cash outflow/(inflow) from Financing Activities (Note 25)	(2,825)
(2,283)	Net (increase) or decrease in cash and cash equivalents	2,749
10,477	Cash and cash equivalents at the beginning of the reporting period	12,760
12,760	Cash and cash equivalents at the end of the reporting period (Note 17)	10,011

Section 3

Notes to the Financial Statements

Notes to the Financial Statements

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SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 2022 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
Property, Plant and Equipment	<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>Assets are depreciated over useful lives which are estimated annually. The carrying value of Property, Plant and Equipment as at 31 March 2022 is £26 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 £2.6m.</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 £205,000 impact on the Council's finances.</p>

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair value measurement of investment property	<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.</p> <p>The fair value of Investment Properties as at 31 March 2022 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>
Business Rates Appeals Provision	<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 2022 is £2.30 million, of which the Council's share is 40% (£920,000).</p>	<p>There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation. If the Business Rates appeals provision were to change by 1% this would have an impact of £9,200 on the Council's finances.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</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 £1 million.</p> <p>The assumptions interact in complex ways. For example, in 2021/22, the Authority's actuaries advised that the pension liability has decreased by £2 million as a result of a change in "financial assumptions" and had not changed as a result of a change in "demographic assumptions".</p>

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<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 2022.</p> <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 2022 is £24.2 million.</p> <p>Movements in the value of investments due to current economic uncertainty will affect the valuation of the pension liability. This will include the impact on the value of Investment Properties held by the Local Government Pension Scheme on behalf of West Devon Borough Council.</p>	<p>Please refer to Note 36 for further information about the assumptions used by the actuaries.</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> <p>The Council's share of these Pension Fund property investments would be material to the Council's net liability, this would also present a material uncertainty on the valuation of the Council's pension assets and liabilities as at 31 March 2022.</p>

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

2. MATERIAL ITEMS OF INCOME AND EXPENDITURE

There are no material items of income and expense in 2020/21 or 2021/22.

3. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts (SOA) for 2021/22 was approved for issue by the Section 151 Officer & Corporate Director for Strategic Finance on 29 July 2022. 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. The Expenditure and Funding Analysis also fulfils the requirement to report by segments.

2021-2022	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis (Note 5) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Customer Service and Delivery	3,827	1,002	4,829
Strategic Finance	430	0	430
Place and Enterprise	(120)	360	240
Governance and Assurance	1,810	838	2,648
Net Cost of Services	5,947	2,200	8,147
Other income and expenditure	(6,391)	(2,241)	(8,632)
(Surplus)/Deficit on Provision of Services	(444)	(41)	(485)

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

	General Fund Balance £000	Earmarked Reserves £000	Total General Fund Reserves £000
Opening Balance at 31 March 2021	(1,294)	(8,941)	(10,235)
(Increase)/decrease in year	(196)	(248)	(444)
Closing Balance at 31 March 2022	(1,490)	(9,189)	(10,679)

2020-2021 Comparatives	Net Expenditure Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis (Note 5) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Customer Service and Delivery	4,435	711	5,146
Strategic Finance	427	0-	427
Place and Enterprise	444	227	671
Governance and Assurance	2,292	724	3,016
Net Cost of Services	7,598	1,662	9,260
Other income and expenditure	(11,630)	878	(10,752)
(Surplus)/Deficit on Provision of Services	(4,032)	2,540	(1,492)

	General Fund Balance £000	Earmarked Reserves £000	Total General Fund Reserves £000
Opening Balance at 31 March 2020	(1,219)	(4,984)	(6,203)
(Increase)/decrease in year	(75)	(3,957)	(4,032)
Closing Balance at 31 March 2021	(1,294)	(8,941)	(10,235)

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

5. 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).

Adjustments between Funding and Accounting Basis				
2021/22	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 Service & Delivery	613	386	3	1,002
Place and Enterprise	248	112	0	360
Governance & Assurance	772	66	0	838
Net Cost of Services	1,633	564	3	2,200
Other income and expenditure from the Expenditure & Funding Analysis	(882)	552	(1,911)	(2,241)
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	751	1,116	(1,908)	(41)

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

Adjustments between Funding and Accounting Basis				
2020/21 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 Service & Delivery	677	32	2	711
Place and Enterprise	215	12	0	227
Governance & Assurance	715	9	0	724
Net Cost of Services	1,607	53	2	1,662
Other income and expenditure from the Expenditure & Funding Analysis	(2,455)	519	2,814	878
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	(848)	572	2,816	2,540

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 FINANCIAL STATEMENTS

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	2020/21 £000	2021/22 £000
Employee Benefits Expenses	7,099	8,102
Other Service Expenses*	18,267	15,935
Depreciation, Amortisation and Impairment	780	1,633
Interest Payments	758	746
Pension Fund Administration Expenses	19	18
Net Interest on the net defined benefit liability	498	534
Losses/(Gains) from fair value adjustments	0	714
Total Expenditure	27,421	27,682
Fees, Charges and Other Service Income**	(5,773)	(6,765)
Interest and Investment Income	(37)	(35)
Income from Council Tax and Business Rates***	(3,188)	(5,036)
Revenue Grants and Contributions****	(19,246)	(15,576)
Capital Grants and Contributions	(659)	(741)
Other Income	(10)	(14)
Total Income	(28,913)	(28,167)
(Surplus) or Deficit on Provision of Services	(1,492)	(485)

* Other Service Expenses

Other Service Expenses have reduced by £2.3m in 2021/22. This mainly reflects the reduction in payment of business grants paid out on behalf of Central Government during the pandemic.

**Fees, Charges and Other Service Income

The increase in fees and charges income in 2021/22 reflects the detrimental impact of the pandemic on the Council's income in 2020/21. For example, car parking income was over £400,000 lower in 2020/21.

*** Income from Council Tax and Business Rates

The increase in income from Council Tax and Business Rates in 2021/22 mainly reflects the impact of the accounting treatment of the Business Rates S31 compensation grant. During 2020/21 local authorities received S31 grants to offset the business rate reliefs given to

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 were not discharged against the Collection Fund deficit until 2021/22 onwards. This has resulted in an increase in Business Rates Receivable from £4.6m in 2020/21 to £8.1m in 2021/22.

The figure for Council Tax and Business Rates in this statement is shown net of expenditure (precepts to other bodies).

******Revenue Grants and Contributions**

The overall reduction in grant income between 2020/21 and 2021/22 of £3.7 million mainly relates to the S31 Business Rate Relief Grants. The larger share of this funding was received in 2020/21. This S31 compensation grant was awarded to local authorities to offset the business rate reliefs given to businesses during the pandemic.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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.

2021/22	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	929			(929)
Movements in the market value of Investment Properties	710			(710)
Amortisation of Intangible Assets	81			(81)
Capital grants and contributions applied	(504)			504
Revenue expenditure funded from capital under statute (REFCUS)	623			(623)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	4			(4)
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	(623)			623
Capital expenditure charged against the General Fund	(96)			96
Revenue Contribution to Capital Outlay - RCCO	(123)			123
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(237)		237	0
Application of grants to capital financing transferred to the Capital Adjustment Account			(103)	103
	Usable Reserves			

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

2021/22	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of unattached capital receipts	(13)	13		
Use of the Capital Receipts Reserve to finance new capital expenditure		(115)		115
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 36)	2,047			(2,047)
Employer's pension contributions and direct payments to pensioners payable in the year	(931)			931
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	(258)			258
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	(1,653)			1,653
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	3			(3)
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2021/22	(41)	(102)	134	9

*The large adjustment in 2021/22 regarding the Business Rates Collection Fund Adjustment Account reflects the reduced deficit on the Business Rates Collection Fund at 31 March 2022 (£3.1m compared to £7.2m at 31 March 2021). During 2020/21 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 are being discharged against the Collection Fund deficit in 2021/22 onwards. Further S31 grants were also received in 2021/22 which will have a similar impact on the Business Rates Collection Fund in future years.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

2020/21 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	894			(894)
Movements in the market value of Investment Properties	(826)			826
Amortisation of Intangible Assets	54			(54)
Capital grants and contributions applied	(556)			556
Revenue expenditure funded from capital under statute (REFCUS)	658			(658)
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	(610)			610
Capital expenditure charged against the General Fund	(199)			199
Revenue Contribution to Capital Outlay - RCCO	(150)			150
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(103)		103	0
Application of grants to capital financing transferred to the Capital Adjustment Account			(92)	92

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

2020/21 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 Receipts Reserve:				
Transfer of unattached capital receipts	(10)	10		0
Use of the Capital Receipts Reserve to finance new capital expenditure		(11)		11
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 36)	1,473			(1,473)
Employer's pension contributions and direct payments to pensioners payable in the year	(901)			901
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	(51)			51
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	2,866			(2,866)
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	1			(1)
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2020/21	2,540	(1)	11	(2,550)

*The large adjustment in 2020/21 regarding the Business Rates Collection Fund Adjustment Account reflects the deficit position on the Business Rates Collection Fund at 31 March 2021. During 2020/21 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 were not discharged against the Collection Fund deficit until 2021/22 onwards. Therefore there was a deficit on the Business Rates Collection Fund Adjustment Account at 31 March 2021.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 2021/22. 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 and also smooths the volatility in business rates income over a number of years.

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

S31 Compensation Grant (Business Rates) Reserve – This is a new reserve set up to hold the business rates S31 grants received in 2020/21 to offset the business rate reliefs given to businesses during lockdown. The S31 grants received in 2020/21 and 2021/22 will not be discharged against the Collection Fund deficit until 2021/22 and 2022/23 onwards respectively.

Financial Stability Reserve – This reserve was set up to help secure financial stability for the longer term.

Maintenance, Management and Risk Mitigation Reserve – Every year the Council sets aside 10% of rental income from commercial property into this reserve to cover any longer-term maintenance issues.

Strategic Waste Reserve – This reserve is used to support any unforeseen future waste cost pressures relating to market changes. Additional income from increased recycling credits and dry recycling income has been transferred to this reserve. In addition, the reserve also holds the value of the 2021/22 contractual performance deductions, to contribute to the contracted costs and capital outlay.

*The total Earmarked Reserves balance at 31 March 2022 of £9.2m includes £1.6m held in the Business Rates s31 Compensation Grant Reserve. This is due to a technical accounting adjustment where Councils were compensated for the business rates holidays that were announced by the Government for the retail, hospitality and leisure sectors in 2020/21 and 2021/22 (this funding is in the S31 Compensation Grant Reserve). This temporary increase in reserves will reverse back out again in the 2022/23 Accounts, to fund the deficit on the Collection Fund. Therefore this is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.

The table below shows the earmarked reserve balances at 31 March 2022 and the movement during 2021/22.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

2021/22 EARMARKED RESERVES	Balance at 31.3.2021 £000	Transfers Out £000	Transfers In £000	Balance at 31.3.2022 £000
Car Parking Maintenance	484	-	50	534
ICT Development	39	(39)	25	25
JSG Future Options	5	-	-	5
Planning Policy & Major Developments	147	(1)	-	146
16/17 Budget Surplus Contingency	86	-	-	86
Members Sustainable Community Fund	6	-	-	6
Innovation Fund (Invest to Earn)	399	(21)	-	378
Outdoor Sports & Recreation	16	-	-	16
Strategic Waste	176	-	482	658
Leisure Services	58	(10)	-	48
Support Services Trading	31	(27)	16	20
Environmental Health Initiatives	20	-	-	20
Financial Stability	454	-	-	454
Maintenance, Management & Risk Mitigation	302	(3)	119	418
Grounds Maintenance	48	-	30	78
Invest to Save	12	-	-	12
Elections	20	-	14	34
DCC Localism Support Officer	5	-	-	5
Neighbourhood Planning Grants	10	(23)	60	47
Cannons Meadow	5	(2)	-	3
DCC Public Health	6	-	-	6
Revenue Grants	912	(53)	558	1,417
Business Rates Retention Scheme	1,260	(173)	-	1,087
COVID-19	221	(249)	282	254
Town Teams & Economic Grants	26	-	-	26
Flood Works	15	-	-	15
New Homes Bonus	452	(239)	293	506
Homelessness	173	(19)	90	244
Strategic Change	67	-	-	67
Planning Enforcement	5	-	-	5
Maintenance Fund	242	-	119	361
Salary Savings Reserve	80	(80)	-	-
Recovery Plan & Corporate Strategy	200	(18)	-	182
Broadband Community Support	50	-	-	50
S106 Monitoring	-	(6)	6	-
S106 Technical Support	2	(2)	-	-
Vehicle Replacement	298	(20)	50	328
Tree Maintenance	-	-	17	17
SUBTOTAL EARMARKED RESERVES	6,332	(985)	2,211	7,558
Business Rates S31 Compensation Grants*	2,609	(978)	-	1,631
TOTAL EARMARKED EVENUE RESERVES (See note above on the S31 Grant)	8,941	(1,963)	2,211	9,189

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

2020/21 Comparatives	Balance at	Transfers	Transfers	Balance at
EARMARKED RESERVES	31.3.2020	Out	In	31.3.2021
	£000	£000	£000	£000
Car Parking Maintenance	464	(23)	43	484
ICT Development	66	(52)	25	39
JSG Future Options	5	-	-	5
Planning Policy & Major Developments	122	-	25	147
16/17 Budget Surplus Contingency	196	(110)	-	86
Members Sustainable Community Fund	-	(3)	9	6
Innovation Fund (Invest to Earn)	432	(33)	-	399
Outdoor Sports & Recreation	18	(2)	-	16
Strategic Waste	104	(8)	80	176
Leisure Services	204	(146)	-	58
Support Services Trading	8	-	23	31
Environmental Health Initiatives	20	-	-	20
Habitats Reserve	3	(3)	-	-
Financial Stability	454	-	-	454
Joint Local Plan	20	(20)	-	-
Maintenance, Management & Risk Mitigation	190	(6)	118	302
Grounds Maintenance	18	-	30	48
Invest to Save	12	-	-	12
Elections	-	-	20	20
DCC Localism Support Officer	14	(9)	-	5
Neighbourhood Planning Grants	16	(27)	21	10
Cannons Meadow	8	(3)	-	5
DCC Public Health	6	-	-	6
Revenue Grants	508	(67)	471	912
Business Rates Retention Scheme	904	(2,875)	3,231	1,260
COVID-19	-	-	221	221
Town Teams & Economic Grants	23	(18)	21	26
Flood Works	15	-	-	15
New Homes Bonus	401	(297)	348	452
Homelessness	115	-	58	173
Strategic Change	67	-	-	67
Planning Enforcement	5	-	-	5
Maintenance Fund	170	-	72	242
Salary Savings Reserve	-	-	80	80
Recovery Plan & Corporate Strategy	-	-	200	200
Broadband Community Support	-	-	50	50
S106 Monitoring	-	(4)	4	-
S106 Technical Support	-	(6)	8	2
Vehicle Replacement	396	(149)	51	298
SUBTOTAL EARMARKED RESERVES	4,984	(3,861)	5,209	6,332
Business Rates S31 Compensation Grants*	-	-	2,609	2,609
TOTAL EARMARKED REVENUE RESERVES	4,984	(3,861)	7,818	8,941

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

Note* - Business Rates S31 Compensation Grant Earmarked Reserve

Earmarked Reserves increased by £3.957m in 2020/21. This was mainly due to the creation of a new earmarked reserve in 2020/21 called the S31 Compensation Grant (Business Rates) Reserve. During 2020/21 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown in the retail, hospitality and leisure sectors (business rates holidays). Under current Collection Fund accounting rules, the S31 grants received in 2020/21 will not be discharged against the Collection Fund deficit until 2021/22 onwards. Therefore this S31 grant (£2.46m) together with the Tax Income Guarantee S31 grant for Business Rates of £0.15m were transferred to the S31 Compensation Grant (Business Rates) Earmarked Reserve. This compensation grant will be applied to the Collection Fund over the next three years (2021/22 onwards) to smooth the impact of the Business Rates deficit. The balance on this reserve as at 31 March 2021 was £2.609m. This is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.

9. OTHER OPERATING EXPENDITURE

2020/21 £000		2021/22 £000
1,640	Parish council precepts	1,763
0	(Gains)/losses on the disposal of non-current assets	4
19	Pension administration expenses	18
1,659	Total	1,785

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2020/21 £000		2021/22 £000
759	Interest payable and similar charges	746
(37)	Interest receivable and similar income	(35)
(10)	Other investment income	(14)
498	Net interest on the net defined benefit liability	534
(1,995)	Investment properties (Note 13)	(452)
(785)	Total	779

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

11. TAXATION AND NON-SPECIFIC GRANT INCOME

2020/21 £000		2021/22 £000
	Council Tax	
(6,437)	• Income	(6,653)
(112)	• Collection Fund adjustment	(257)
(6)	• Collection Fund - distribution of surplus	10
	Business Rates	
(4,067)	• Income	(4,250)
3,230	• Tariff	3,230
1	• Pooling administration costs	1
(163)	• Pooling gain	(127)
127	• Levy payment	344
2,599	• Transfer of Collection Fund deficit/(surplus)*	903
	Non ring - fenced Government Grants:	
(3,740)	• S31 Business Rate Relief Grants*	(2,323)
(347)	• New Homes Bonus Grant	(293)
(464)	• Rural Services Delivery Grant	(487)
0	• Lower Tier Services Grant	(70)
	Non ring – fenced Government Grants: COVID-19	
(797)	• LA Response Grant	(282)
(436)	• Sales, Fees and Charges Compensation	(70)
(355)	• New Burdens Admin Support Grant	(131)
(659)	Capital grants and contributions	(741)
(11,626)	Total	(11,196)

*The S31 Business Rate Relief Grants received in 2020/21 and 2021/22 include the S31 compensation grant that local authorities were awarded to offset the business rate reliefs given to businesses during the pandemic. Under current Collection Fund accounting rules, the S31 grants are not discharged against the Collection Fund deficit until the following year onwards. Therefore there is a deficit on the Business Rates Collection Fund Adjustment Account at 31 March 2021 and 31 March 2022 which is reflected in the transfers of the Collection Fund deficit above. The S31 compensation grant is held in an earmarked reserve and will be applied to the Collection Fund over the next three years to smooth the impact of the Business Rates deficit.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

Movements in 2021/22:

	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 2021	23,327	2,799	1,074	0	0	27,200
Additions	208	102	4			314
Revaluation increases/(decreases) recognised in the Revaluation Reserve	50					50
De-recognition - Disposals		(19)				(19)
At 31 March 2022	23,585	2,882	1,078	0	0	27,545
Accumulated Depreciation and Impairment at 1 April 2021	312	858	436	0	0	1,606
Charge for 2021/22	569	331	29			929
Depreciation written out to the Revaluation Reserve	(717)					(717)
De-recognition - Disposals		(16)				(16)
At 31 March 2022	164	1,173	465	0	0	1,802
Balance Sheet amount at 31 March 2022	23,421	1,709	613	0	0	25,743
Balance Sheet amount at 31 March 2021	23,015	1,941	638	0	0	25,594

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

Comparative Movements in 2020/21:

	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 2020	22,405	2,628	1,074	0	0	26,107
Additions		171				171
Revaluation increases/(decreases) recognised in the Revaluation Reserve	922					922
At 31 March 2021	23,327	2,799	1,074	0	0	27,200
Accumulated Depreciation and Impairment at 1 April 2020	559	543	412	0	0	1,514
Charge for 2020/21	555	315	24			894
Depreciation written out to the Revaluation Reserve	(740)					(740)
Depreciation Adjustment (re 19/20)	(62)					(62)
At 31 March 2021	312	858	436	0	0	1,606
Balance Sheet amount at 31 March 2021	23,015	1,941	638	0	0	25,594
Balance Sheet amount at 31 March 2020	21,846	2,085	662	0	0	24,593

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) of the assets over the accounting period expected to benefit from their use. The straight line method of depreciation is used. Assets are depreciated in the year following acquisition and in the year of disposal.

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.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

Capital Commitments

As at 31 March 2022 the Authority has entered into one contract for the construction or enhancement of Property, Plant and Equipment. This commitment relates to:

- Tavistock Temporary Accommodation £0.85 million

As a comparison, as at 31 March 2021 the Authority had not entered into any contracts for the construction or enhancement of Property, Plant and Equipment.

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.

	Land and buildings £000	Vehicles, plant furniture & equipment £000	Total £000
Valued at historical cost	0	1,709	1,709
Valued at current value in:			
2021/22	17,330	0	17,330
2020/21	5,919	0	5,919
2019/20	80	0	80
2018/19	92	0	92
Total	23,421	1,709	25,130

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 FINANCIAL STATEMENTS

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	2020/21 £000	2021/22 £000
Rental income from investment properties	(1,180)	(1,190)
Direct operating expenses arising from investment properties*	(815)	739
Net (gain)/ loss	(1,995)	(451)

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

B. Movement in fair value	2020/21 £000	2021/22 £000
Balance at start of the year	19,004	19,830
Net gains/(losses) from fair value adjustments	826	(710)
Balance at end of the year	19,830	19,120

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.

The Code requires that Investment Properties are measured annually at fair value. The fair value valuation was £19.1 million as at 31 March 2022.

There has been a net loss on the fair value valuations of the four Investment properties of £710,000 in 2021/22. This predominantly relates to one investment property in Bristol and the reduction in value is caused by a softening of the yield. The accommodation is open plan and as such is set up for a single occupier. The office market is witnessing a trend towards good quality, smaller office suites, which better suit the new hybrid ways of working.

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.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

Fair Value Measurement of Investment Property

Observable Inputs – Level 2

The commercial land and buildings are measured using in the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted using a market-derived discount rate to establish the present value of the net income stream. The approach has been developed using the Council's own data factoring in assumptions such as duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels and maintenance costs.

The Council's commercial land and buildings are therefore categorised as Level 2 in the fair value hierarchy as the measurement technique uses observable inputs to determine the fair value measurements.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's Investment Properties, it has been established that their current use is the highest and best use of the properties.

Valuation Techniques

There has been no change in the valuation techniques used during the year for Investment Properties.

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.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

Financial Assets

To meet the 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.

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.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

Summary of Financial Instruments

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

	Long term		Current	
	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000
Financial Assets at Amortised Cost				
Investments*	0	0	6,500	17,200
Cash and Cash Equivalents	0	0	12,760	10,011
Debtors	0	0	1,562	1,307
Fair Value through Other Comprehensive Income – Financial Assets				
Investments – Local Authorities’ Property Fund	471	553	0	0
Total Financial Assets	471	553	20,822	28,518
Financial Liabilities at Amortised Cost				
Borrowing	(28,342)	(27,726)	(603)	(615)
Creditors	(179)	(184)	(6,127)	(8,394)
Total Financial Liabilities	(28,521)	(27,910)	(6,730)	(9,009)

*The increase in investments as at 31 March 2022 of £10.7m partly relates to the timing of the Council Tax energy rebate grant (£2.99m) which was received at the end of 2021/22 and the payments are being made on behalf of Central Government at the beginning of 2022/23. The Council also administered various Business Grants on behalf of Central Government and part of this increase relates to unapplied funding due to be repaid to Central Government.

Designated to Fair Value Through Other Comprehensive Income

At 31 March 2022 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.

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

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 2021/22.

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

The Council had the following investments in equity instruments at 31 March 2022:

Investment	Nominal	Fair Value March 2022	Change in Fair Value During 2021/22
	£000	£000	£000
CCLA Property Fund	500	553	83

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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:

	2020/21	2021/22
	£000	£000
Net gains/losses on: Financial Assets measured at fair value through other comprehensive income	(3)	83
Total Net Gains/(Losses)	(3)	83

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 2021 Fair Value	31 March 2022 Fair Value
			£000	£000
Fair Value Through Other Comprehensive Income				
CCLA Property Fund	Level 2	Inputs other than quoted market prices that are observable for the asset or liability	471	553
TOTAL			471	553

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 2021		31 March 2022	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
PWLB Debt – Maturity	(5,692)	(7,255)	(5,692)	(6,646)
PWLB Debt – Annuity	(23,252)	(24,906)	(22,649)	(22,483)
Long Term Creditors	(179)	(179)	(184)	(184)

15. DEBTORS

31.3.2021 £000		31.3.2022 £000
	Short Term	
795	Central Government bodies	584
524	Other Local Authorities	354
	Other debtors	
811	Council Tax	503
3,115	Business Rates*	1,192
1,038	Other entities and individuals	1,099
6,283	Total	3,732

*There is a significant decrease in the short term Business Rates debtor as at 31 March 2022. The large debtor as at 31 March 2021 (£3.115m) was due to the deficit position on the Business Rates Collection Fund resulting from the timing differences in the Collection Fund accounting treatment of the S31 compensation grant. The debtor includes the deficits attributable to each of the Business Rates Preceptors (Central Government £3.61m, Devon County Council £0.65m and Devon and Somerset Fire Authority £0.07m) at 31 March 2021. This S31 compensation grant is gradually being released to the Collection Fund hence the reduction in the Business Rates Collection Fund deficit in 2021/22 and therefore the Business Rates debtor at 31 March 2022. The £1.192m debtor includes the following deficits attributable to each of the Business Rates Preceptors as at 31 March 2022 - Central Government £1.54m, Devon County Council £0.28m and Devon and Somerset Fire Authority £0.03m. These deficits are partly offset by the Preceptors share of the Business Rates appeals and bad debts provisions as at 31 March 2022.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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:

31.3.2021 £000		31.3.2022 £000
247	Up to one year	384
265	One to three years	322
112	Over three years	144
624	Total Debtors for Local Taxation	850

17. CASH AND CASH EQUIVALENTS

31.3.2021 £000		31.3.2022 £000
760	Cash held by the Authority	361
12,000	Money Market Funds*	9,650
12,760	Total Cash and Cash Equivalents	10,011

*Cash and Cash Equivalents have reduced by £2.7m in 2021/22. This is mainly due to the receipt of S31 compensation grants during 2020/21 amounting to £2.61m. These grants were held in an earmarked reserve as at 31 March 2021 and are now being applied to the Business Rates Collection Fund to smooth the impact of the Business Rates deficit.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

18. CREDITORS

31.3.2021 £000		31.3.2022 £000
	Short Term	
(3,925)	Central Government bodies*	(7,013)
(1,102)	Other Local Authorities	(986)
	Other Creditors	
(80)	Council Tax**	(1,429)
(3,720)	Business Rates	(3,569)
(2,311)	Other entities and individuals	(1,605)
(11,138)	Total	(14,602)
	Long Term	
(179)	Other entities and individuals	(184)
(179)	Total	(184)

*The increase in the short term Central Government bodies creditor mainly relates to the non-discretionary element of the Council Tax energy rebate grant (£2.9m). This grant was received at the end of 2021/22 and the payments are being made on behalf of Central Government at the beginning of 2022/23. The Council also administered various Business Grants on behalf of Central Government during 2020/21 and 2021/22. The large Central Government bodies creditor balance also reflects the unapplied funding due to be repaid to Central Government.

** There is a large increase in the short term Council Tax creditors as at 31 March 2022 which reflects the favourable movement in the Council Tax Collection Fund balance in 2021/22. As at 31 March 2021, the Council was due to receive £295,000 from Council Tax Preceptors (a debtors balance). However, as at 31 March 2022 the Council owes Council Tax Preceptors £1.34m (a creditor balance). This follows the improved position on the Council Tax Collection Fund at 31 March 2022, a surplus of £2.45m compared to a surplus of £742,000 as at 31 March 2021. The debtor/creditor position also reflects the Preceptors share of the Council Tax bad debts provision.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 2021/22 or 2020/21. The breakdown of the 2021/22 provision is shown in the following table:

	Business Rates Appeals £000
Balance at 1 April 2021	886
Provisions made in year	91
Amounts used in year	(56)
Balance at 31 March 2022	921

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 2021/22 there has been a £86,000 increase in the provision for appeals within the Collection Fund. The Council's share of this is 40% (£35,000).

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 and plant replacement and the funding of strategic issues. In addition, on an annual basis monies are set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of business rates income volatility in future years. The movements in the 2021/22 Earmarked Reserves balance is explained in detail in the Narrative Statement.

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.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

21. UNUSABLE RESERVES

31.3.2021 £000		31.3.2022 £000
10,327	Revaluation Reserve	10,834
9,936	Capital Adjustment Account	9,413
(27,142)	Pensions Reserve	(24,220)
(30)	Financial Instruments Revaluation Reserve	53
112	Council Tax Collection Fund Adjustment Account	370
(2,887)	Business Rates Collection Fund Adjustment Account	(1,234)
(64)	Accumulated Absences Account	(67)
(9,748)	Total Unusable Reserves	(4,851)

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
- disposed of and the gains are realised

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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.

31.3.2021 £000	31.3.2021 £000	Revaluation Reserve	31.3.2022 £000	31.3.2022 £000
	8,974	Balance at 1 April		10,327
2,067		Upward revaluation of assets	866	
(343)		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(99)	
	1,724	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		767
(371)		Difference between fair value depreciation and historical cost depreciation	(260)	
		Accumulated gains on assets sold or scrapped		
	(371)	Amount written off to the Capital Adjustment Account		(260)
	10,327	Balance at 31 March		10,834

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 FINANCIAL STATEMENTS

2020/21 £000	2020/21 £000	Capital Adjustment Account	2021/22 £000	2021/22 £000
	8,727	Balance at 1 April		9,936
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES) :		
(894)		▪ Charges for depreciation of non-current assets	(929)	
826		▪ Revaluation gains/(losses) on Investment Properties	(710)	
(54)		▪ Amortisation of Intangible Assets	(81)	
(658)		▪ Revenue expenditure funded from capital under statute (REFCUS)	(623)	
<u>0</u>		▪ Amounts of Revaluation Reserve balance written off on disposal or sale of PPE	<u>(4)</u>	
	(780)	Total		(2,347)
<u>371</u>		Adjusting amounts written out of the Revaluation Reserve	<u>260</u>	
	371	Net written out amount of the cost of non-current assets consumed in the year		260
		Capital financing applied in the year:		
11		• Use of the Capital Receipts Reserve to finance new capital expenditure	115	
556		• Capital grants and contributions credited to the CIES that have been applied to capital financing	504	
92		• Application of grants to capital financing from the Capitals Grants Unapplied Account	103	
199		• Capital expenditure charged against the General Fund	96	
610		• Statutory provision for the financing of capital investment charged against the General Fund (Minimum Revenue Provision)	623	
<u>150</u>		• Revenue Contribution to Capital Outlay (RCCO)	<u>123</u>	
	1,618	Total		1,564
	9,936	Balance at 31 March		9,413

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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.

31.3.2021 £000	Pensions Reserve	31.3.2022 £000
(21,783)	Balance at 1 April	(27,142)
(4,787)	Actuarial gains or (losses) on pension assets and liabilities	4,038
(1,473)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(2,047)
901	Employer's pensions contributions and direct payments to pensioners payable in the year	931
(27,142)	Balance at 31 March	(24,220)

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

31.3.2021 £000	Financial Instruments Revaluation Reserve	31.3.2022 £000
(27)	Balance at 1 April	(30)
0	Upward revaluation of assets	83
(3)	Downward revaluation of assets	0
(30)	Balance at 31 March	53

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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.

31.3.2021 £000	Council Tax Collection Fund Adjustment Account	31.3.2022 £000
61	Balance at 1 April	112
	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	
51		258
112	Balance at 31 March	370

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.

31.3.2021 £000	Business Rates Collection Fund Adjustment Account	31.3.2022 £000
(21)	Balance at 1 April	(2,887)
	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*	
(2,866)		1,653
(2,887)	Balance at 31 March	(1,234)

*The large movement in the Business Rates Collection Fund Adjustment Account between 2020/21 and 2021/22 reflects the reduced deficit on the Business Rates Collection Fund at 31 March 2022 (£3.1m compared to £7.2m at 31 March 2021). During 2020/21 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 are being discharged against the Collection Fund deficit in 2021/22 onwards. Further S31 grants were also received in 2021/22 which will have a similar impact on the Business Rates Collection Fund in future years.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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.

31.3.2021		Accumulated Absences Account	31.3.2022	
£000	£000		£000	£000
	(63)	Balance at 1 April		(64)
63		Settlement or cancellation of accrual made at the end of the preceding year	64	
(64)		Amounts accrued at the end of the current year	(67)	
	(1)	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		(3)
	(64)	Balance at 31 March		(67)

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

2020/21		2021/22
£000		£000
(894)	Depreciation	(929)
826	Movement in investment properties	(710)
(54)	Amortisation	(81)
(35)	(Increase)/decrease in Debtors	(320)
(3,954)	Increase/(decrease) in Creditors	(1,707)
(572)	Movement in pension liability	(1,116)
0	Other non-cash items charged to the net surplus or deficit on the provision of services	(4)
103		65
(4,580)	Total	(4,802)

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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

2020/21 £000		2021/22 £000
10	Proceeds from the sale of non-current assets	13
659	Other non-cash items charged to the net surplus or deficit on the provision of services	741
669	Total	754

24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2020/21 £000		2021/22 £000
350	Purchase of non-current assets	480
3,500	Purchase of short and long term investments*	10,700
(10)	Proceeds from the sale of non-current assets	(13)
(1,729)	Other receipts from investing activities (capital grants & contributions)	(1,060)
2,111	Net cash flows from investing activities	10,107

*The increase in the purchase of short and long term investments partly relates to the timing of the Council Tax energy rebate grant (£2.99m) which was received at the end of 2021/22 and the payments are being made on behalf of Central Government at the beginning of 2022/23. The Council also administered various Business Grants on behalf of Central Government and part of this increase relates to unapplied funding due to be repaid to Central Government.

25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2020/21 £000		2021/22 £000
589	Repayments of short and long term borrowing	604
420	Other receipts/payments from financing activity*	(3,429)
1,009	Total	(2,825)

*The movement between 2020/21 and 2021/22 is due to the significant decrease in short term Business Rates debtors and large increase in the short term Council Tax creditors. For further information please see note 15 Debtors and note 18 Creditors.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 2021/2022.

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.

2020/21 £000		2021/22 £000
207	Allowances	208
1	Expenses	5
208	Total	213

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.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 (see note B)	21/22	87,500	500	13,600	101,600
	20/21	92,200	0	13,700	105,900
Corporate Director of Strategic Finance (S151 Officer)	21/22	77,400	0	11,400	88,800
	20/21	74,000	0	10,900	84,900
Strategic Director of Place & Enterprise	21/22	79,700	900	10,900	91,500
	20/21	74,000	900	10,900	85,800
Business Manager Specialists & Monitoring Officer (Monitoring officer duties terminated 10 th November 20 -see note C).	21/22	63,800	0	9,400	73,200
	20/21	62,900	0	9,300	72,200
Head of Commissioning & Contracts (left post 15 th Oct 21)	21/22	34,800	500	5,100	40,400
	20/21	56,700	900	8,400	66,000
Business Manager, Case Management	21/22	54,400	300	8,100	62,800
	20/21	47,700	0	7,100	54,800
Head of Environmental Health & Licensing	21/22	61,800	0	9,100	70,900
	20/21	59,900	0	8,900	68,800
Head of Projects & Strategy	21/22	60,800	0	9,000	69,800
	20/21	56,500	100	8,300	64,900

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

Post	Year	Salary, Fees and Allowances £	Expenses £	Pension Contribution £	Total £
Head of Assets Practice	21/22	57,500	900	8,500	66,900
	20/21	53,400	800	7,900	62,100
Head of Development Management	21/22	57,500	400	8,500	66,400
	20/21	58,700	500	8,700	67,900
Head of Revenues, Benefits & Housing	21/22	52,800	500	7,800	61,100
	20/21	51,900	100	7,700	59,700
Customer Service Improvement Manager	21/22	50,300	0	7,400	57,700
	20/21	48,600	100	7,200	55,900
Head of Communications	21/22	50,300	0	6,600	56,900
	20/21	49,400	0	6,900	56,300

No other senior officer posts earned over £50,000 during 2021/22 or 2020/21

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 2021/22 West Devon Borough Council reimbursed costs amounting to £271,400 (2020/21 £233,100) 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 2021/22 from South Hams District Council of £489,100 (2020/21 £502,000) in respect of the above shared senior employees.

Note B: Chief Executive and Head of Paid Service

The Chief Executive and Head of Paid Service left the Council on 15th March 2020. This post was covered on an interim basis by the Strategic Director of Customer Service employed by West Devon Borough Council. South Hams District Council successfully recruited to this post in June 2020.

Note C: Head of Legal and Monitoring Officer

The Chief Executive and Head of Paid Service conducted a review of the arrangements to ensure there was clarity of accountability for the statutory functions, and to make sure that the Monitoring Officer had the capacity to respond in a timely and effective manner to all issues referred to the role. A report was taken to Council in September 2020 which recommended the designation of the Monitoring Officer role to the Head of Legal Services (once appointed) and removal of the Monitoring Officer responsibilities and duties from the Business Manager (Specialists) employed by West Devon Borough Council. The Head of Legal and Monitoring Officer was appointed on 10 November 2020.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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:

	2020/21 £000	2021/22 £000
Fees payable with regard to external audit services	61	70
Core Audit Fees	51	58
Audit of Grants and Returns	10	12
Rebate from Public Sector Audit Appointments Ltd	0	(6)
TOTAL	61	64

31. GRANT INCOME

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

	2020/21 £000	2021/22 £000
Credited to Taxation and Non-Specific Grant Income		
Capital grants and contributions:		
Disabled Facilities Grants	(659)	(741)
Non ring - fenced Government grants and contributions:		
New Homes Bonus Grant	(348)	(293)
S.31 Business Rate Relief Grants*	(3,740)	(2,323)
Rural Services Delivery Grant	(464)	(487)
COVID-19 LA Response Grant	(797)	(282)
COVID-19 Sales, Fees & Charges Compensation	(436)	(70)
COVID-19 New Burdens Admin Support Grant	(355)	(131)
Total	(6,799)	(4,327)
Credited to Services		
Rent Allowance subsidy	(8,984)	(8,484)
Housing Benefit administration subsidy	(130)	(111)
Rent rebate subsidy	(41)	(62)
Flexible Homelessness Support Grant	(108)	(211)
Discretionary housing payments	(181)	(118)
Business Rates cost of collection allowance	(80)	(82)
Section 106 deposits	(123)	(97)
Recycling credits	(345)	(347)
Electoral Commission - General Elections, Referendum and Police & Crime Commissioners	(2)	(88)

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

	2020/21 £000	2021/22 £000
European Election	(9)	0
Devon County Council – County Council Elections	0	(75)
COVID-19 Additional Restrictions Grant	(931)	(1,355)
COVID-19 Track & Trace Administration Support Grant	(23)	(12)
COVID-19 Discretionary Business Grants Fund	(861)	0
COVID-19 LA Support Grant	(32)	(138)
COVID-19 Council Tax Hardship Grant Fund	(356)	(103)
COVID-19 Local Restrictions Support Grant (Open)	(586)	0
COVID-19 Contain Outbreak Management Fund	0	(73)
Other grants	(306)	(566)
Total	(13,098)	(11,922)

S31 Business Rate Relief Grants

*The overall reduction in grant income between 2020/21 and 2021/22 of £1.2 million mainly relates to the S31 Business Rate Relief Grants. The larger share of this funding was received in 2020/21. This S31 compensation grant was awarded to local authorities to offset the business rate reliefs given to businesses during the pandemic.

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 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 2021 £000	31 March 2022 £000
Hayedown, Tavistock	(20)	(20)
Batheway Fields, North Tawton	(9)	(9)
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	(207)	(171)
The Beeches, Yelverton	(21)	(21)
Land at Lower Trendle, Tavistock	(46)	(46)
Barns at Hurditch Horn, Gulworthy	(32)	(32)
Rear of Rowan Cottage, Lewdown	(26)	(26)
Land at New Launceston Road, Tavistock	(113)	(228)
Harewood House, Tavistock	(164)	(164)
Land North of Crediton Road, Okehampton	(58)	(50)
Other Section 106 deposits	(267)	(406)
Green Homes Grant	(684)	(693)
Total	(1,795)	(2,014)

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

Revenue Grants Receipts in Advance	31 March 2021 £000	31 March 2022 £000
MHCLG COVID-19 Additional Restrictions Grant	(303)	0
MHCLG COVID-19 Additional Restrictions Grant Top Up	(377)	0
Council Tax Rebate - Discretionary Scheme	0	(111)
Nottingham City Council - Minimum Energy Efficiency Standard Grant	0	(14)
LGA Digital Connectivity	(9)	0
Total	(689)	(125)

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 2021/22 is shown in Note 28.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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)	2020/21	2021/22
	£000	£000
<i>Opening Capital Financing Requirement</i>	25,972	25,362
Capital Investment		
Property, Plant and Equipment	171	310
Intangible Assets	179	166
Revenue expenditure funded from capital under statute (REFCUS)	658	623
Assets under Construction	0	4
Total expenditure for capital purposes	1,008	1,103
Sources of Finance		
Capital receipts	(11)	(115)
Capital grants and external contributions	(648)	(607)
Earmarked reserves	(199)	(96)
Revenue Contributions to Capital Outlay (RCCO)	(150)	(123)
Total funding	(1,008)	(941)
Minimum Revenue Provision	(610)	(623)
<i>Closing Capital Financing Requirement</i>	25,362	24,901
<i>Movement in Capital Financing Requirement</i>	(610)	(461)
Explained by:		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(610)	(461)
Increase/(decrease) in Capital Financing Requirement	(610)	(461)

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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	39 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	10 years	11/12/2027	Investment Properties
The rental of an industrial unit	15 years	28/09/2032	Investment Properties

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

	31 March 2021 £000	31 March 2022 £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	5,845	4,783
Total	11,155	10,093

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 FINANCIAL STATEMENTS

35. EXIT PACKAGES AND TERMINATION BENEFITS

There were no exit packages in 2021/22 or 2020/21.

Shared Services with South Hams District Council

West Devon Borough Council made a contribution of nil to South Hams District Council in respect of their exit package costs of £796 in 2021/22 (£2,830 in 2020/21).

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 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 2023 is £800,000. 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.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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	2020/21 £000	2021/22 £000
Cost of Services		
<i>Service cost comprising</i>		
- Current Service Cost	956	1,495
<i>Financing and Investment Income and Expenditure</i>		
- Net Interest Expense	498	534
- Administration Expenses	19	18
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	1,473	2,047
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	11,503	(2,498)
- Change in demographic assumptions	(514)	0
- Experience loss/(gain)	(628)	144
- Return on fund assets in excess of interest	(5,574)	(1,684)
<u>Total re-measurement recognised</u>	<u>4,787</u>	<u>(4,038)</u>
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	6,260	(1,991)
<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	(1,473)	(2,047)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>		
- Employers contributions payable to scheme	901	931

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 2021 £000	31 March 2022 £000
Present value of the defined benefit obligation	55,622	54,558
Fair value of Fund assets	(29,292)	(31,085)
Deficit/(Surplus)	26,330	23,473
Present value of unfunded obligation	812	747
Net defined benefit liability/(asset)	27,142	24,220

Reconciliation of opening and closing balances of the fair value of Fund assets	31 March 2021 £000	31 March 2022 £000
Opening fair value of Fund assets	24,258	29,292
Interest on assets	561	581
Return on assets less interest	5,574	1,684
Administration expenses	(19)	(18)
Contributions by employer including unfunded	901	931
Contributions by Scheme participants	204	204
Estimated benefits paid plus unfunded net of transfers in	(2,187)	(1,589)
Closing fair value of Fund assets	29,292	31,085
Reconciliation of opening and closing balances of the present value of the defined benefit obligation	31 March 2021 £000	31 March 2022 £000
Opening defined benefit obligation	46,041	56,434
Current service cost	956	1,495
Interest cost	1,059	1,115
Change in financial assumptions	11,503	(2,498)
Change in demographic assumptions	(514)	0
Experience loss/(gain) on defined benefit obligation	(628)	144
Estimated benefits paid net of transfers in	(2,108)	(1,521)
Contributions by Scheme participants	204	204
Unfunded pension payments	(79)	(68)
Closing defined benefit obligation	56,434	55,305

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 2022, they have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2021, using financial assumptions that comply with IAS19.

To calculate the asset share they have rolled forward the assets allocated to West Devon Borough Council as at 31 March 2021 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 demographic assumptions are projected using the CMI_2020 Model and are summarised in the following table:

Basis for estimating assets and liabilities	31 March 2021	31 March 2022
Mortality assumptions (in years):		
<u>Longevity at 65 for current pensioners</u>		
- Men	22.6	22.7
- Women	23.9	24
<u>Longevity at 65 for future pensioners (in 20 years)</u>		
- Men	24.0	24
- Women	25.4	25.4
Financial assumptions (in percentages):		
- RPI increases	3.20%	3.60%
- CPI increases	2.80%	3.20%
- Salary increases	3.80%	4.20%
- Pension increases	2.80%	3.20%
- Discount rate	2.00%	2.60%

The CMI_2020 Model introduces a '2020 weight parameter' for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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	54,264	55,305	56,366
Projected service cost	1,356	1,406	1,458
Adjustment to long term salary increase	+0.1%	0.0%	(0.1%)
Present value of total obligation	55,399	55,305	55,211
Projected service cost	1,407	1,406	1,405
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	(0.1%)
Present value of total obligation	56,265	55,305	54,362
Projected service cost	1,457	1,406	1,356
Adjustment to life expectancy assumptions	+ 1 Year	None	-1 Year
Present value of total obligation	57,929	55,305	52,804
Projected service cost	1,467	1,406	1,347

The estimated asset allocation for West Devon Borough Council as at 31 March 2022 is as follows:

Employer asset share	31 March 2021		31 March 2022	
	£000	%	£000	%
Gilts	996	4%	4,134	13%
UK equities	3,244	11%	2,771	9%
Overseas equities	15,127	52%	15,633	50%
Property	2,353	8%	2,929	10%
Infrastructure	1,187	4%	1,755	6%
Target return portfolio	2,758	9%	2,873	9%
Cash	302	1%	367	1%
Other bonds	1,313	4%	636	2%
Alternative assets	2,012	7%	(13)	0%
Private equity	0	n/a	0	n/a
Total	29,292	100%	31,085	100%

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

Of the total fund asset at 31 March 2022, 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 2022	
		% Quoted	% Unquoted
Fixed interest government securities	UK	0.0%	0.0%
	Overseas	13.0%	0.0%
Corporate bonds	UK	0.0%	0.0%
	Overseas	0.0%	0.0%
Equities	UK	8.0%	0.0%
	Overseas	50.0%	0.0%
Property	All	0.0%	9.0%
Others	Absolute return portfolio	9.0%	0.0%
	Private Equity	0.0%	0.0%
	Infrastructure	0.0%	6.0%
	Multi sector credit fund	0.0%	0.0%
	Private Debt	0.0%	2.0%
	Cash/Temporary investments	0.0%	1.0%
Net current assets	Debtors	0.0%	0.0%
	Creditors	0.0%	0.0%
Total		80.0%	18.0%

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.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud case. The consultation closed on 8 October 2020 and a ministerial statement in response to this was published on 13 May 2021, however a full response to the consultation is still awaited; the outcome of these matters is still to be agreed so the exact impact they will have on LGPS benefits is unknown.

The actuary valuation within the financial statements includes an allowance for the McCloud judgement.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

37. CONTINGENT LIABILITIES

The Council had no contingent liabilities at 31 March 2022.

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.

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.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

- 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 30 March 2021 and is available on the Council's website (Minute CM 44).

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.

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 2021/22 was approved by Council on 30 March 2021 and is available on the Council's website (Minute CM 44)

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

The Council's Counterparty limits are as follows:

- £3.0 million for Money Market Funds
- £1.0 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 2022 and is reflected in the current figure of £278,000. This compares to £323,000 in 2020/21. 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.

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.

	Balance at 31 March 2022	Historical Experience of Default	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2022
	£000	%	£000
Deposits with Bank and Financial Institutions			
Aberdeen Standard Money Market Fund	3,000	0.000%	0
Deutsche Money Market Fund	650	0.000%	0
Blackrock Money Market Fund	3,000	0.000%	0
LGIM Money Market Fund	3,000	0.000%	0
Debt Management Office (DMO)	11,200	0.002%	0
Standard Chartered Bank	3,000	0.012%	0
Lloyds Bank Plc	3,000	0.023%	1
Total	26,850		-

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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.

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.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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.

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.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 2021		31 March 2022	
	%	%	£million	%	£million	%
Less than 1 year	0%	10%	0.603	2.1%	0.615	2.2%
Between 1 and 2 years	0%	10%	0.615	2.1%	0.713	2.5%
Between 2 and 5 years	0%	30%	2.101	7.3%	2.057	7.3%
Between 5 and 10 years	0%	50%	2.355	8.1%	2.185	7.7%
More than 10 years	0%	100%	23.270	80.4%	22.771	80.3%
Total			28.944	100.0%	28.341	100.0%

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

39. ACCOUNTING POLICIES

a) General Principles

The **Statement of Accounts** summarises the Authority's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. 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 2021/22, 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 – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the **Statement of Financial Position** (also known as the Balance Sheet).
- 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.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

- 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 **Statement of Financial Position** (Balance Sheet). Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The Council operates a de minimis policy for accruals. For revenue and capital, the de minimis has remained at £5,000 in 2021/22.

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** (CIES) or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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.

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 Council 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 – Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement, for the difference between the two.

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)

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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.

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 is accounted for as a defined benefits scheme in the following way:

- The liabilities of the Devon County Council Pension Fund attributable to the Council are included in the **Statement of Financial Position** (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 Council are included in the **Statement of Financial Position** (Balance Sheet) at their fair value.

For further information please refer to Note 36.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 FINANCIAL STATEMENTS

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff 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 **Statement of Financial Position** (Balance Sheet) when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the *Financing and Investment Income and Expenditure* line in the **Comprehensive Income and Expenditure Statement** (CIES) 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 **Statement of Financial Position** (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 FINANCIAL STATEMENTS

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 **Statement of Financial Position** (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 **Statement of Financial Position** (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).

The Council has made an irrevocable election to designate its equity instruments 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 is initially measured and carried at fair value.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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.

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.

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.

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.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 **Statement of Financial Position** (Balance Sheet) as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or *Taxation and Non-Specific Grant Income* (non ring-fenced revenue grants and all capital grants) in the **Comprehensive Income and Expenditure Statement**.

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

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

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 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

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 Council 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 Council recognises on its **Statement of Financial Position** (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).

The Authority as Lessor

Finance Leases

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

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 **Statement of Financial Position** (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 Customer Service and Delivery service group within 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 **Statement of Financial Position** (Balance Sheet) using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 **Statement of Financial Position** (Balance Sheet) at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 FINANCIAL STATEMENTS

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 **Statement of Financial Position** (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 FINANCIAL STATEMENTS

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 FINANCIAL STATEMENTS

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 and maximum useful lives are:

Asset	Typical Useful Life	Maximum Useful life
Buildings	Up to fifty years	Up to fifty years
Infrastructure	Up to forty years	Up to fifty years
Refuse vehicles	Up to seven years	Up to nine years
Light vans	Up to five years	Up to seven years
IT equipment	Up to three years	Up to three 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 **Statement of Financial Position** (Balance Sheet), whether Property, Plant and Equipment or Assets Held for Sale is written off to the *Other Operating Expenditure* line in the

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the **Comprehensive Income and Expenditure Statement** in the year that the Council becomes aware of the obligation and are measured at the best estimate at the **Statement of Financial Position** (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 **Statement of Financial Position** (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 FINANCIAL STATEMENTS

Contingent liabilities are not recognised in the **Statement of Financial Position** (Balance Sheet) but disclosed in a note to the accounts. The Council operates a disclosure de minimis policy for contingent liabilities of £50,000.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

Contingent assets are not recognised in the **Statement of Financial Position** (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. The Council operates a disclosure de minimis policy for contingent assets of £50,000.

s) Reserves

The Council 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 FINANCIAL STATEMENTS

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 Fund, billing authorities, major preceptors and central government share proportionately the

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 Council'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 Council'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 **Statement of Financial Position** (Balance Sheet) includes the Council'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.

SECTION 3 NOTES TO THE FINANCIAL STATEMENTS

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 2022/23 (the Code) introduces changes in accounting policies that will have to be adopted fully by the Council in the 2022/23 financial statements i.e. from 1 April 2022.

The Council 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 Council.

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 initially deferred implementation of IFRS16 for local government until 1 April 2022 due to the COVID-19 pandemic. However, following its emergency consultation on exploratory proposals for changing the Code in February 2022, CIPFA/LASAAC issued a preliminary decision to defer IFRS16 *Leases* until 1 April 2024. This was subsequently agreed by the government's Financial Reporting Advisory Board (FRAB) in April 2022. However, both the 2022/23 and the 2023/24 Codes will allow for adoption as of 1 April 2022 or 2023.

Following this deferral to 1 April 2024, it is not yet possible to determine the impact of IFRS16 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 main critical judgement made in the Statement of Accounts is:

- The cost drivers used to apportion Shared Service costs are appropriate and result in recharges which fairly reflect actual workloads and costs. The methodology for the apportionment of costs (predominantly staffing costs) are split on a defined basis which reflects the level of caseload attributable to each individual service. The methodology and mechanisms used to calculate the cost allocations are reviewed and reported to the Audit Committee on an annual basis. The final actual shared services split formulae are adjusted if they exceed a tolerance level of 3% from the original estimate.

SECTION 4 COLLECTION FUND

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2022

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.

2020/21 Business Rates* £000	2020/21 Council Tax** £000		2021/22 Business Rates* £000	2021/22 Council Tax** £000
		INCOME		
	(43,004)	Income from Council Tax		(45,839)
(4,608)		Business Rates Receivable	(8,136)	
(15)		Transitional Relief	(60)	
(4,623)	(43,004)		(8,196)	(45,839)
		EXPENDITURE		
		Precepts, Demands and Shares:		
5,084		Central Government	5,313	
915	29,180	Devon County Council	956	30,588
	4,493	Devon & Cornwall Police & Crime Commissioner		4,788
102	1,789	Devon & Somerset Fire Authority	106	1,822
4,067	6,437	West Devon Borough Council (net including Towns/Parishes)	4,251	6,653
665		Business Rates written off and change in impairment allowance	(339)	
	322	Council Tax written off and change in impairment allowance		348
206		Business Rates increase/(decrease) in provision for appeals	86	
80		Business Rates – Costs of collection	82	
		Distribution/collection of previous year's estimated surplus/(deficit):		
452		Central Government	(3,196)	
(57)	304	Devon County Council	(575)	(44)
	47	Devon and Cornwall Police		(7)
7	19	Devon and Somerset Fire Authority	(64)	(3)
267	67	West Devon Borough Council	(2,557)	(10)
11,788	42,658		4,063	44,135
7,165	(346)	MOVEMENT ON BALANCE	(4,133)	(1,704)

SECTION 4 COLLECTION FUND

* Business Rates Receivable and the movement on the Collection Fund Balance

During 2020/21 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 were not discharged against the Collection Fund deficit until 2021/22 onwards. Therefore Business Rates Receivable reduced by £6.0m in 2020/21 leading to an overall deficit on the Business Rates Collection Fund of £7.2m as at 31 March 2021. Some of the S31 compensation grant has now been applied to the Collection Fund in 2021/22 smoothing the impact of the Business Rates deficit. This has resulted in an increase in Business Rates Receivable to £8.1m in 2021/22 and a corresponding reduction in the deficit on the Business Rates Collection Fund as at 31 March 22 of £4.1m as shown above. The significant deficit position on the Business Rates Collection Fund in 2020/21 is reflected in 2021/22 in the distributions of the previous year's deficit to the Preceptors as shown above.

**Council Tax Position

Council Tax income was higher than anticipated in 2021/22 leading to an increase in the Council Tax Collection Fund surplus from £742,000 as at 31 March 2021 to £2.45m as at 31 March 2022. Recovery of Council Tax arrears was temporarily suspended in 2020/21 during the pandemic. In addition, the estimated reduction in the Council Tax Collection Rate following the pandemic did not materialise in 2021/22, leading to higher income levels than anticipated.

1. COUNCIL TAX AND COUNCIL TAX BASE

In 2021/22, the Council's average Band D Council Tax was £2,166.58 (£2,066.87 in 2020/21). The charge for each band is a ratio of band D. The 2021/2022 charges therefore were:

Band	Ratio to Band D	Council Tax (£)
Disabled		
A	5/9	1,203.66
A	6/9	1,444.39
B	7/9	1,685.12
C	8/9	1,925.85
D	1	2,166.58
E	11/9	2,648.04
F	13/9	3,129.50
G	15/9	3,610.97
H	18/9	4,333.16

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 2021/22 was **20,239.51** as calculated below (20,271.71 in 2020/21).

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	0	7.75	7.75	5/9	4.31
A	3,528	(613.25)	2,914.75	6/9	1,943.17
B	6,498	(778.00)	5,720.00	7/9	4,448.89
C	5,452	(519.75)	4,932.25	8/9	4,384.22
D	4,240	(336.25)	3,903.75	1	3,903.75
E	3,455	(250.00)	3,205.00	11/9	3,917.22
F	1,816	(87.00)	1,729.00	13/9	2,497.44
G	1,019	(76.75)	942.25	15/9	1,570.42
H	81	(10.50)	70.50	18/9	141
Total	26,089	(2,663.75)	23,425.25		22,810.42
Less allowance for non-collection					(798.36)
Plus adjustment for armed forces dwellings					19.20
Other adjustments including Council Tax Support					(1,791.75)
Tax base					20,239.51

2. Rateable value

The total business rates rateable value at 31 March 2022 was £32,873,454. This compares to £32,806,109 at 31 March 2021. The standard non-domestic rate multiplier was 51.2p in 2021/22 (2020/2021 51.2p). Without reliefs this would generate a total income of £16,831,208.44 (2020/2021 £16,796,727.81). These figures are a snapshot only and differ from the value of business rate bills issued mainly due to changes in rateable values during the year, small business rate relief, void properties and charitable relief. In 2021/22 the Government continued to fund a Retail, Hospitality and Leisure Relief in response to the COVID-19 pandemic.

SECTION 4 COLLECTION FUND

3. Collection Fund balance

2020/21 Business Rates £000	2020/21 Council Tax £000		2021/22 Business Rates* £000	2021/22 Council Tax £000
53	(396)	Fund balance at 1 April	7,218	(742)
7,165	(346)	Deficit/(surplus) for year	(4,133)	(1,704)
7,218	(742)	Fund balance as at 31 March – deficit/(surplus)	3,085	(2,446)

***Business Rates Position**

During 2020/21 and 2021/22 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 could not be discharged against the Collection Fund deficit until 2021/22 onwards. The deficit on the Business Rates Collection Fund as at 31 March 2022 has reduced from £7.2m to £3.1m following release of some of the S31 compensation grant received in 2020/21 to the Collection Fund. The S31 compensation grant will be applied to the Collection Fund over the next three years to smooth the impact of the Business Rates deficit.

****Council Tax Position**

Council Tax income was higher than anticipated in 2021/22 leading to an increase in the Council Tax Collection Fund surplus from £742,000 as at 31 March 2021 to £2.45m as at 31 March 2022. The Preceptors element of this surplus is reflected in the significant increase in the Council Tax Creditor as at 31 March 2022 detailed in Note 18.

SECTION 4 COLLECTION FUND

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

2020/21 Business Rates* £000	2020/21 Council Tax** £000		2021/22 Business Rates* £000	2021/22 Council Tax** £000
3,609		Central Government	1,542	
650	(518)	Devon County Council	278	(1,706)
	(81)	Devon and Cornwall Police		(269)
72	(31)	Devon and Somerset Fire Authority	31	(101)
4,331	(630)	Total deficit/(surplus) due to Preceptors	1,851	(2,076)
2,887	(112)	West Devon Borough Council	1,234	(370)
7,218	(742)	Fund balance as at 31 March – deficit/(surplus)	3,085	(2,446)

*Business Rates Position

The deficit on the Business Rates Collection Fund as at 31 March 2022 has reduced from £7.2m to £3.1m following release of some of the S31 compensation grant received in 2020/21 to the Collection Fund. This deficit is shared between the Preceptors and West Devon Borough Council as shown in the table above. The Preceptors element of this deficit is reflected in the significant reduction in the Business Rates Debtor as at 31 March 2022 detailed in Note 15.

**Council Tax Position

Council Tax income was higher than anticipated in 2021/22 leading to an increase in the Council Tax Collection Fund surplus from £742,000 as at 31 March 2021 to £2.45m as at 31 March 2022. The Preceptors element of this surplus is reflected in the significant increase in the Council Tax Creditor as at 31 March 2022 detailed in Note 18.

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

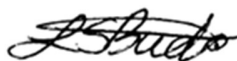
The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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 2022.

The Statement of Accounts is unaudited and may be subject to change.



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

29 July 2022

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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 at its meeting held on TBA

Signed on behalf of West Devon Borough Council

.....

Councillor K Ball

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.



APPENDIX B

West Devon Borough Council Annual Governance Statement 2021-2022

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

West Devon Borough Council & 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.

The role of the Chief Executive is to implement the plans and policies that support the strategic direction of the Council as set by Members. The Chief Executive leads the Senior Leadership Team consisting of the Directors of Finance, Service Delivery, Governance and Place & Enterprise, who are in turn supported by an Extended Leadership Team. The Extended Leadership Team 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, 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.

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 2022 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 within the report and these 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 our 'IMPACT' Framework) to establish the right values and culture
 - In order to promote ethical behaviours amongst Members and Officers, the Council has a number of policies such as those relating to procurement, whistleblowing, counter fraud and anti-money laundering. Through the Council's induction programme, employees are required to read the Employee Code of Conduct and confirm that they have understood the content. Any suspected cases of fraud, corruption and non-compliance with policy are investigated by the Council's Internal Audit Team.
- The Council has effective counter fraud and anti-corruption arrangements which are maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPA, 2014). Our anti-fraud and corruption policies are maintained in line with the code. The council also participates in the National Fraud Initiative (NFI).
- 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. During 2021/22 the policy was updated and considered by the Audit Committee at their meeting on 15th March 2022 (Item 13 Review of Confidential Reporting Policy). The policy will further be considered by Council in 2022.



- 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. Work continued through 2021/22 to review the constitution with a report on revision due to be considered at Full Council at its meeting on 27 September 2022.
- 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 to review on the conclusion of the Local Government Association's consultation (and issue of) a new model code of conduct.
- The Overview and Scrutiny 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.
- The Council has continued to operate a robust information governance regime. Information security breaches are reported to the Data Protection Officer (DPO) on a regular basis and are investigated by an officer within the Governance Directorate, with a report to the Information Commissioner where required. Information governance policies and procedures are reviewed and approved by the Information Governance Group on a regular basis.
- Annual IT health checks are undertaken which are conducted by accredited external security specialists. These are commissioned standard tests of system security, designed to assess our suitability for connection to government networks. Overall the security posture of the external network infrastructure was found to be excellent.

PRINCIPLE B Ensuring openness and comprehensive stakeholder engagement

All Council business is conducted in public unless legislation deems it appropriate for it to be considered in private.

From 7th May 2021, on expiry of the emergency covid powers enabling us to hold formal remote meetings, our committee meetings returned to being face to face. We have however retained the positives from the pandemic and continued with 'Hybrid meetings' enabling non-committee Members, external



speakers and our officers to join meetings remotely to minimise the covid risks and enable greater attendance and participation in meetings.

We continue to stream our committee meetings to YouTube, social media and our website (save where 'Exempt' under the Local Government Act 1972 following formal evaluation of the public interest).

The Council 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. We also have an adopted Consultation and Engagement strategy in place.
- 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 outcomes in terms of sustainable economic, social, and environmental benefits and determining the interventions necessary to optimise the achievement of the intended outcome

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

Considering several significant changes to the operating environment (post-Brexit and Covid-19 among them), the Council began the process of developing a new corporate strategy in April 2020. This work continued into this financial year and a draft Corporate Strategy was considered in July 2021



with a period of consultation then running through the summer. The final Corporate Strategy, 'A Plan for West Devon' was adopted in September 2021 and can be found [on our website](#). The strategy is a significant step forward for the Council, setting a clear direction for us for the next three years, underpinned by detailed delivery plans.

To support Hub Leads with monitoring progress of the plans, and to help inform future policy making for particular themes, we have implemented an Advisory Group for each theme. Chaired by the Hub Lead, these groups of 6-8 Councillors meet approximately three times a year to consider relevant matters. Every Councillor is a member of at least one Advisory Group.

Annual Report for 2021-22

The Council's Annual Report sets out the Council's key achievements for 2021-22. This year's Annual Report is aligned to our new Better Lives for All delivery plan themes.

The 2021-22 Annual Report of Achievements can be seen [here](#) (Agenda Item HC/7.22)

Partnerships and Governance

The Council has several partnerships that help to deliver our Strategic Priorities. Regular updates are provided by key partnerships to Members with them being provided either formally to the Overview and Scrutiny Committee or informally through the weekly Member Bulletin. During the year, the Overview and Scrutiny Committee received presentations from the following key partners including:-

- Connecting Devon and Somerset
- Citizens Advice
- Fusion Leisure
- Tamar Valley AONB
- Community Safety Partnership
- CVS
- Livewest Housing

During 2021-22 we have taken steps to identify key partners and consulted with them to shape A Plan for West Devon.

We are now considering the future of our 'funded' key partners with a view to agreeing a further two-year funding arrangement. These include organisations that align and support in delivering our corporate strategy such as Citizens Advice, CVS and Tamar Valley AONB. This will be the subject to a report to Hub Committee in September 2022.



PRINCIPLE E Developing the entity’s capacity, including the capability of its leadership and the individuals within it

Through regular staff briefings, e-bulletins, team meetings and an online staff appraisal system, West Devon Borough Council ensure that all staff understand our corporate priorities and how their work contributes to them.

During 2021/22 the Council has undertaken the following to develop capacity and capability:

- Undertaken a series of service reviews which have resulted in increasing strategic management capacity within our Development Management (Planning) service, Housing Service and Revenues and Benefits Service.
- Developed a Management Development Programme for a cohort of over 30 senior officers within the Council – which launches in 2022/23
- Provided a Member training and development programme
- Promoted to staff the use of “Learning Pool” an extensive online learning resource
- Delivered focused training on specific issues (e.g. complaints, data protection, information security)
- Worked in partnership with local authorities and other bodies to achieve economies of scale -South Hams for our full Shared Services, Teignbridge District Council for Procurement support and Plymouth City Council through our Joint Local Plan.
- Conducted a staff survey to gauge employee satisfaction and assist in improving how the organisation performs.
- Held a Staff Awards ceremony to recognise outstanding performance, and highlighted compliments paid to staff from customers and colleagues in the weekly staff bulletin

During 2022/23 there will be a significant focus on organisational development and people management with the bringing together of core functions (HR, Comms, Organisational Development and Strategy). In September we will be carrying out a revised employee survey, carried out by the Local Government Association. This will provide us with a benchmark and enable us to identify progress over the next three years.



PRINCIPLE F Managing risks and performance through robust internal control and strong public financial management

There is a culture of risk ownership and management throughout the Council with Strategic Risks being logged centrally and are updated regularly. Our approach to reporting strategic risks to members has been enhanced, providing a greater narrative and a clearer history of the risk scoring.

For each risk, the uncertainties are identified, along with the consequences, likelihood of occurrence and strategic impacts that would result.

Elected Members also have the opportunity to raise concerns with the mitigating actions being taken by officers and can suggest new risks for consideration. In addition to continuing to report risks to the Councils Audit Committee twice a year, we now report the Strategic Risks to the Hub Committee on a quarterly basis.

All Committee reports include a reference where relevant to the potential impact on the Council's priorities and corporate strategy 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). The Chief Finance Officer (Section 151 Officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.

During the year, the Council has taken the step of joining the South West Audit Risks Management Group. This brings together Risk Management Officials from all key public sector bodies in Devon, Cornwall and Somerset every quarter to consider the approach to risk management, workshop any significant risks that we may face and to share best practice.

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

We have taken steps to enhance our performance management framework which has seen us implement:-

- a programme of progress reports on our Corporate Strategy themes. This 'deep-dives' are reported to Overview and Scrutiny with each meeting considering a different theme. This ensures that scrutiny focus on our progress against our corporate strategy priorities
- quarterly Integrated Performance Management reports to the Hub Committee which set out progress against our corporate strategy, key risks and issues, progress against strategy budget and key performance indicators
- A suite of revised Key Performance Indicators (KPIs)



We have continued to systematically review areas of poor performance, streamlined processes, embedded new IT solutions and delivered staff training.

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 regular reports to Overview & Scrutiny Panel and Development Management 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

Fraud/Irregularity - There have been no irregularities to report regarding the day-to-day operation of the Councils. However, there have been 4 cases which relate to COVID-19 business grant applications and were identified as potential frauds before any payment was made. Some of these are being investigated by the National Investigation Service and the Council has been supplying information to assist in these investigations. Any cases identified have been reported to Devon Audit Partnership's Counter Fraud Team and to the National Anti-Fraud Network (NAFN).

PRINCIPLE G Implementing good practices in transparency, reporting, and audit to deliver effective 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.

An Audit Committee meets between five and six 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 it was recommended to Council for West Devon Borough Council to join the Devon Audit Partnership as a 'non-voting' partner. This was approved by Council in March 2019 with the Council joining the partnership as a non-voting partner from 1 April 2019.

Two applications for exemptions to Contract/Financial Procedure Rules were received in the year with both being approved.

External audit is provided by Grant Thornton for both 2020/21 and 2021/22 and in October 2021 they reported that they had concluded that the Council had made proper arrangements to secure economy, efficiency, and effectiveness in its use of resources for the 2020/21 financial year. (The 2021/22 Accounts will be reported on by Grant Thornton by November 2022).

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
- Streams all of its public meetings online
- 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 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/inspectorates.

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 2021/22 was considered by the Audit Committee on 5th July 2022. The report contains the Head of Internal Audit's Opinion for the 2021/22 year which is that of "Reasonable 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/inspectorates

Our external auditors (Grant Thornton) will issue their 'External Audit Report ISA260 report' for 2021/22 by November 2022 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 2021/22 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 'The Audit Findings' report for 2021/22 (which will be presented to the Audit Committee in November 2022) will be inserted here in November 2022.

Value for Money (VFM) arrangements

The key message from Grant Thornton's External Audit 'The Audit Findings' report for 2021/22 will be inserted here in November 2022.

Grant Thornton's Value for Money work will provide a commentary on the work Grant Thornton have undertaken to address the key elements of governance, financial sustainability and how to improve economy, efficiency and effectiveness.

Significant Governance Issues

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 and target date
<p><u>Financial Uncertainty</u></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 and the additional pressures as a result of the long term impacts of Covid-19.</p> <p>The Council has to be entirely independent to fund all of its services on a net budget of just over £7.7million (2022/23), as the Borough Council no longer receives any main Government Grant (Revenue Support Grant).</p> <p>Throughout the 2021/22 financial year, the Deputy S151 Officer has continued to submit monthly DELTA returns to Central Government that detail the current additional expenditure and loss of income streams suffered by the Council on a monthly basis (due to Covid19), with predictions for future months.</p> <p>The S151 Officer will continue to monitor expenditure and income streams and the overall longer term impact of Covid-19.</p> <p>Much will also depend on the next Government financial settlement for 2023/24 and confirmation on funding items like Negative Revenue Support Grant, New Homes Bonus scheme and the timing for the business rates baseline reset.</p>	<p>On 15th February 2022, Council set a balanced Budget for 2022/23.</p> <p>The Council will prepare its Medium Term Financial Strategy for the period covering 2023/24 to 2025/26 and this will be presented to the Hub Committee at its September 2022 meeting, with the Budget Monitoring report for the first few months of 2022/23 being presented to the Hub Committee in October 2022.</p> <p>The Council will continue to respond to national funding consultations and lobby alongside other Devon Councils and national organisations such as the District Councils' Network for a multi-year financial settlement, to aid long term strategic financial planning.</p> <p>The Budget Gap over the next two years, 2023/24 and 2024/25, is likely to be in excess of £0.4million and work is already underway to address this. A Member budget workshop will be held in the Autumn to explore potential options for addressing the budget shortfall for the next financial year and longer term.</p> <p>There will be regular Budget Monitoring reports to the Hub Committee.</p> <p>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.</p> <p>In his speech to the Local Government Association (LGA) conference on 28 June 2022, the Secretary of State, Michael Gove MP, promised to give local authorities greater "financial certainty".</p>	<p>Director of Strategic Finance (S151 Officer)</p> <p>By October 2022</p>



Issue Identified	Action to be taken	Responsible Officer and target date
	<p>It was confirmed that a 2-year financial settlement will be introduced. The proposal for a 2-year settlement suggests that there will be rollover settlements in both 2023/24 and 2024/25, meaning financial settlements that are broadly similar to 2022/23. The Fair Funding Review, business rates baseline reset, and other funding reforms now look set to be pushed back to 2025/26 but this has not been confirmed by the Government.</p> <p>As at 31 March 2022, the Council holds £9.189m in Earmarked Reserves and £1.49m in Unearmarked Reserves. Approximately £1.631m of Earmarked Reserves is due to a technical accounting adjustment on Business Rates and is not money which is available to the Council to spend.</p>	<p>Director of Strategic Finance (S151 Officer)</p> <p>By October 2022</p>
<p><u>Business Continuity</u></p> <p>During 2021/22, Business Continuity has continued to be a significant risk for the Council, with the ongoing Covid-19 pandemic continuing to impact on resourcing across the Council – both from the increased work required to support various Government support schemes and the direct impact of staff being unable to work due to sickness related to the virus.</p> <p>The Council has also considered the implications of emerging risks such as increased instances of cyber attacks on local government and other organisations.</p>	<p>We have commenced work to update our business continuity plans in light of these risks and will be implementing a revised Business Continuity work programme for 2022/23.</p>	<p>Director Customer Service and Delivery 2022/23</p>



Issue Identified	Action to be taken	Responsible Officer and target date
<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>Specifically highlighted within the Internal Audit Annual Report for 2021/22 were:</p> <p>Debtors – Limited Assurance</p> <p>Council Tax and Business Rates – Limited Assurance</p> <p>Estates, Property and rent – Limited Assurance</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>Further work is being undertaken on the areas highlighted by the internal audit report being the use of enforcement agents for the recovery of sundry debts, progressing legal action through the courts and monitoring broken instalment arrangements. The Head of Finance is raising queries on the use of the web-version of the Civica Financials system through the User Group as it is felt that the additional functionality needed is not yet there to enable the finance team to migrate to the new system.</p> <p>A review of our Revenues and Benefits function has taken place during 2021/22 with a detailed improvement plan being developed. We have also taken steps to recruit a dedicated Head of Revenues and Benefits. This will ensure a greater strategic focus and direction on the areas of improvement identified within the audit.</p> <p>Work has continued on addressing the areas identified for improvement within the audit.</p>	<p>Extended Leadership Team (ELT) S151 Officer Internal Audit Manager In line with agreed timescales</p> <p>Head of Finance - Ongoing</p> <p>Head of Revenues and Benefits – Ongoing</p> <p>Head of Assets – September 2022</p>



Issue Identified	Action to be taken	Responsible Officer and target date
Data Quality – Limited Assurance	We have continued progress with implementation of our new IT systems which will lead to a greatly reduced need to manually extract and interrogate data in order to provide key performance information to Members and staff. A Data Quality Strategy will be updated and shared with all staff setting out the principles of good quality data management.	Head of Strategy – September 2022

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 29th July 2022 (to be signed in November 2022, on the conclusion of the Audit of the Accounts for 2021/22)

Report to: **Audit Committee**

Date: **6 September 2022**

Title: **Update on Progress on the 2022-23 Internal Audit Plan**

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

Wards Affected: **All**

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

Author: **Paul Middlemass** Role: **Audit Manager**

Contact: Paul.Middlemass@devon.gov.uk **07736 155687**
Tony.Rose@devon.gov.uk **01392 383000**

Recommendations:

It is recommended that:

1. The Internal Audit Charter and Strategy is approved.
2. The progress made against the 2022/23 internal audit plan, and any key issues arising are noted and approved.

1. Executive summary

The purpose of this report is to obtain the approval of the Committee for the Audit Charter and Strategy, and to inform members of the principal activities and findings of the Council's Internal Audit team.

2. Background

The Audit Committee, under its Terms of Reference contained in West Devon Borough Council's Constitution, is required to consider and approve the Charter and Strategy and Annual Report, and to monitor and review the internal audit programme and findings, and the associated progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 require that all Authorities need to carry out an annual review of the effectiveness of their internal audit system and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The purpose and role of Internal Audit, and of the related Council responsibilities is also contained in the Internal Audit Charter and Strategy that is attached for approval at Appendix A.

3. Outcomes/outputs

Members will note a change in format for documents as we take the opportunity to refresh our progress report. We also intend to transition to our standard DAP audit reports which provide a clearer picture of assurance and risk.

4. Options available and consideration of risk

No alternative operation has been considered as the function of internal audit is a requirement of Corporate Governance.

5. Proposed Way Forward

That Audit Committee approves the Audit Charter and Strategy (Appendix A) and notes the results of Internal Audit work (Appendix B) undertaken during the period.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.
Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
Supporting Corporate Strategy	Y	This Progress Report and the work of Internal; Audit supports all of the Council's corporate strategy themes.

Climate Change – Carbon / Biodiversity Impact	Y	None directly arising from this report. The Internal Audit function, managed by Devon Audit Partnership is very mindful of the need to minimise travel in completing the internal audit plan. Where possible, desk-top review of documents, and the use of electronic records, is used to support the audit process, although it is inevitable that on-site verification may be required at times. The team use an audit management system (Mki) which enables managerial review to take place remotely, thus also saving on the need for travel.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

Supporting Information

Appendices:

Appendix A – Internal Audit Charter and Strategy
Appendix B – Internal Audit Progress Report

Background Papers:

Internal Audit Plan 2022/23 as approved by Audit Committee.

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A

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INTERNAL AUDIT CHARTER AND STRATEGY WEST DEVON BOROUGH COUNCIL (September 2022)



REFERRAL TO WEST DEVON AUDIT COMMITTEE SEPTEMBER 2022

This Internal Audit Charter and Strategy is referred to the Audit Committee for approval.

MISSION

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

TERMS OF REFERENCE

This document details the **Internal Audit Charter** and **Internal Audit Strategy** for West Devon as required by the Public Sector Internal Audit Standards (PSIAS). The Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the [Devon Audit Partnership \(DAP\)](#), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the PSIAS. The accompanying Audit Strategy is designed to deliver the requirements outlined in the Charter.

DEFINITIONS

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

The PSIAS set out the requirements of a ‘Board’ and of ‘Senior Management’. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council’s Audit Committee and Senior Management is the Council’s Leadership Team. They also make reference to the role of “Chief Audit Executive”. For The Council this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).

INDEX TO SECTIONS OF THE CHARTER AND STRATEGY

Charter

1. [Statutory Requirements and Purpose of Internal Audit](#)
2. [Professionalism, Ethics and Independence](#)
3. [Authority](#)
4. [Accountability](#)
5. [Responsibilities](#)
6. [Management](#)
7. [Internal Audit Plan and Resources](#)
8. [Internal Audit Reporting](#)
9. [Relationship with the Audit Committee and Non Conformance to the Charter](#)
10. [Quality Assurance and Improvement Programme](#)

Strategy

- [Audit Strategy - Purpose](#)
- [Annual Audit Opinion](#)
- [Audit Planning & Delivery](#)
- [Performance Management & Quality Assurance](#)
- [Resources and skills](#)
- [Staff Development and use of MKI](#)

CHARTER - STATUTORY REQUIREMENTS AND PURPOSE OF INTERNAL AUDIT

Statutory Requirements

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5. —(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer responsible for the proper administration of its financial affairs. In The Council, the Director of Strategic Finance is the 'Section 151 Officer'. One way in which this duty is discharged is by maintaining an adequate and effective internal audit service.

The Purpose and Aim of Internal Audit

The role of Internal Audit is to understand the key risks of the Council, to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation, and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- Support the Section 151 Officer to discharge his / her statutory duties
- Contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- Support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- Provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for The Council is provided by Devon Audit Partnership. We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members, service areas and units of The Council, adding value whenever possible.



CHARTER - PROFESSIONALISM, ETHICS AND INDEPENDENCE

Being Professional

Devon Audit Partnership will adhere to the relevant codes and guidance. In particular, we adhere to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to The Council's relevant policies and procedures and the internal audit manual. Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

Our Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by IIA. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing.
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others, and applies to both individuals and entities that provide internal auditing services. The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

CHARTER - PROFESSIONALISM, ETHICS AND INDEPENDENCE (Continued)

Being Independent

Internal Audit should be independent of the activities that it audits. The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent, and must:

- Have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.



CHARTER - AUTHORITY

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that: Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:

(a) make available such documents and records; and

(b) supply such information and explanations; as are considered necessary by those conducting the internal audit.

(3) in this regulation "documents and records" includes information recorded in an electronic form.

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

- The Chief Executive
- Members
- individual Directors
- Section 151 Officer
- Monitoring Officer
- All authority employees
- All authority premises.

CHARTER - ACCOUNTABILITY

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each founding partner. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. DAP operates within a framework that allows:

- Unrestricted access to senior management and members;
- Reporting in its own name;
- and Separation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The HoDAP fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity. The Section 151 Officer will liaise with the HoDAP and is therefore responsible for monitoring performance and ensuring independence.

The HoDAP reports functionally to the Audit Committee on items such as:

- Approving the internal audit charter;
- Approving the risk based internal audit plan and resources;
- Receiving reports from the Head of Devon Audit Partnership on the section's performance against the plan and other matters;
- Approving the Head of Devon Audit Partnership's annual report'
- Approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Audit Committee, and has the opportunity to meet privately with the Audit Committee.

CHARTER - RESPONSIBILITIES

The Chief Executive, Directors and other senior officers are responsible for ensuring internal control arrangements are sufficient to address the risks facing their services. The HoDAP will provide assurance to the Section 151 Officer regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The HoDAP will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping him/her meet his/her obligations under the Local Government and Housing Act 1989 and the Council's Constitution. The HoDAP will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Internal Audit responsibilities include:

- Examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Reviewing the systems established to ensure compliance with policies, plans, procedures and regulations which could have a significant impact on operations;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- Appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- Working in partnership with other bodies to secure robust internal controls that protect the Council's interests;
- Advising on internal control implications of new systems;
- Providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation; and,
- Reporting significant risk exposures and control issues identified to Audit Committee and to senior management, including fraud risks, governance issues.

CHARTER - MANAGEMENT

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:

- Be appropriately qualified;
- Determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- Regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- Include in the plan the approach to using other sources of assurance if appropriate;
- Be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and
- Monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The HoDAP is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

CHARTER - INTERNAL AUDIT PLAN AND RESOURCES

At least annually, the HoDAP will submit to the Audit Committee a risk-based internal audit plan for review and approval.

The HoDAP will:

- Develop the annual plan through discussions with senior management based on an understanding of the significant risks of the organisation;
- Submit the plan to the Audit Committee for review and agreement;
- Implement the agreed audit plan;
- Maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- Maintain a programme of quality assurance and a culture of continuous improvement;

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

A requirement of the Council's Anti-Fraud and Corruption Strategy is that the HoDAP be notified of all suspected or detected fraud, corruption or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will include sufficient resource to undertake proactive anti-fraud work. Internal audit activities will be conducted in accordance with Council strategic objectives and established policies / procedures.

Monitoring of internal audit's processes is carried out on a continuous basis by internal audit management. Council's members and management may rely on the professional expertise of the HoDAP to provide assurance. Periodically, independent review may be carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

CHARTER - INTERNAL AUDIT REPORTING

The primary purpose of Internal Audit reporting is to provide to management an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions. Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be to:

- Give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- Recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report within 30 days, although this period can be extended by agreement.

The response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken, this must also be stated. The HoDAP is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The HoDAP will:

- Submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken;
- Submit an Annual Internal Audit Report to the Audit Committee, incorporating an opinion on the Council's control environment. This will also inform the Annual Governance Statement.

CHARTER - RELATIONSHIP WITH THE AUDIT COMMITTEE, AND NON CONFORMANCE TO THE CHARTER

The Council's Audit Committee will act as "the Board" as defined in the Public Sector Internal Audit Standards (PSIAS), The Specific Functions of the Audit Committee are set out in the Council's Constitution (Part 2 Article 9 – Audit Committee).

The HoDAP will assist the Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP will:

- Attend meetings, and contribute to the agenda;
- Ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework

Any instances of non conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit Committee.

CHARTER - QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor. For DAP this was recently conducted at the end of 2021 by the Head of Southwest London Audit Partnership, and the Chief Internal Auditor of Orbis (a partnership organisation covering Brighton and Hove, East Sussex, and Surrey County Council).

The assessment result was that *“Based on the work carried out, it is our overall opinion that DAP generally conforms* with the Standards and the Code of Ethics”*.

The report noted that *“As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion”*.

DAP is actively addressing these improvement areas, which include: Develop the use of data analytics; rotate staff across clients; consider how to support the development of audit committees; consider a range of cross partner audits, and share best practice; review current arrangements for the delivery of IT audit to ensure maximum value; develop the role of Senior Auditors.

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

AUDIT STRATEGY - PURPOSE

The PSIAS require the HoDAP to produce an Audit Charter setting out audits purpose, authority and responsibility. We deliver this through our Audit Strategy which:

- Is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- Should be approved, but not directed, by the Audit Committee.
- Will communicate the contribution that Internal Audit makes to the organisation and should include:
 - Internal audit objectives and outcomes;
 - How the HoDAP will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
 - How Internal Audit's work will identify and address significant local and national issues and risks;
 - How the service will be provided, and
 - The resources and skills required to deliver the Strategy.

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The Strategy should be kept up to date with the organisation and its changing priorities.



AUDIT STRATEGY - OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK

A key objective of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks will be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings will be held to discuss issues arising and other matters.

The HoDAP will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee. The HoDAP will also provide a written annual report to the Audit Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

The Head of Devon Audit Partnership's annual report to the Audit Committee will:

- Provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- Draw attention to any issues the HoDAP judges particularly relevant to the preparation of the Annual Governance Statement;
- Compare audit work actually undertaken against the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- Comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

AUDIT STRATEGY - PLANNING & AUDIT DELIVERY

INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS

The audit planning process includes the creation of and ongoing revision of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Council’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

Assignment Planning & Delivery

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

The primary objective of the audit is to provide management with an independent opinion on the risk and control framework through individual audits in the audit plan. Individual audits will be completed using our methodology in our Audit Manual to the standards set by PSIAS, to independently evaluate the effectiveness of internal controls. Our audit assignment report will communicate our opinion and include agreed management action, where required, to improve the effectiveness of risk management, control and governance processes.

AUDIT STRATEGY - PERFORMANCE MANAGEMENT & QUALITY ASSURANCE

The PSIAS state that the HoDAP should have in place an internal performance management and quality assurance framework; this framework must include:

- A comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately;
- Seeking *user feedback* for each individual audit and periodically for the whole service;
- A periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit Committee;
- Internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment);
- and
• An action plan to implement improvements.

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed for each individual audit; and for the Internal Audit Service as a whole. The HoDAP will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see the following pages).

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from: auditees; senior leadership; and executive management. The results from our feedback will be reported to Senior Management and the Audit Committee in the half year and annual reports.

The HoDAP is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.

AUDIT STRATEGY - PERFORMANCE MANAGEMENT & QUALITY ASSURANCE (2)

Performance Indicator	Full year target
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days)	90%
Final reports produced within target number of days (currently 10 days)	90%

Internal Audit
Performance
Monitoring
Targets

Task	Performance measure
Agreement of Annual audit plan	Agreed by Chief Executive, Leadership Team and Audit Committee prior to start of financial year
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Promptly issued within 15 days of finishing our fieldwork. Report is "accurate" and recommendations are both workable and useful.
Draft report meeting (if required)	Such a meeting was useful in understanding the audit issues
Annual internal audit report	Prepared promptly and ready for senior management consideration by end of May. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to Management and Audit Committee.	Presentation was clear and concise. Presented was knowledgeable in subject area and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Other indicators measured as part of the audit process that will be captured and reported to senior management

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AUDIT STRATEGY - RESOURCES AND SKILLS

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Audit Executive (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

DAP currently has c.40 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter), we also operate from offices at Torrridge DC (Bideford), Mid Devon DC (Tiverton) and South Hams/West Devon Councils (Totnes). The Partnership employs a number of specialists in areas such as Computer Audit, Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff includes: -

- 4 x Chartered Accountants
- 7 x qualified IIA (CMIIA and PIIA)
- 1 x qualified computer audit (QICA & CISA)
- 1 x risk management (IRM)
- 10 x AAT (qualified and part qualified)
- 6 x ACFS / ACFT (accredited counter fraud specialists)
- 5 x ILM (Institute of Leadership & Management) level 5 or above
- 5 Apprentices (Finance, Data Analyst, IIA, Business Admin)



AUDIT STRATEGY - STAFF DEVELOPMENT AND TRAINING AND USE OF MK AUDIT

Staff Skills and Development

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

Internal Audit Software System

Devon Audit Partnership uses Pentana MK as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

Internal Audit

Progress Report 2022-23

West Devon Borough Audit Committee

September 2022
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Tony Rose
Head of Audit Partnership



Auditing for achievement

Introduction

The Audit Committee, under its Terms of Reference contained in West Devon’s Constitution, is required to consider the Chief Internal Auditor’s annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities carry out an annual review of the effectiveness of their internal audit system and incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2022-23 was presented and approved by the Audit Committee in March 2022. The following report and appendices set out the background to audit service provision and provides a position statement on the overall adequacy and effectiveness of the Authority’s internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report contributes to that annual opinion.

Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

- the assurance statement within this report.
- the basis of our opinion and the completion of audit work against the plan.
- the revised audit plan provided.
- audit coverage and findings provided.
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Governance Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained.

Tony Rose
Head of Devon Audit Partnership

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Opinion Statement

Overall, based on work performed during 2022/23 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

This opinion statement will support Members in their consideration for signing the Annual Governance Statement.

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews. An opinion on the adequacy of controls is provided to management as part of each audit report.

All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified.

Implementation of action plans is the responsibility of management but may be reviewed during subsequent audits or as part of a follow-up process.

Directors and Senior Management are provided with details of Internal Audit's opinion for each audit review to assist them with compilation of their individual annual governance assurance statements at year end.

Substantial Assurance	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.
Reasonable Assurance	There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.
No Assurance	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

Executive Summary of Audit Results

Key Financial Systems

We have completed audits on Creditor (payments), Asset Investment Strategy and Housing Benefits, with no significant issues identified.

Risk Based Audits

We identify significant improvements have been made to Development Management, following our previous 2019/20 review.

We provide more detail below on work being undertaken to improve recommendation tracking to support management focus on implementing recommendations.

Appendix 1 of this report provides more detail on the audits delivered since the last Committee meeting with the overall assurance opinion and recommendations. Where a "substantial assurance" or "reasonable assurance" of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of "limited assurance" has been provided then issues were identified during the audit process that required attention. We have provided a summary of key issues reported that are being addressed by management. We are content that management are appropriately addressing these issues.

Counter Fraud Work

We are not aware of any reported fraud issues in the year to date. Management is aware that they can refer any suspected issues to our specialist counter fraud team.

Recommendation Tracking

It is important that audit recommendations are monitored to completion to avoid the council tacitly accepting risk. Recent audits have identified some High and Medium recommendations that were not implemented. Progress to introduce recommendation tracking has been delayed as the council concentrated on C-19 emergency measures. However, management have agreed to review all audit management recommendations since April 2020, to confirm if they have been implemented or remain open. We will then work with the council to introduce a system to support ongoing monitoring and reporting on recommendations.

Value Added

It is important that the internal audit service seeks to "add value" whenever it can. We consider internal audit activity has added value to the organisation and its stakeholders by:

- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- Adjusting the audit plan when needed to provide real time assurance.
- Comparing and contrasting controls across the different Devon Councils that we support.

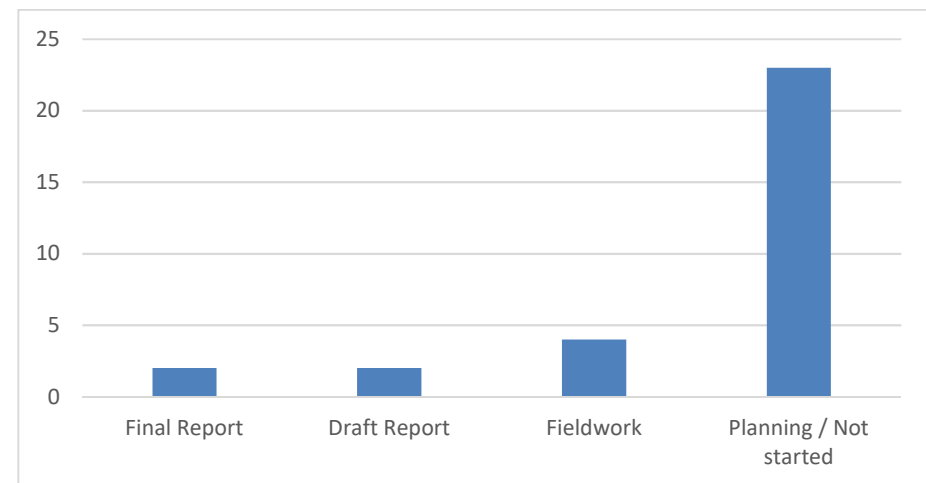
Audit Coverage and Performance Against Plan

We continue work to complete the 2021-22 audit plan. We have provided final reports for three of these audits, two others are issued in draft, and we will be issuing reports for the remaining two audits shortly. Appendix 2 provides detail on these audits, and also the 2022-23 audit plan.

Progress to deliver the 2022-23 plan has been impacted by continued diversion of one of the two core auditors to administer the

Covid Business Grants for the council. In addition, the LAG / LEAF work is expected to continue into 2023. We anticipate this means we are short of more than 65 days from this financial year. We have subsequently asked for additional compensatory resource to support audit plan delivery. We propose that part of this resource go towards paying for a Cyber Security audit provided by One West (a DAP strategic partner).

Chart: Delivery of the 2022-23 audit plan



Internal Audit Charter and Strategy

At this meeting we have provided an updated Audit Charter and Strategy for agreement by the Audit Committee as a separate agenda item.

Customer Satisfaction

We have had no recent satisfaction returns. We will be placing emphasis on obtaining feedback for current audits.

Appendix 1 – Summary of audit reports and findings for 2021-22

Audit / Assurance Opinion	Summary, risk exposure and management actions
<p>Assets Investment Strategy 2021/22 From 2021/22 audit plan</p> <p>Substantial Assurance</p> <p>Page 181</p>	<p>Each Council has a detailed Investment Strategy in place, to guide officers and members when taking decisions regarding potential investment property acquisitions. The Strategies provide detail on the potential risks that might arise along with mitigation action such as the due diligence required. Maximum thresholds for investment in assets are set out, being £60m for SHDC and £50m for WDBC. To date, SHDC has purchased one property, whilst WDBC has purchased four. Officers are considering other opportunities in accordance with the Investment Strategies presented to members in March 2022. A monitoring report for the Investment properties is presented to the Audit Committee on a periodic basis.</p> <p>We confirm that the decision to undertake due diligence work with respect to the solar farms opportunity, and to appoint consultants to do this, were made in line with the governance arrangements set out in the respective Councils' Strategies.</p> <p>We agreed a High priority recommendation relating to compliance with procurement regulations for consultants involved with projects.</p>
<p>Creditor (Payments) (From 2021/22 plan)</p> <p>Reasonable Assurance</p>	<p>Effective controls are in place to manage the payment of creditors, with most payments made accurately and on a timely basis. A series of input checks ensure that invoices are accurate and paid correctly. Invoices are paid promptly i.e., within 30 days, and in line with specific creditor payment terms. The integrated Financial Management System, of which the creditors' module is a part, includes an electronic ordering facility that commits the related expenditure within the general ledger when an order is placed. The system requires the order to be authorised before being issued to a supplier, reducing the risk that purchases are made without approval.</p> <p>We restated a small number of recommendations from our 2020/21 audit which remain outstanding, specifically those outside the control of the Central Invoicing Team.</p> <p>We agreed two High priority recommendations relating to procurement of agricultural planning advice, and publication and management of planning notices.</p>

<p>Development Management / Control S106</p> <p>Reasonable Assurance</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 182</p>	<p>There have been considerable improvements in procedures since our previous review in 2019/20. The Councils have effective arrangements to record and monitor all S106 agreements. These support requests for contributions at the appropriate trigger points and spending of funds within agreed timeframes.</p> <p>There is good communication between those officers involved in drawing up the S106 agreements, those recording and monitoring them and those who co-ordinate use of the funds for approved purposes. Regular reporting takes place, including to members and the public. Members are also actively encouraged to engage with their town or parish councils to facilitate the expenditure of S106 contributions.</p> <p>On 31 March 2022, SHDC held £5.63m and WDBC £1.32m of general S106 contributions. In addition, SHDC held £0.13m of S106 contributions specifically for the Sherford development. A report to members in September 2021 predicted half the S106 funds held would be utilised by the end of 2022/23.</p> <p>There is potential to improve the efficiency of the recording, monitoring, and reporting of S106 obligations. The key to achieving this would be the use of software better suited to the purpose, rather than Smartsheets. We raised a recommendation in respect of this in our 2019/20 report, but it has not been implemented due to delays in selecting replacement software for the wider planning service, only some including a dedicated S106 module. We have repeated the recommendation, as well as the need to back up the Smartsheets, this being overlooked due to a change in responsibilities.</p> <p>We did not make any High recommendations.</p>
<p>Housing Benefits (From 2021/22 audit plan)</p> <p>Reasonable Assurance</p>	<p>The Housing Benefit team continually strive to improve processes and procedures, in all areas of claims processing, wherever possible. This includes voluntarily taking part in DWP trials as well as reviewing internal ways of working. Real Time Information (RTI) is received from the DWP and HMRC, which helps identify inaccurate data provided by claimants, failure to advise of changes and potential fraud on a timelier basis and reducing the number and value of housing benefit overpayments.</p> <p>Where a customer has received an overpayment, this will be recovered from on-going entitlement if the customer is still in receipt of benefits or, if eligibility has ceased, a debtor's invoice will be raised. There are procedures to guide recovery once an invoice is raised. However, during 2021/22 recovery action was limited as staff were diverted to administering business grants and other financial support during the Covid-19 crisis.</p>

The use of on-line benefit claim forms, workflow processes within the electronic document management system and other automation, has allowed the Benefits service to continue to make more efficient use of staff resources.

There are areas where action may be taken to strengthen existing controls or gain efficiencies. The most important relate to re-commencement of procedures which have been suspended or reduced due to work pressures created by the Covid pandemic i.e., quality checks.

Some recommendations from our report have been included in the Improvement Plan created from the recent Revenue and Benefits Service Review.

The agreed High recommendations related to:

- Correct application of annual Council Tax upratings.
- Reintroduction of quality checks for Benefits Assessors work.
- Implementation of proposals for more efficient or alternative Housing Benefit Overpayment recovery methods.
- Monitoring of the performance of the enforcement contract.

Appendix 2 – Progression of audit plan

2021/22 Audits

Audit	Business Area	Audit Stage	Assurance Opinion	Comments
Housing Benefits 21/22	KFS	Final Report	Reasonable	See summary in Appendix A
Creditor (Payments)	KFS	Final Report	Reasonable	See summary in Appendix A
Asset Investment Strategy	KFS	Final Report	Substantial	See summary in Appendix A
Dartmouth Lower Ferry	Place & Enterprise	Draft report issued	Tbc	Draft report provided 7 June.
Payroll	KFS	Draft report issued	Tbc	Draft report provided 11 Aug.
Change Control – Business Processes		Report being drafted	Tbc	
Salcombe Harbour	Place & Enterprise	Report being drafted	Tbc	

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2022/23 Audits

Audit	Business Area	Audit Stage	Assurance Opinion	Comments
Completed				
Development Management - Section 106 Arrangements	Customer Service & Delivery	Final Report	Reasonable Assurance	See summary in Appendix A
Annual Governance Statement	Other items	Final Report		Annual report completed.
Draft Report				
Building Maintenance - Works Scheduling Follow Up	Customer Service & Delivery	Draft Report		Draft issued 13 June 22, waiting for Senior Management Team review.
Covid 19 - Business Grants Post-Scheme Assurance	Place & Enterprise	Draft Report		Draft issued 2 Aug 22.

Audit	Business Area	Audit Stage	Assurance Opinion	Comments
Fieldwork				
Contract Management - Leisure	Governance & Assurance	Fieldwork		Draft report expected Mid Sep 22
Corporate Strategy and Performance Management	Governance & Assurance	Fieldwork		Draft report expected Mid / late Sep 22
Climate Change	Governance & Assurance	Fieldwork		Draft report expected w/c 22 Aug 22
Grants LAG LEAF 2022/23	Other items	Fieldwork		Ongoing work to validate this grant.
Planning / Not Yet Started				
Main Accounting System	KFS	Not yet started		Indicative start Q4
Payroll	KFS	Not yet started		Indicative start Q3
Prepaid (Payments)	KFS	Not yet started		Indicative start Q3
Debtors (Income Collection)	KFS	Not yet started		Indicative start Q2
Business Rates	KFS	Not yet started		Indicative start Q3
Council Tax	KFS	Not yet started		Indicative start Q3
Housing Benefits	KFS	Not yet started		Indicative start Q3
Treasury Management	KFS	Not yet started		Indicative start Q2
Capital Expenditure	Place & Enterprise	Not yet started		Indicative start Q2
Regeneration and Investment Strategy	Place & Enterprise	Not yet started		Indicative start Q4
ICT / Cyber Audit	Customer Service & Delivery	Planning		Indicative start Q3

Locality Officers	Customer Service & Delivery	Not yet started		Indicative start Q3
Partnership Funding Arrangements	Customer Service & Delivery	Not yet started		Indicative start Q3
Health and Wellbeing	Customer Service & Delivery	Not yet started		Indicative start Q3
Project Management	Governance & Assurance	Not yet started		Indicative start Q4
Procurement – compliance with financial procedures and tender limits	Governance & Assurance	Not yet started		Indicative start Q3
Risk Management Review	Governance & Assurance	Not yet started		Indicative start Q4
Future IT Project	Governance & Assurance	Not yet started		Indicative start Q2
Corporate Information Management 22/23	Governance & Assurance	Planning		Indicative start Q3
IT Arrangements	Governance & Assurance	Not yet started		Indicative start Q3
Business Continuity / ICT Business Continuity	Governance & Assurance	Not yet started		Indicative start Q3
Exemptions from Financial Regulations	Other items	Ongoing		NA
National Fraud Initiative	Other items	NA		NA
Contingency, Advice & Emerging Risks	Other items	NA	N/A	NA

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, North Devon, Mid Devon and Torridge Councils. We aim to be recognised as a high-quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk .

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Report to: **Audit Committee**

Date: **6 September 2022**

Title: **Strategic Risk Update**

Portfolio Area: **Governance and Assurance**
Cllr Neil Jory (Leader of Council)

Wards Affected: **All**

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

Date next steps can be taken:

Authors: **Neil Hawke – Head of Strategy**

Contacts: Neil.Hawke@swdevon.gov.uk **01803 861323**

Recommendations:**That the Audit Committee:**

- 1. REVIEW the Strategic Risk Register (Appendix A) and make recommendations to Council on any further action the Committee concludes should be considered**

1. Executive summary

- 1.1. In accordance with the Risk & Opportunity Management Strategy adopted on 4th December 2018 by West Devon Borough Council, this report forms the required bi-annual update to Audit Committee Members.
- 1.2. The Strategy sets out the roles and responsibilities for various Council Committees and officer groups. The Audit Committee is to "Provide independent assurance to the Council on the effectiveness of the Council's risk and opportunity management, internal control and overall assurance framework".
- 1.3. This report aims to provide the Committee with the information required in order to provide that assurance to the Council. Included is a copy of the current strategic risk (Appendix A).

2. Background

- 2.1. The Council at its meeting on 4 December 2018 resolved to adopt the Risk & Opportunity Management Strategy and in September 2021, Council adopted its Plan for West Devon.
- 2.2. The strategic risk register considers those risks which currently provide the greatest threat to achieving our strategic priorities.

3. Key Updates to the Strategic Risk Register since the last update

- 3.1. Following a review of the Strategic Risk profile since the last update to Audit Committee, we have taken the following action.
- 3.2. Removed the following risks since the last update to Audit Committee:-
 - 3.2.1. Organisational Commitment to Change. It is considered that Council (both elected Members and Officer teams) have demonstrated a significant commitment and openness to change over the past few years. We no longer consider this an active threat to delivering our priorities.
 - 3.2.2. Covid-19 Impact on Services. While Covid is clearly still in circulation, we have all been taking steps to learn to live with the virus. This impact of Covid-19 will now be included within existing risks regarding Inadequate Staffing Resource and Business Continuity.
- 3.3. Added the following risks:-
 - 3.3.1. Cost of Living. The Council's response will require us to prioritise resources to ensure we do all we can to support our residents and this may well require amendments to our current Plan for West Devon delivery plan.
 - 3.3.2. Homes for Ukraine. Prior to the Invasion of Ukraine and subsequent launch of the Homes for Ukraine scheme, West Devon was already taking steps to address the housing crisis. We have a significant number of Ukrainian families within West Devon and this presents challenges for us in the coming months that we need to resource and respond to.
- 3.2. The risk register as at August 2022 is set out at Appendix A to this report.

4. Options available and consideration of risk

- 4.1. Members should note that, while risk is assessed collectively within SLT, the judgements in relation to the scores are inevitably subjective and Member challenge of officer conclusions is therefore welcomed.
- 4.2. If the Committee deems necessary, Members may make recommendations to Council on amendments to the register(s) or refer the highest scoring 'red' risks to the Overview and Scrutiny Committee for further detail and investigation.

5. Proposed Way Forward

- 5.1. It is suggested that the Committee's attention is focussed on those risks with the highest score i.e. the risks with a score of 16 and over.
- 5.2. SLT will continue to monitor the Strategic Risks and a further update will be brought to Audit Committee in six months' time

6. Implications

Implications	Relevant to proposals	Details and proposed measures to address
Legal / Governance	Y	The Audit Committee has a role in keeping under review and recommending to Council improvements in relation to effective risk management. There are no direct legal implications arising from the report although a strategic focus on risk and opportunity management is good practice. Any specific legal implications are to be considered in individual risk assessments.
Financial	Y	The report includes a number of risks which will impact on the Council's financial position. Effective corporate risk and opportunity management can help protect the Council from budget variances.
Risk	Y	Members should note that while risk and opportunity is assessed collectively within SLT, the judgements in relation to the scores are inevitably subjective and Member challenge of the officer conclusions is therefore welcomed.
Climate Change - Carbon / Biodiversity Impact	Y	There are no direct carbon/biodiversity impacts arising from the recommendations as this will be factored into individual risk assessments where appropriate.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	Factored into individual risk assessments where appropriate. Equalities Impact Review of the Risk Management Policy in place.
Safeguarding	N	Factored into individual risk assessments where appropriate.
Community Safety, Crime and Disorder	N	Factored into individual risk assessments where appropriate.
Health, Safety and Wellbeing	N	Factored into individual risk assessments where appropriate.
Other implications	N	N/A

Supporting Information

Appendices:

Appendix 1: Strategic Risk Register August 2022

Background Papers:

Risk & Opportunity Management Strategy adopted 4th December 2018

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off	Yes
Data protection issues considered	Yes

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West Devon
Borough Council

Strategic Risk Register Update

August 2022

Audit Committee

Page 193



*A Plan for
West Devon*

Introduction

What Do we mean by Risk?

Risk is unavoidable in any organisation. It is ever present and a certain amount of risk-taking is inevitable if we are to achieve our objectives of A Plan for West Devon.

What Is Risk Management?

Successful Risk Management is an essential part of delivering good governance across the Council and reduces the uncertainty or achieving our ambitions (as set out in A Plan for West Devon).

Risk management is about adopting a planned and systematic approach to identifying, evaluating and controlling the things that will prevent us delivering on our priorities.

How does Risk Management fit in to our business planning?

Effectively identifying and managing risks will support the Council in acting in the best interests of our residents, businesses and communities through the ever changing environment of local government.

It is the 5th step in our Performance Management Framework



Step 5: Risk Management

Identify risks that may prevent us delivering our vision and how we will mitigate them



West Devon
Borough Council



A plan for West Devon

Our Risk Management Objectives

We have 6 key objectives that guide our approach to Risk Management

1. Adopt a strategic approach to risk management in order to make well informed decisions
2. Integrate risk management into how we run Council services and deliver key projects.
3. Support a culture of well-measured risk taking throughout the Council including setting risk ownership and accountabilities.
4. Accept that even with good risk management and our best endeavours, things can go wrong. We will learn lessons where this happens.
5. Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management
6. Ensure that risk management continues to be a key and effective element of our Corporate Governance

Benefits of Effective Risk Management



Improved Strategic Management

- Greater Ability to deliver against our corporate objectives and targets
- Improved decision making, planning and prioritisation



Improved Operational Management

- Plans in place to response to incidents when they occur
- Better service delivery



Improved Financial Management

- Better informed financial decision making
- Greater financial control
- Minimising waste and improving Value for Money



Improved Customer Service

Service disruption to customer minimized



Our Risk Management Process

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Identification of risks, deciding what action to take to minimise the risk and assessing how successfully we did it is an activity that we are all doing constantly in our personal lives. The same approach is applied by the Councils in assessing risks to our priorities and services.

To do this we follow a 5 step approach



Our Risk Management Scoring

Likelihood
How possible is it that the risk will occur?

#	Likelihood	Chances of occurring	
1 – Rare	Unlikely to occur under normal circumstances	0-10%	Very unlikely this will ever happen e.g. Once in 100 years
2 – Unlikely	Potential to occur however likelihood remains low	10-25%	Not expected to happen, but is possible e.g. Once in 25 years
3 - Possible	Possible - Could occur	25-50%	May happen occasionally, e.g. Once in 10 years
4 – Likely	Likely - Most likely will occur	50-80%	Will probably happen, but not a persistent issue e.g. Once in 3 years. Has happened in the past.
5 – Almost Certain	Almost certainly will occur	80-100%	Will undoubtedly happen, possibly frequently e.g. Annually or more frequently. Imminent/near miss.

Impact
If the risk does occur, what is the impact?

#	Impact Category					
	Financial	Service Quality	Reputation	Legal/Regulatory	Health and Safety	Morale / Staffing
1 – Insignificant Impact	Financial loss of less than £10k	Drop in performance or delays to a process or temporary loss of an access route to a service	Limited local interest, single story	Not reportable to regulator/Ombudsman, simple fix	Minor first aid required	Isolated staff dissatisfaction
2 – Minor Risk	Financial loss of between £10k & £100k	Drop in performance or delays to a service area or sustained loss of access routes for services	Local or 'industry' interest, single story over multiple news outlets	Reportable to regulator/Ombudsman, no or little follow up needed	Minor injuries to employees or third parties	Pockets of staff morale problems and increased turnover
3 – Moderate Risk	Financial loss of between £100k & £500k	Drop in performance or delays to delivering a wide range of services	Short term negative media exposure	Regulator/Ombudsman report with immediate correction to be implemented, or risk of prosecution	Simple 'medical professional' type care for employees or third parties, e.g. GP visit, minor injuries unit visit	General staff morale problems and increased turnover
4 – Major Risk	Financial loss of between £500k & £1Mill	Major drop in performance or inability to deliver discretionary services	Sustained negative media coverage, or South West or 'affected industry' publication exposure	Regulator/Ombudsman report requiring major project to correct or prosecution with fines, etc.	Limited hospital care required for employees or third parties	Widespread morale problems and high turnover. Not perceived as employer of choice
5 – Catastrophic	Financial loss of over £1Mill	Major drop in performance or inability to deliver mandatory services	Long term negative media coverage, or national media exposure	Significant prosecution or fines, incarceration of directors	Significant injuries or fatalities to employees or third parties	Some senior leaders leave / high turnover of experienced staff, insufficient staff to complete statutory functions

To calculate the overall risk score, we multiply the likelihood by the highest impact category score.

Our Risk Management Treatment

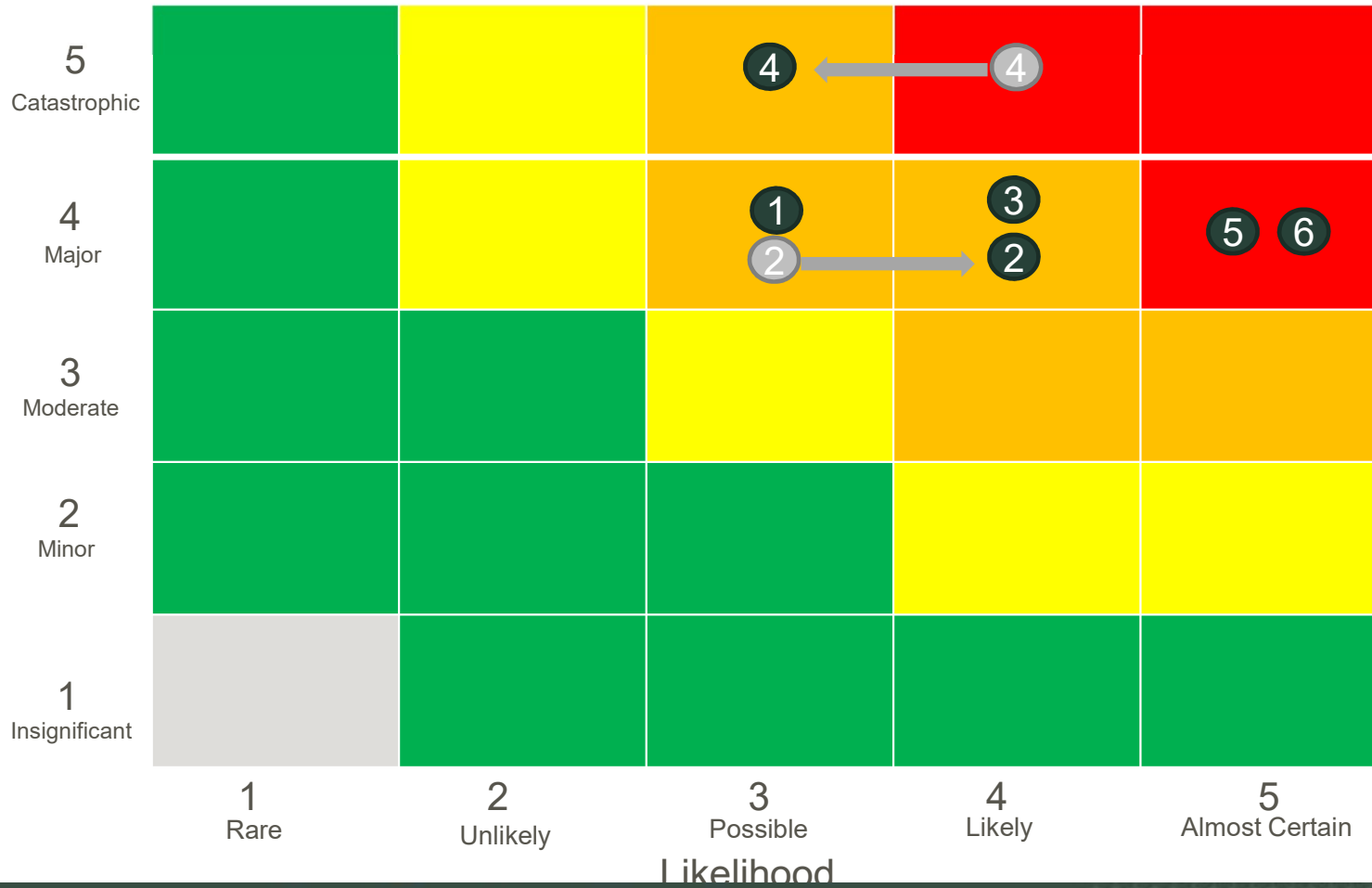
Page 198
Impact



5 Catastrophic				<i>Must be managed down urgently</i>	<p>Must be managed down urgently These risks will be the subject to regular monitoring and action by Lead Members and the Senior Leadership Team. Significant Management action is required</p> <p>Influence down in medium term These will be regularly monitored by the relevant Director and Head of Service with plans developed to reduce the risk in the medium term.</p> <p>Monitor and Manage These will be monitored by Heads of Service and plans developed to reduce the risk and prevent escalation</p> <p>Accept These will be monitored however on the whole the risk level is deemed acceptable with normal managing of the activity</p>
4 Major			<i>Seek to influence short to medium term reduction</i>		
3 Moderate		<i>Monitor & Manage to influence a reduction</i>			
2 Minor	<i>Accept – continue to monitor</i>				
1 Insignificant	<i>Close as a Strategic Risk</i>				
	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
	Likelihood				



Summary of Strategic Risks August 2022

Impact
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 Current Period Score
 Previous Period Score (if different)

- Risk Title**
- Adherence to Medium Term Financial Strategy
 - Inadequate Staffing Resource
 - Health and Wellbeing Service Provision
 - Business Continuity
 - Cost of Living Pressures
(New)
 - Homes for Ukraine Placement Breakdowns
(New)



Risk Title: Adherence to Medium Term Financial Strategy 

What is the risk? Failure to sustain a robust on-going medium term financial strategy in WDBC with adequate reserves to meet unforeseen circumstances, due to cost pressures and reduced income, council decisions, changes in Government policy with regard to business rates and affordable housing.

What is causing the risk? 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. a reduction in sales, fees and charges income or business rate appeals. The amount of income received can be adversely affected by a fall in collection rates due to economic downturn, the effects of the pandemic 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.

What is the level of the risk? Page 200	Likelihood of risk occurring		3 (Possible)	What are we doing to reduce the risk? Robust horizon scanning to monitor changes in Government policy. SLT awareness of the risks, cautious approach to budgeting and robust systems of financial control. The Council is not intending to rely heavily on sources of income which may not be sustainable. SLT actively participate in Government consultations, MP discussions and keep aware of changes and the response by peer group, ensuring where appropriate the learning from this is incorporated into strategic plans. SLT engaged in the development of the MTFS.
	Impact	Financial	4 (Major)	
		Service Quality	4 (Major)	
		Reputation	4 (Major)	
		Legal / Regulatory	4 (Major)	
		Health and Safety	2 (Minor)	
		Morale / Staffing	2 (Minor)	

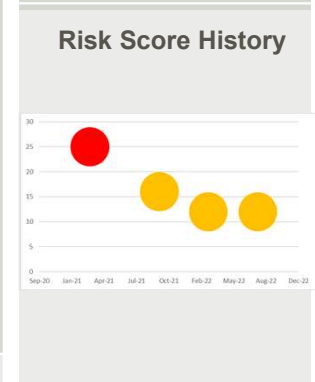
Current Update (August 2022)
The Council has prepared its Medium Term Financial Strategy for the period covering 2023/24 to 2025/26 and this is being presented to the Hub Committee at its September 2022 meeting. The forecast budget gap for 2023/24 is £269,296. This is 3% of the Projected Net Budget for 23/24 of £8.72million. A cumulative budget gap of £356,867 is predicted for 2024/25. A Government technical consultation on the finance settlement is expected in the Autumn. The hope is that this will enable greater confidence to be had in the assumptions underlying the MTFS and might also set out the principles of how a two-year finance settlement would be implemented. In the meantime, there are continuing uncertainties about the level of local government funding for 2023/24. There is no indication yet of the detailed local government funding levels for 2023/24 and beyond. Therefore there are many uncertainties in preparing for the challenges we know we will face in the near future.
The Council has closed its Accounts for 2021/22 and the Draft Un-Audited Accounts were published by the end of July 2022. The Council reported a surplus for the 21/22 year of £196,000 (2.7%) against the Council's total net budget of just over £7.3million.
The Council has to be entirely independent to fund all of its services, as the Borough Council no longer receives any main Government Grant (Revenue Support Grant). The Council has had a reduction in core Government funding of £3million per year since 2010.
As at 31 March 2022, the Council has £9.189 million in Earmarked Reserves and £1.490million in Un-earmarked Reserves.

Overall Scoring

Risk Score (Current)

12

Likelihood 3 x Impact 4



Risk Direction

Risk Title: **Inadequate Staffing Resource**



What is the Risk? The risk is that the Council fails to have the right culture, organisational conditions or resources to deliver our priorities for our communities. Insufficient staffing arrangement resulting in a loss of staff morale, and inadequate resources for training and re-skilling in an ongoing period of change. Failure to engage staff resulting in uncertainty regarding changes in working practices and job security. Particular risk in relation to future terms and conditions. Cost and time of retraining/up-skilling staff. Unrealistic expectations in relation to staffing capacity.

What is causing the risk? The last few years have seen Local Government stepping up to provide significant and varied support to our residents, communities and businesses in addition to maintaining our core service delivery, This has been a sustained period of the council delivering additional support and services and is only likely to continue in to the short-medium term.

Page 201	Likelihood of risk occurring		4 (<i>Likely</i>)	<p>What are we doing to reduce the risk?</p> <ul style="list-style-type: none"> We are continuing with our programme of service reviews, implementing recommendations to make a positive impact on our ability to meet customer demands, this has included:- <ul style="list-style-type: none"> Restructuring our Planning Service with a new Head of DM for West Devon (and a separate Head of DM for South Hams) and now aligning specific team members to meet the needs of West Devon Appointing a Head of Revenues and Benefits to drive forward our improvement plans for this service We are holding regular staff briefings and have recently held our first staff briefings since before the pandemic
	Impact	Financial	4 (<i>Major</i>)	
		Service Quality	4 (<i>Major</i>)	
		Reputation	4 (<i>Major</i>)	
		Legal / Regulatory	4 (<i>Major</i>)	
		Health and Safety	2 (<i>Minor</i>)	
		Morale / Staffing	4 (<i>Major</i>)	

Current Update (August 2022)

There have been a number of significant changes to our operating environment in recent months which has significantly increased the risk that we do not have sufficient staffing resource to meet the needs of our residents and communities. For West Devon these changes include responding to the Cost of Living crisis and supporting the Homes for Ukraine scheme. We are also entering Autumn and there is the risk the Covid-19 (as well as other seasonal illnesses) reduces the availability of staff. Since April we have lost 281 working days to Covid-19 illness.

Recruitment of staff has been a significant challenge with many posts that we attempt to recruit to not being filled – current notable challenges include planning, legal and finance posts. We are working with other Councils to secure a sharing of resource in areas of acute need (such as legal) and commissioning private sector organisations where required for the short term. We will need a review of our recruitment approach and reward strategy for the medium term.

We continue to review our structures and resources to ensure we can best align to meeting the needs of our residents. In September we will launch our staff survey as part of our commitment to be a listening council and employer. The results of the survey will contribute to the development of an Organisational Development Strategy for the Council which will focus on ensuring that our staff have the skills, tools and motivation to succeed and deliver on our Plan for West Devon ambitions.

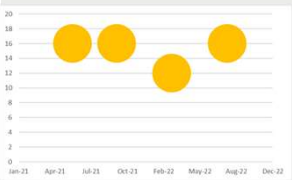
Overall Scoring

Risk Score (Current)



Likelihood 4 x Impact 4

Risk Score History



Risk Direction



Risk Title: Health and Wellbeing (Leisure) Service Provision



What is the risk? The risk is that following the negative impacts to leisure centres as a result of Covid-19, leisure centres may now face further pressures due to the increased cost of living including through loss of revenue as residents consider where they can save money and through increased cost of operating the centres given the energy price increases and increasing inflation.

What is causing the risk? This risk original escalated to the Strategic Risk register as a result of the Covid-19 pandemic forcing the closure of leisure centres, meaning a loss of income. The risk has now changed slightly and the main cause for it to remain on the strategic risk register is the risk that revenues reduce as the cost-of-living crisis deepens.

What is the level of risk?

Likelihood of risk occurring	4 (Likely)	
Impact	Financial	4 (Major)
	Service Quality	2 (Minor)
	Reputation	2 (Minor)
	Legal / Regulatory	2 (Minor)
	Health and Safety	4 (Major)
	Morale / Staffing	2 (Minor)

What are we doing to reduce the risk?

1. Worked with Fusion Leisure to revise the management fee profile in response to the reductions in income seen through Covid-19 (agreed by Council in Feb 2022)
2. Continue to engage with Fusion to understand issues and support where possible
3. Continue to monitor local and national position (given that all leisure providers will be in the same position)
4. Promote active participation in sport and leisure through Council communication channels

Current Update (August 2022)

As of July 2022, leisure centre memberships were at 99% (Meadowlands) and 76% (Parklands) compared to pre-pandemic levels.

The leisure sector is still facing difficult times following the recovery from Covid-19 in the operations of leisure centres. The energy crisis and the cost of living challenges has resulted in costs increasing and customers re-evaluating their memberships and usage levels, impacting on income levels for leisure operators.

The provision of leisure centres is a discretionary service. However the activities align with the Council's corporate strategic plan – 'A Plan for West Devon' in providing quality services and community wellbeing. This includes increasing active participation in sport and leisure activities

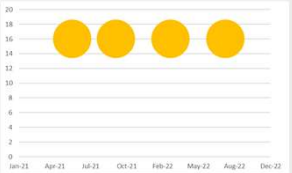
Overall Scoring

Risk Score (Current)



Likelihood 4 x Impact 4

Risk Score History



Risk Direction



Risk Title: **Business Continuity** 

What is the risk? The risk is that we do not develop and keep maintained robust processes to ensure business continuity in the event of a significant event occurring, e.g. Failure to ensure the continuous availability of critical IT systems leading to inability to deliver key council services.

What is causing the risk? Developing and maintaining robust Business Continuity Plans requires significant and sustained focus. During Covid-19 response, the Councils risk profile has changed as we have relied much heavier on working in different ways (for example more staff working from home the majority of time) and with significant pressures being placed on some of our key delivery partners/ contractors. Work is required to update our BCP's to the changing environment that we are operating in. We are also entering a period where extreme weather events increase the risk of a business continuity event triggering.

What is the level of risk? Page 203	Likelihood of risk occurring		3 <i>(Possible)</i>	What are we doing to reduce the risk? <ul style="list-style-type: none"> Having two HQ locations is main mitigating factor - however an outage of power/ICT at either location would lead to a serious disruption of service. Agile working further reduces reliance on two office buildings. Locality workers can be despatched more easily to ensure customer engagement can be maintained during any incident. Business Continuity plans have been updated - priority areas - ICT Networking - Payroll & Creditors Payments; other plans need to be made more robust – further work underway for the new year
	Impact	Financial	5 <i>(Catastrophic)</i>	
		Service Quality	5 <i>(Catastrophic)</i>	
		Reputation	4 <i>(Major)</i>	
		Legal / Regulatory	2 <i>(Minor)</i>	
		Health and Safety	3 <i>(Moderate)</i>	
		Morale / Staffing	3 <i>(Moderate)</i>	

Current Update August 2022

Positive progress has been made and we have increased the resilience of our business continuity arrangements with new hardware in place to enable a more stable IT environment and more frequent off-site backups.

Cyber-security training has been rolled out to all employees and members so that everyone is better able to identify potential threats to our IT operating environment.

Significant progress has also been made in updating our Business Continuity and recovery plan for our IT service, working with sector experts to ensure they are as robust as possible.

Overall Scoring

Risk Score (Current)



Likelihood 3 x Impact 5

Risk Score History



Risk Direction



Risk Title: **Cost of Living Pressures**



Overall Scoring

What is the risk? The risk is that the significant increase in the cost of living results in many more residents requiring urgent support to meet their basic needs and to keep on top of their essential bills. The increase in residents requiring support will put pressure on Council services – particularly Housing, Revenues and Benefits as well as for some of our key partners such as Citizens Advice and Fusion Leisure. Additionally, as residents have less disposable income, we are likely to see an impact on businesses across the borough.

Risk Score (Current)



Likelihood 5 x Impact 4

What is causing the risk? There has been a marked increase in the cost of living, largely driven by an increase in energy bills (by 54% since April and a further predicted increase from October). Inflation is at a 40 year high and forecast to increase further in the coming months. This will lead to a reduction in the living standards of all residents within the Borough.

Risk Score History

New risk – no history available

Page 204	What is the level of risk?		Likelihood of risk occurring	5 (Almost Certain)	<p>What are we doing to reduce the risk?</p> <ol style="list-style-type: none"> We have taken steps to quickly progress payments through the government Council Tax energy rebate scheme and launched a discretionary scheme for those households not eligible for the main scheme Launched a Household Support Fund to provide emergency funding to households that are not able to meet their essential bills Made one-off payments of £90 to all pensioners who are in receipt of Council Tax discount
	Impact	Financial	4 (Major)		
		Service Quality	4 (Major)		
		Reputation	4 (Major)		
		Legal / Regulatory	3 (Moderate)		
		Health and Safety	3 (Moderate)		
		Morale / Staffing	4 (Major)		

Risk Direction

New risk – no history available

Current Update (August 2022) There has been a significant escalation in the cost of living in the last few weeks with OFGEM announcing on 26th August an increase in the energy price cap of £1,578. The Council is currently developing proposals for how we can support our residents and these will be set out to Hub Committee at their meeting on 13th September 2022.

Risk Title:	Homes for Ukraine Placements		 
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What is the risk?	The risk is that the Council is not able to meet the longer-term housing needs of Ukrainians arriving in the Borough through the Homes for Ukraine scheme (or other routes) resulting in significant need for temporary accommodation or consideration of placements out of the area.
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What is causing the risk?	The Council has so far welcomed 139 Ukrainians to West Devon in 51 family groups, as at 25 th August, we are anticipating a further 97 Ukrainian guests in the coming months. There has been a fantastic level of response from West Devon residents opening their doors to Ukrainians that are fleeing the war, but we are already seeing a number of Guest/Host relationships breaking down for various reasons. It is anticipated that there will be further breakdowns in the coming months as placements come to the end of the initial 6 months of the scheme but also due to increased cost of living for hosts resulting in maintaining a larger number of individuals in their homes much more expensive than anticipated and far over and above the £350 per month 'Thank you' payment.
---------------------------	--

Page 205	What is the risk level?		<p>Likelihood of risk occurring 5 (Almost Certain)</p> <p>What are we doing to reduce the risk?</p> <ol style="list-style-type: none"> Developed a dedicated team to work with hosts and guests to try to ensure as many placements as possible are maintained. Recruited 3 x case workers to undertake home visits Begun to prioritise the property checks of potential 'rematch' hosts, meaning that where a placement breaks down we have a 'pool' of alternative hosts available Continued work with Team Devon to develop longer term proposals 	
	Impact	Financial		3 (Moderate)
		Service Quality		4 (Major)
		Reputation		4 (Major)
		Legal / Regulatory		3 (Moderate)
		Health and Safety		2 (Minor)
		Morale / Staffing		1 (Insignificant)

Current Update (August 2022)	<p>The Council is continuing to work closely as part of Team Devon to monitor the situation and our new caseworkers started on 5th September 2022. This will significantly increase our capacity to work with hosts and guests to maintain placements wherever possible.</p> <p>An in-depth report is due for consideration by Hub Committee on 13th September setting out the steps we are taking to respond to the needs of our Ukrainian guests.</p>
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Overall Scoring

Risk Score (Current)



Likelihood 5 x Impact 4

Risk Score History

New risk – no history available

Risk Direction

New risk – no history available

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Agenda Item 8

Report to: **Audit Committee**

Date: **6 September 2022**

Title: **Annual Treasury Management Report
2021/22**

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

Wards Affected: **ALL**

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

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

Author: Clare Scotton Role: **Principal Accountant**

Pauline Henstock **Head of Finance Practice**

Contact: **Email: clare.scotton@swdevon.gov.uk**

Email: pauline.henstock@swdevon.gov.uk

Recommendations:

That the Audit Committee:

1. Approves the actual 2021/22 prudential and treasury indicators in this report.
2. Notes the Annual Treasury Management report for 2021/22.

1. Executive summary

- 1.1 Income from investments this year was £35,230 which is £70,091 lower than the budget of £105,321 at an average return of 0.07%. The comparable performance indicator (Benchmark) is the Sterling Overnight Interbank Average rate (SONIA) which was 0.14%. Therefore the Council achieved 0.07% return on investments below the benchmark for 21/22.
- 1.2 The Bank Base rate was at an all time low of 0.1% during the majority of 2021 with a rise to 0.75% in December 2021. This was implemented by the Bank of England in order to counter the negative impact of the national lockdown on large swathes of the economy. The Council's return on investments of 0.07% reflects the fact that investments were kept very short term due to concerns over cashflow as there were many unknown variables such as the payment of Business Grants.

2. Background

- 2.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 2.2 Treasury management is defined as:

"The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks "
- 2.3 During 2021/22 the minimum reporting requirements were that the full Council should receive the following reports:
 - An annual treasury strategy in advance of the year (Minute CM 44)
 - A mid-year (minimum) treasury update report (Minute AC 19)
 - An annual review following the end of the year describing the activity compared to the strategy (this report)
- 2.4 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

- 2.5 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council. Member training on treasury management issues was undertaken during 2020/21 and will be carried out again in the Summer of 2023 as part of the Member Induction Programme in order to support their scrutiny role.

3. The Economy and Interest Rates

- 3.1 **UK. Economy.** Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

- 3.2 **Average inflation targeting.** This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of the war in Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.
- 3.3 **Central banks' monetary policy.** During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

4. Overall Treasury Position as at 31 March 2022

4.1 At the beginning and the end of 2021/22 the Council's treasury position was as follows:

Treasury Portfolio	31 March 2021		31 March 2022	
	£'000	Rate%	£'000	Rate%
Treasury Investments:				
Short term – fixed	6,500	0.02	17,200	0.74
Money Market Funds	12,000	0.00	9,650	0.38
Property Funds	471	4.30	553	3.25
Total treasury investments	18,971		27,403	
Treasury External Borrowing				
PWLB	28,945	2.54	28,341	2.54
Total external borrowing (£27.726m of long term borrowing and £615k of short term borrowing)	28,945		28,341	
Net treasury investments / (borrowing)	(9,974)		(938)	

4.2 The following is a list of the Council's investments at 31 March 2022.

Fixed Term Deposits

Amount	Investment	Average Interest rate
£3,000,000	Lloyds Bank Plc	1.34%
£3,000,000	Standard Chartered	0.48%
£11,200,000	DMO	0.39%
£17,200,000	Total	

Money Market Funds

Amount	Investment	Average Interest rate
£3,000,000	Aberdeen Standard Investments	0.39%
£3,000,000	BlackRock	0.35%
£650,000	Deutsche	0.36%
£3,000,000	LGIM	0.42%
£9,650,000	Total	

Property Funds

Amount	Investment	Dividend Yield
£553,111	CCLA – Property Fund	3.25%

4.3 At Council in February 2017, it was approved (Minute CM54 and HC50) that a sum of £500,000 be used to invest in CCLA's (CCLA Investment Management Limited) Local Authorities Property Fund, with the investment being placed in April 2017.

4.4 The investment was made with a view to a long term commitment. The bid market value as at 31 March 2022 for the Council's investment was £553,111.

South West Mutual

4.5 Tony Greenham of South West Mutual gave a presentation to Overview and Scrutiny Committee on 26th July 2022 outlining the progress of the South West Mutual. The Annual General Meeting of the South West Mutual is due to be scheduled later in the calendar year. The S151 Officer will attend alongside Member representatives.

5. The Strategy for 2021/22

Investment strategy and control of interest rate risk

5.1 Investment returns remained close to zero for much of 2021/22. Most local authority lending managed to avoid negative rates and one feature of the year was the continued growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

5.2 The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cashflow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February).

- 5.3 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
- 5.4 Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets.
- 5.5 The Treasury Management Strategy Report for 2021/22 was approved by the Council on 30 March 2021 (Minute – CM44).

Borrowing strategy and control of interest rate risk

- 5.6 During 2021/22, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.
- 5.7 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.
- 5.8 The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 5.9 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director of Strategic Finance (S.151 Officer) therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:
- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings

would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

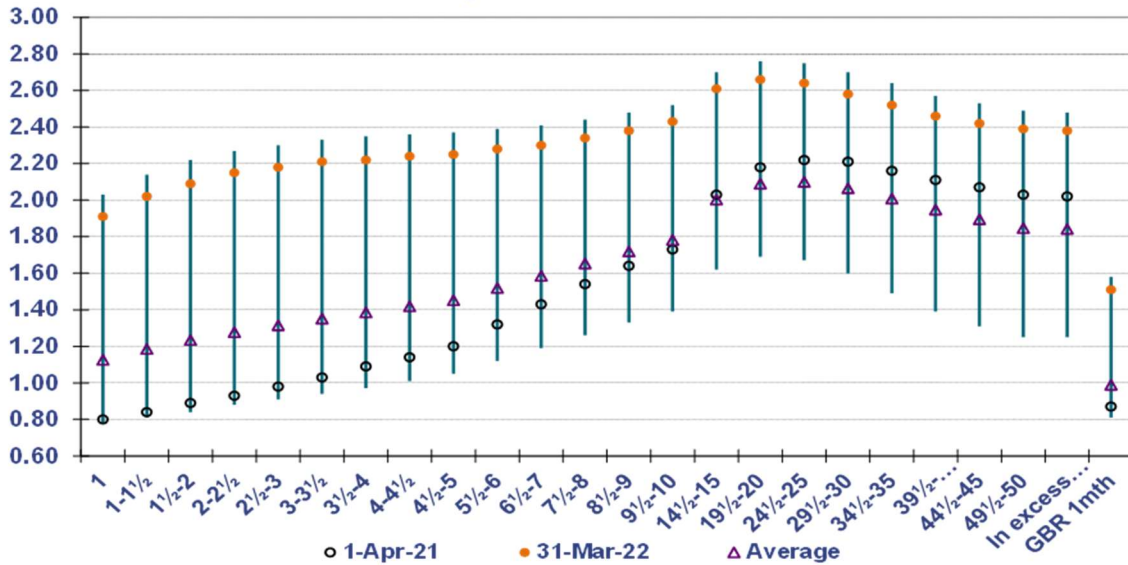
5.10 Interest rate forecasts expected only gradual rises in medium and longer-term fixed borrowing rates during 2021/22 and the two subsequent financial years until the turn of the year, when inflation concerns increased significantly. Internal, variable, or short-term rates, were expected to be the cheaper form of borrowing until well in to the second half of 2021/22.

5.11 Interest rate forecasts during 2021/22 are shown below (as at 10.5.2021).

Link Group Interest Rate View		10.5.21									
	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.30	0.30	0.30
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.20	0.30	0.40	0.40	0.40
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.30	0.30	0.40	0.50	0.50	0.50
5 yr PWLB	1.20	1.30	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50
10 yr PWLB	1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00	2.00	2.00
25 yr PWLB	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.50	2.60
50 yr PWLB	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.40

5.12 Actual PWLB borrowing rates - the graph below shows, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.

PWLB Certainty Rate Variations 1.4.21 to 31.3.2022



	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2021	0.80%	1.20%	1.73%	2.22%	2.03%
31/03/2022	1.91%	2.25%	2.43%	2.64%	2.39%
Low	0.78%	1.05%	1.39%	1.67%	1.25%
Low date	08/04/2021	08/07/2021	05/08/2021	08/12/2021	09/12/2021
High	2.03%	2.37%	2.52%	2.75%	2.49%
High date	15/02/2022	28/03/2022	28/03/2022	23/03/2022	28/03/2022
Average	1.13%	1.45%	1.78%	2.10%	1.85%
Spread	1.25%	1.32%	1.13%	1.08%	1.24%

5.13 PWLB rates are based on gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen, over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. Recently, yields have risen since the turn of the year on the back of global inflation concerns.

- 5.14 Gilt yields fell sharply from the spring of 2021 through to September and then spiked back up before falling again through December. However, by January sentiment had well and truly changed, as markets became focussed on the embedded nature of inflation, spurred on by a broader opening of economies post the pandemic, and rising commodity and food prices resulting from the Russian invasion of Ukraine.
- 5.15 At the close of the day on 31 March 2022, all gilt yields from 1 to 5 years were between 1.11% – 1.45% while the 10-year and 25-year yields were at 1.63% and 1.84%.
- 5.16 Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -
- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
 - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- 5.17 Bank Rate has recently risen to 1.75%. The latest predictions for Bank rate and PWLB borrowing are below:

Link Group Interest Rate View	09.08.22												
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	2.25	2.50	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25	2.25	2.00
3 month ave earnings	2.50	2.80	3.00	2.90	2.80	2.50	2.40	2.30	2.30	2.30	2.20	2.20	2.20
6 month ave earnings	2.90	3.10	3.10	3.00	2.90	2.80	2.70	2.60	2.50	2.50	2.40	2.30	2.30
12 month ave earnings	3.20	3.30	3.20	3.10	3.00	2.90	2.80	2.70	2.40	2.40	2.40	2.40	2.40
5 yr PWLB	2.80	3.00	3.10	3.10	3.00	3.00	2.90	2.90	2.80	2.80	2.80	2.70	2.70
10 yr PWLB	3.00	3.20	3.30	3.30	3.20	3.10	3.10	3.00	3.00	3.00	2.90	2.90	2.80
25 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.40	3.30	3.30	3.20	3.20	3.20	3.10
50 yr PWLB	3.10	3.20	3.20	3.20	3.20	3.10	3.10	3.00	3.00	2.90	2.90	2.90	2.80

6. Borrowing Outturn for 2021/22

6.1 Details of the loans outstanding at 31 March 2022 are shown below:

Lender	Type	Maturity	Interest Rate %	Principal held at 31 March 2021 £'000	Principal held at 31 March 2022 £'000
PWLB - Maturity	Fixed Interest Rate	45 Years	4.55	2,100	2,100
PWLB - Annuity	Fixed Interest Rate	9 Years	1.92	1,817	1,528
PWLB - Annuity	Fixed Interest Rate	22 Years	1.95	1,389	1,331
PWLB - Annuity	Fixed Interest Rate	50 Years	2.65	12,374	12,241
PWLB - Annuity	Fixed Interest Rate	50 Years	2.60	3,509	3,471
PWLB - 23 maturity loans	Fixed Interest Rate	49 Years	2.54*	3,592	3,592
PWLB - Annuity	Fixed Interest Rate	50 Years	2.31	1,761	1,740
PWLB - Annuity	Fixed Interest Rate	30 Years	1.73	2,403	2,338
Total				28,945	28,341

*Average interest rate

Repayments

6.2 During 2021/22 the Council repaid interest of £746,000 at an average rate of 2.54%.

Borrowing in advance of need

6.3 The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

6.4 In September 2019, when borrowing rates fell to a point where it was considered optimal to do so in order to finance capital expenditure which would be incurred within the time frame of the forward approved Capital Financing Requirement estimates, the Council borrowed £2.5 million at an interest rate of 1.73% for future forecast capital expenditure. In taking this decision, the Council carefully considered achieving best value, the risk of having to borrow at higher rates at a later date, the carrying cost of the difference between interest paid on such debt and interest received from investing funds which would be surplus until used, the current economic climate and that the Council could ensure the security of such funds placed on temporary investment.

Debt rescheduling

6.5 No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

7. Investment Outturn for 2021/22

7.1 **Investment Policy** – the Council’s investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 30 March 2021 (Minute – CM44). This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

7.2 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

7.3 **Resources** – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as follows:

Balance Sheet Resources £'000	31 March 2021	31 March 2022
General Fund Balance	1,294	1,490
Earmarked Reserves	8,941	9,189
Usable Capital Receipts	158	56
Provisions	886	921
Other	(2,556)	(511)
Total	8,723	11,145

8. Other Issues 2021/22

IFRS 9 fair value of investments

- 8.1 Following the consultation undertaken by the Ministry of Housing, Communities and Local Government, [MHCLG] (now renamed the Department of Levelling Up, Housing & Communities) on IFRS 9 the Government previously introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This was effective from 1 April 2018. The statutory override applies for five years from this date. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

9. Outcomes/outputs

- 9.1 Income from investments this year was £35,230 which is £70,091 lower than the budget of £105,321.
- 9.2 Industry performance is judged and monitored by reference to a standard benchmark; this is the Sterling Overnight Interbank Average rate (SONIA). The SONIA rate at the end of March was 0.14% which is 0.07% higher than our average return of 0.07% as at 31 March 2022.

10. Options available and consideration of risk

- 10.1 The Treasury Management Strategy is risk averse with no investments allowed for a period of more than a year and very high credit rating is required, together with a limit of £3m per counterparty. This has resulted in only a small number of institutions in which the Council can invest (see Appendix A).
- 10.2 The Council's treasury management activities and interest rates are reviewed daily to ensure cash flow is adequately planned with surplus funds being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 10.3 The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy will be brought to Members' attention in treasury management update reports.

11. Proposed Way Forward

11.1 The Council's treasury activities and interest rates will continue to be monitored daily and appropriate action taken to mitigate risk whilst optimising investment return where possible.

12. Compliance with Treasury Limits and Prudential Indicators

12.1 During 2021/22 the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement. The Council's Prudential Indicators for 2021/22 are detailed and shown in Appendix B.

13. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	Statutory powers are provided by the Local Government Act 1972 Section 151 and the Local Government Act 2003
Financial Implications to include reference to value for money	Y	Income from Treasury Management activities amounted to £35,230 in 2021/22. Consideration of the Annual Treasury Report forms an essential component of the Council's systems for public accountability. It also provides a platform for future investment planning.
Risk	Y	<p>The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect the interest rate performance. The yield risk is regarding the volatility of interest rates/inflation.</p> <p>The Council has adopted the CIPFA Code Of Practice for Treasury Management and produces an Annual Treasury Management Strategy and Investment Strategy in accordance with CIPFA guidelines.</p> <p>The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported quarterly to SLT and Members.</p>
Supporting Corporate Strategy		The income from treasury management supports all the Council's corporate strategy themes.

Climate Change - Carbon / Biodiversity Impact		No direct carbon/biodiversity impact arising from the recommendations.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	None directly arising from this report.
Safeguarding	N	None directly arising from this report.
Community Safety, Crime and Disorder	N	None directly arising from this report.
Health, Safety and Wellbeing	N	None directly arising from this report.
Other implications	N	None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Lending list as at 25 March 2022

Appendix B - Prudential and Treasury Indicators 2021/22

Background Papers:

Annual treasury strategy in advance of the year (Council 30 March 2021 – CM44)

A mid-year treasury update report (Audit Committee 7 December 2021 –AC19)

APPENDIX A

Counterparty as at 25th March 2022		Fitch Rating				Moody's Ratings			S&P Ratings			Suggested Duration			
		Long Term	Short Term	Viability	Support	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term				
United Kingdom															
AAA Rated and Government Backed Securities	Collateralised LA Deposit*												Y - 60 mths		
	Debt Management Office												Y - 60 mths		
	Multilateral Development Banks												Y - 60 mths		
	Supranationals												Y - 60 mths		
	UK Gilts												Y - 60 mths		
	Al Rayan Bank PLC	SB					SB	A1	P-1				R - 6 mths		
	Bank of Scotland PLC (RFB)	SB	A+	F1	a		WD	SB	A1	P-1	SB	A+	A-1	R - 6 mths	
	Barclays Bank PLC (NRFB)	SB	A+	F1	a		5	SB	A1	P-1	PO	A	A-1	R - 6 mths	
	Barclays Bank UK PLC (RFB)	SB	A+	F1	a		1	SB	A1	P-1	PO	A	A-1	R - 6 mths	
	Close Brothers Ltd	SB	A-	F2	a-		5	NO	Aa3	P-1				R - 6 mths	
	Clydesdale Bank PLC	SB	A-	F2	bbb+		5	SB	Baa1	P-2	SB	A-	A-2	G - 100 days	
	Co-operative Bank PLC (The)	SB	B+	B	b		WD	PO	Ba3	NP					N/C - 0 mths
	Goldman Sachs International Bank	SB	A+	F1			1	SB	A1	P-1	SB	A+	A-1	R - 6 mths	
	Handelsbanken Plc	SB	AA	F1+			1				SB	AA-	A-1+	O - 12 mths	
	HSBC Bank PLC (NRFB)	NO	AA-	F1+	a		1	SB	A1	P-1	SB	A+	A-1	O - 12 mths	
	HSBC UK Bank Plc (RFB)	NO	AA-	F1+	a		1	SB	A1	P-1	SB	A+	A-1	O - 12 mths	
	Lloyds Bank Corporate Markets Plc (NRFB)	SB	A+	F1			WD	SB	A1	P-1	SB	A	A-1	R - 6 mths	
	Lloyds Bank Plc (RFB)	SB	A+	F1	a		WD	SB	A1	P-1	SB	A+	A-1	R - 6 mths	
	National Bank of Kuwait (International) PLC	SB	A+	F1			WD				NO	A	A-1	R - 6 mths	
	NatWest Markets Plc (NRFB)	SB	A+	F1	WD		WD	PO	A2	P-1	SB	A-	A-2	R - 6 mths	
	Santander Financial Services Plc (NRFB)	SB	A+	F1			WD	SB	A1	P-1	SB	A-	A-2	R - 6 mths	
	Santander UK PLC	SB	A+	F1	a		WD	SB	A1	P-1	SB	A	A-1	R - 6 mths	
	SMBC Bank International PLC	NO	A	F1			1	SB	A1	P-1	SB	A	A-1	R - 6 mths	
	Standard Chartered Bank	NO	A+	F1	a		5	SB	A1	P-1	SB	A+	A-1	R - 6 mths	
	Building Societies	Coventry Building Society	SB	A-	F1	a-		WD	SB	A2	P-1				R - 6 mths
Leeds Building Society		SB	A-	F1	a-		WD	SB	A3	P-2				G - 100 days	
Nationwide Building Society		SB	A	F1	a		WD	SB	A1	P-1	SB	A+	A-1	R - 6 mths	
Principality Building Society		SB	BBB+	F2	bbb+		WD	SB	Baa2	P-2				N/C - 0 mths	
Skipton Building Society		SB	A-	F1	a-		WD	SB	A2	P-1				R - 6 mths	
West Bromwich Building Society								SB	Ba3	NP					N/C - 0 mths
Yorkshire Building Society		SB	A-	F1	a-		WD	SB	A3	P-2					G - 100 days
Nationalised and Part Nationalised Banks	National Westminster Bank PLC (RFB)	SB	A+	F1	a		WD	SB	A1	P-1	SB	A	A-1	B - 12 mths	
	Royal Bank of Scotland Group Plc (RFB)	SB	A+	F1	a		WD	SB	A1	P-1	SB	A	A-1	B - 12 mths	

Key	
Watches and Outlooks	Duration
SB Stable Outlook	Yellow - Y 60 Months
NO Negative Outlook	Blue - B 12 Months
NW Negative Watch	Orange - O 12 Months
PO Positive Outlook	Red - R 6 Months
PW Positive Watch	Green - G 100 Days
EO Evolving Outlook	
EW Evolving Watch	

APPENDIX B

PRUDENTIAL AND TREASURY INDICATORS 2021/22

The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members to overview and confirm capital expenditure plans.

Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The tables below show the actual capital expenditure and how this was financed.

Capital Expenditure	2020/21 Actual £000	2021/22 Estimate £000	2021/22 Actual £000
General Fund services	1,008	2,559	1,103
Housing	0	0	0
TOTAL	1,008	2,559	1,103

In 2021/22 there was some slippage of capital projects in terms of timing.

Capital Expenditure and Financing	2020/21 Actual £000	2021/22 Estimate £000	2021/22 Actual £000
Capital Expenditure	1,008	2,559	1,103
Financed by:			
External sources	(648)	(1,924)	(607)
Own resources	(360)	(635)	(334)
Unfinanced capital expenditure	0	0	162

The Council's Borrowing Need (the Capital Financing Requirement)

The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt.

CFR	2020/21 Actual £000	2021/22 Estimate £000	2021/22 Actual £000
Opening balance	25,972	25,361	25,361
Add unfinanced capital expenditure (as above)	0	0	162
Less MRP/VRP	(611)	(623)	(623)
Closing balance	25,361	24,738	24,900

The Council's Gross Debt and the Capital Financing Requirement

Statutory guidance states that debt should remain below the capital financing requirement, except in the short-term. As can be seen from the indicator below, the debt is slightly higher than the CFR by £3.44m in 2021/22. This is only a short term position as this will finance future capital expenditure which will be incurred within the time frame of the forward approved Capital Financing Requirement estimates.

	2020/21 Actual £000	2021/22 Estimate £000	2021/22 Actual £000
Debt	28,945	28,341	28,341
Capital Financing Requirement	25,361	24,738	24,900
Over/(under) funding of CFR	3,584	3,603	3,441

AFFORDABILITY PRUDENTIAL INDICATORS

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans.

These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2020/21 Actual	2021/22 Estimate	2021/22 Actual
Financing costs (£)	1,332,162	1,263,502	1,333,593
Proportion of net revenue stream	17.3%	17.3%	18.3%

TREASURY INDICATORS: LIMITS TO BORROWING ACTIVITY

The Operational Boundary – This is the limit beyond which external debt is not normally expected to exceed. This is the maximum level of external debt for cash flow purposes.

Operational Boundary	2020/21	2021/22
	£	£
Borrowing	47,500,000	47,500,000
Other long term liabilities	-	-
Total	47,500,000	47,500,000

The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This provides headroom over and above the operational boundary for unusual cash movements. This is the maximum amount of money that the Council could afford to borrow.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

Authorised limit	2020/21	2021/22
	£	£
Borrowing	50,000,000	50,000,000
Other long term liabilities	-	-
Total	50,000,000	50,000,000

West Devon Borough Council's current level of borrowing as at 31 March 2022 was £28.34 million.

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

Refinancing rate risk indicator	Approved minimum limits	Approved maximum limits	Actual 31 March 2021		Actual 31 March 2022	
			£million	%	£million	%
	%	%				
Less than 1 year	0%	10%	0.603	2.1	0.615	2.2
Between 1 and 2 years	0%	10%	0.616	2.1	0.713	2.5
Between 2 and 5 years	0%	30%	2.101	7.3	2.057	7.3
Between 5 and 10 years	0%	30%	2.355	8.1	2.185	7.7
Between 10 and 20 years	0%	50%	4.970	17.2	5.018	17.7
20 years and above	0%	100%	18.300	63.2	17.753	62.6
Total			28.945	100	28.341	100

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: **6th September 2022**

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

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

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**

Authors: **Chris Brook** Roles: **Director of Place and Enterprise**

Lisa Buckle **Director of Strategic Finance**

Contact: **Email: chris.brook@swdevon.gov.uk**
lisa.buckle@swdevon.gov.uk

Recommendations: That the Audit Committee:

1. Notes the performance and risks of the investment property portfolio to date.

1. Executive summary

- 1.1. This report considers the performance of the investment 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 limit for all Council services (£50m).
- 1.3. The net revenue income (an ancillary benefit) from the investment properties, after allowing for management, maintenance and risk mitigation, was £300,000 in 2021/22. Since 2018/19 when the investment properties were purchased, the net revenue income has totalled £1.05million in aggregate.

- 1.4. The portfolio has achieved a geographic and sector balance in line with the Regeneration and Investment Strategy. It has not achieved a balance of spread between tenants (one of the reasons for this is that the PWLB guidance changed in 2020 and the portfolio has been restricted to in-area purchases only) and there are future pressure points in 2028 created by lease events.
- 1.5. Over the last 12 months no investment opportunities have been identified and no purchases have been made since September 2019.
- 1.6. The impact of the COVID pandemic on the portfolio and its tenants is reviewed in Appendix 2.
- 1.7. The report sets out the latest portfolio valuation information as shown in Appendix 3.

2. Background

- 2.1. Four investment property acquisitions have been made by the Council, totalling £21.5m including associated costs.
- 2.2. The investment properties generated a net revenue income of £300,000 in 2021/22, 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 Regeneration and Investment Strategy was approved on 5 April 2022. This replaced the Investment Property Acquisition Strategy.
- 2.4. The Council has an upper borrowing limit of £50m (for all Council services).
- 2.5. At 31 March 2022, the Council's current level of borrowing (for all services) is £27.73m.

Four investment property purchases were made totalling £21.5m including acquisition costs. All of the borrowing taken out with the PWLB is on a fixed rate interest rate, so the Council is protected from the current interest rate rises.

- 2.6. This report sets out the risks, statistics and performance of the investment property portfolio to date.

3. Outcomes/outputs

- 3.1. The average net income of the portfolio is 1.4% which is above the minimum target of 1% set out in the Regeneration and Investment strategy.
- 3.2. As at the end of March 2022, 96.4% of the Council's investment portfolio income has been received. Therefore of the rental income from the portfolio of £1.19million, an amount of £43,200 is outstanding in arrears. This is detailed in Appendix 2.
- 3.3. A net revenue income of £300,000 per annum is currently generated as an ancillary benefit of the investment property 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).

- 3.4. The Investment Property portfolio has a property in each of the main asset classes – Office, Industrial and Retail.
- 3.5. A geographical spread within the South West Peninsula has been achieved; Regional - Bristol, Sub-regional – Exeter & Plymouth, Local – Okehampton. Following the November 2020 Public Works Loans Board review, the portfolio has been restricted to in-area purchases only.
- 3.6. Single and Multi-let opportunities have been acquired, with a mix of tenants (11 in total), including those with the strongest covenant strength.
- 3.7. 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.
- 3.8. The Revenue Earmarked Reserve for the Management, Maintenance and Risk Mitigation (MMRM) currently stands at £417,502 at 31.3.2022. This is shown in the Earmarked Reserve Note to the Statement of Accounts for 2021-22. 10% of rent from the investment property portfolio (£119,000 per annum) goes into the Revenue Earmarked Reserve for MMRM which will fund void periods, management costs and repairs as and when they arise. As at 31.3.2023, the Earmarked Reserve for MMRM has a predicted balance of £536,502.
- 3.9. Opportunities for further acquisitions within West Devon (although limited) could further balance the investment property portfolio and the management of risk, 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.
- 3.10. The Portfolio was revalued at March 2022 as part of the annual valuation for the Statement of Accounts, details are shown in Appendix 3 (Exempt).
- 3.11. Full details of the investment property 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 With the opportunities for future purchases being limited, this would leave the investment property portfolio with some risks as highlighted in the report.
 - 4.1.1 As an example, 55% of the rental income of the investment property portfolio is currently paid by one tenant.
 - 4.1.2 Therefore, the net income into the Council's budget from the investment property portfolio could be affected should it suffer a tenant default or tenancies ending coinciding with each other. The gross rental income from the investment property portfolio is currently just under £1.2million.

4.1.3 The Council will avoid future purchases of investment properties with significant lease events in 2028 and balance the investment property portfolio with expiry dates before and after 2028.

5 Proposed Way Forward

5.1 If in area development projects are further considered (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 Regeneration and Investment strategy, so as not to over expose the Council to one sector or area.

5.2 That the MMRM Earmarked Reserve fund continues to be set aside for its intended purpose (with 10% of all rental income from the investment property portfolio being put into this reserve on an annual basis, which equates to £119,000); to ensure there is a contingency against any significant unforeseen events and to deal with future likely points of expected expenditure. It had a balance of £417,502 at 31.3.2022.

6 Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>Under section 12 of the Local Government Act 2003 the Council has the power to invest not only for any purpose relevant to its functions but also for the purpose of the prudential management of its financial affairs. The Council is required to have regard to guidance issued by the Secretary of State. The current guidance requires the Council to have at least one investment strategy. The Council's Regeneration and Investment Strategy is referred to in the report and is publicly available on the Council's website.</p> <p>Appendices 2 and 3 to the report contain information relating to both the financial and business affairs of the Council and the occupiers of the investment properties. The information is not information that would be required to be published under the Companies Act 1985, the Friendly Societies Acts 1974 and 1992, the Industrial and Provident Societies Acts 1965 to 1978, the Building Societies Act 1986, or the Charities Act 1993. Such information is exempt from publication if and so long as, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing it.</p>

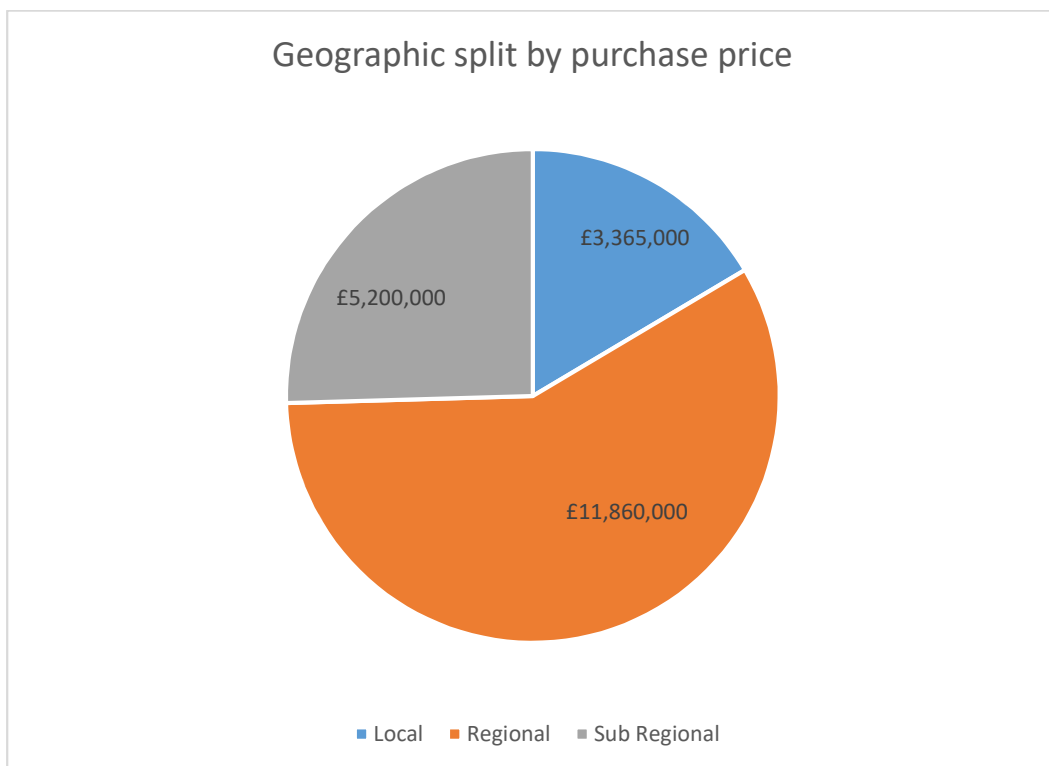
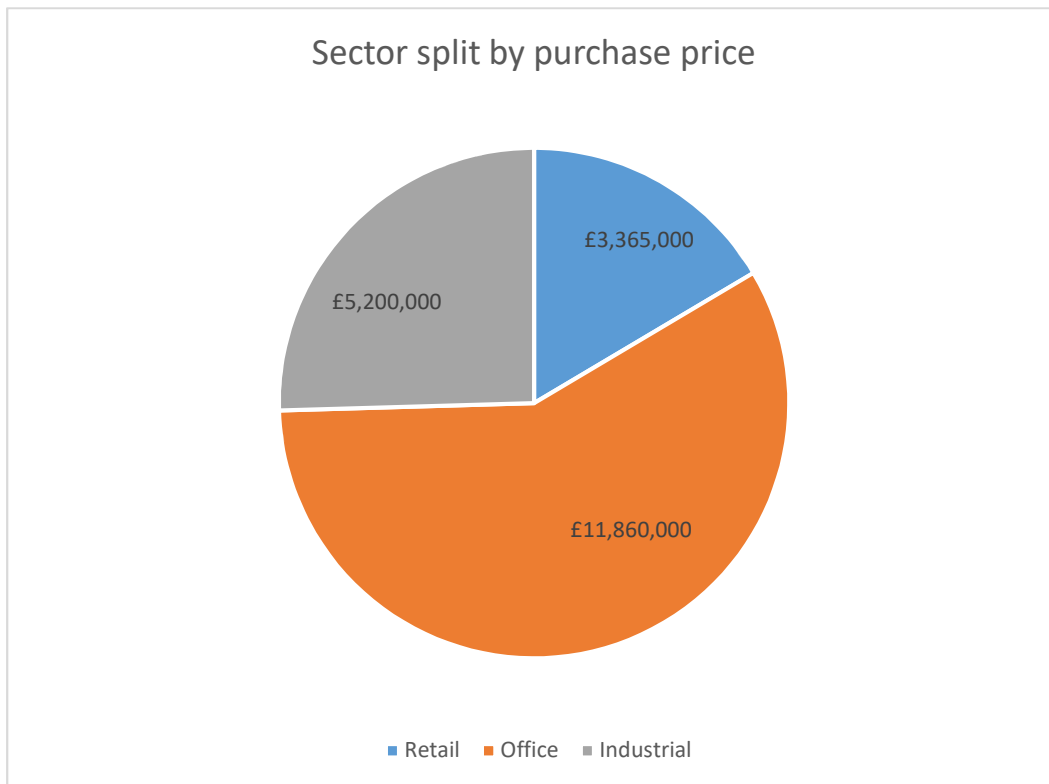
		While there is a strong public interest in understanding how public money is spent or invested, this is met by the overall report which can be understood without reference to the detailed information set out in the Appendices which is specific to individual properties and occupiers. Accordingly, the public interest lies in non-disclosure at this time.
Financial	Y	<p>As at the end of March 2022, 96.4% of the Council's investment portfolio income has been received. Therefore of the £1,190,919 of gross rental income from investment properties, an amount of £43,200 is outstanding in arrears, as detailed in Appendix 2.</p> <p>Since April 2018, four investment properties have been purchased to date. The net revenue income from these investment properties (an ancillary benefit) was £300,000 in 2021/22. Further details are shown in Appendix 1.</p> <p>The Revenue Earmarked Reserve for the Management, Maintenance and Risk Mitigation (MMRM) currently stands at £417,502 at 31.3.2022.</p>
Risk	Y	Refer to section 4 and Appendix 1
Consultation and Engagement Strategy		External consultation and engagement has not been undertaken with regard to this report.
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

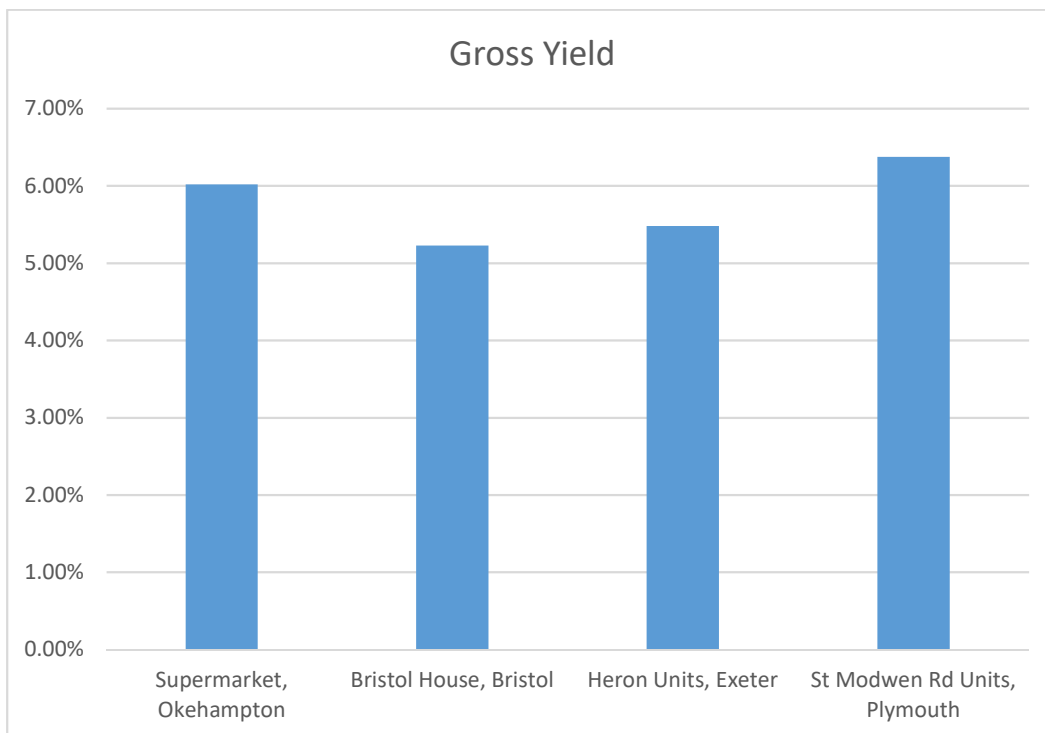
Appendices:

- Appendix 1 – Investment property performance reports
- EXEMPT Appendix 2 – Rent position
- EXEMPT Appendix 3 – Valuation information

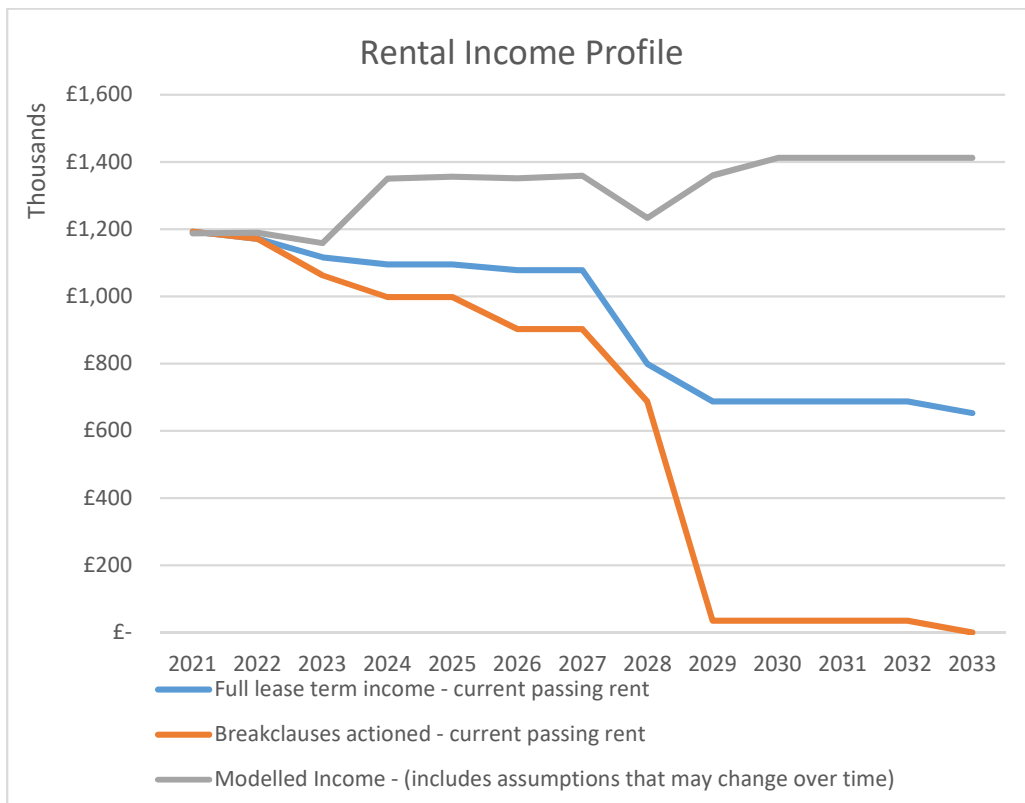
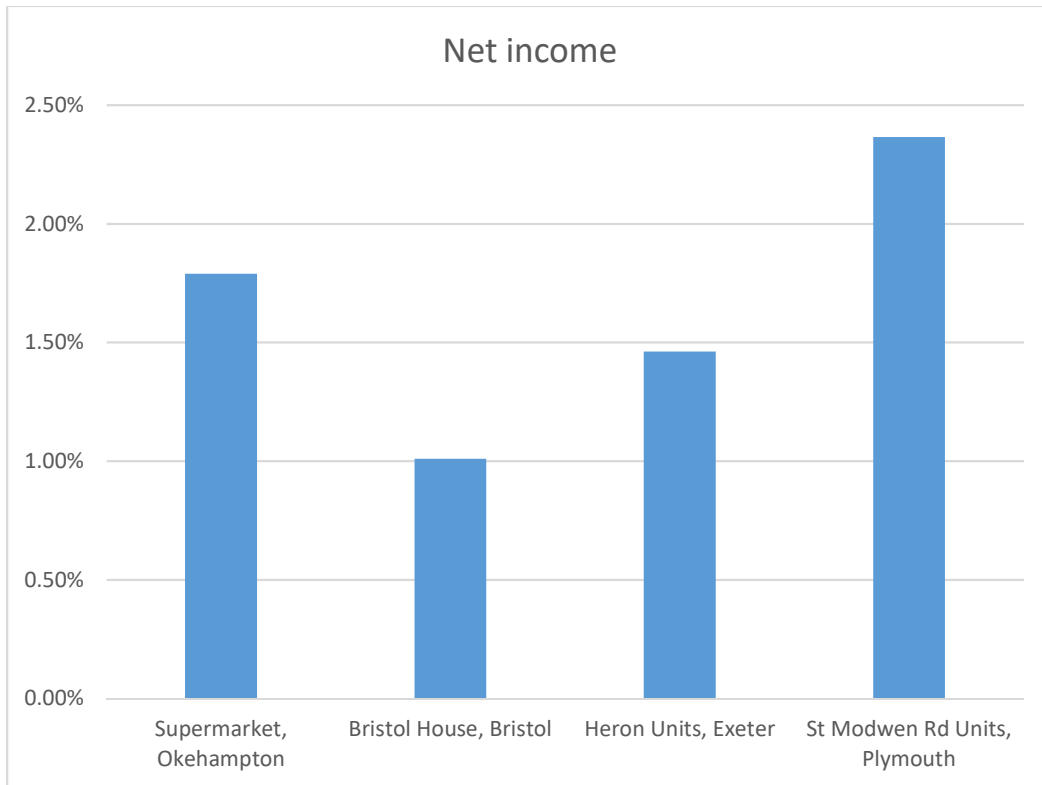
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