



**South Hams District Council
Audited Statement of Accounts
2020/21**



**South Hams
District Council**

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Statement of Accounts 2020/21

The Statement of Accounts 2020/21 can be made available in large print, Braille, tape format or other languages upon request.

South Hams District 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 2020/21 Statement of Accounts by Councillor Pearce, Leader of South Hams District Council



I am very pleased to welcome you to the 2020/21 Statement of Accounts for South Hams District Council. It has undoubtedly been a challenging year that none of us could really have imagined with the pandemic, one that will remain in our memories for a very long time.

In March 2020, the Council rapidly changed its operations, to provide much needed support to our community groups, our businesses and offering assistance to our most vulnerable residents through our community response. I am truly proud of the way that we have all united together, in the most difficult of times, to be there for each other and bringing about a profound rethink of the way we live and work.

The Council was proactive and approved an Amended Budget for 2020/21 in September 2020, to address the projected financial impact on the District from the pandemic. This took into account the additional financial support that was announced by the Government. Our Council, along with other South West Councils, lobbied the case for this additional funding that was so desperately needed. There was also considerable Government funding support to businesses impacted by the pandemic during the various stages of lockdown.

This included significant business grant allocations for many businesses in the retail, hospitality and leisure sector, amongst others. This funding flowed through the Council's Accounts, and the Council has handed out essential Government funding of £64 million of business grants to over 4,000 businesses throughout the year.

There is no denying that South Hams is an incredibly special place. In response to the newly evolving challenges and opportunities of the post-pandemic landscape, the Council has started a six week public consultation on its 20 year vision for our District, 'Better Lives for All'. This has key deliverables for the next three year period to May 2024. Tell us what you think about the South Hams as a place to live, work and visit: <https://www.engagement.southhams.gov.uk/better-lives-for-all-survey>

At the forefront of our planning for the future is ensuring the wellbeing and prosperity of residents, stimulating a resilient and diverse economy and protecting the built and natural environment. Underpinning our vision, we must ensure that we deliver quality Council services that are responsive to the needs of South Hams, its residents and businesses.

We are all aware of the huge challenge we face as a society in dealing with climate change and the Council declared an emergency in May 2019. The Council has set aside £600,000 funding to implement projects to help achieve our aim to be a carbon neutral organisation by 2030 and to help the whole District reach net-zero carbon by 2050.

In such a difficult year, I am pleased to report a small surplus for the 20/21 year of £112,000 (1.2% of the net budget of £9.41m). This shows another strong performance over what has been an exceptional year and 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 carrying it forward to invest in our 'Better Lives for All' strategy.

Councillor Pearce, Leader of the Council

Foreword by the Chief Executive



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

The Coronavirus pandemic has impacted the lives of everybody in our District. I am incredibly impressed at the speed at which the Council has continued to adapt to support the delivery of government support schemes such as the business grants, emergency food parcels for shielding residents and supporting our Public Health colleagues with Track and Trace.

Covid had a significant impact on our finances with some of our key income sources being impacted through the national lockdowns. As a result, in September, we developed and agreed a revised budget for the year which meant that we haven't had to make cuts to our core services. Additional funding was provided by Government to contribute to some of the financial losses we suffered and we made our voice heard through national and local lobbying of Government and our local MPs.

During these difficult times, the Council provided financial support to its leisure provider to keep leisure services running and to cover essential operating costs while they were closed, to ensure centres were in a position to reopen to our residents as restrictions began to be lifted. We also provided assistance to the local economy and local businesses through our Covid support officers providing advice and support to businesses and an enhanced localities service to support the visitor economy.

In March 2021, our Waste and Recycling Contractor (FCC) began to implement a new, enhanced recycling scheme, which has been impacted by a range of issues resulting in an unacceptable level of missed collections per week. The Council is working with FCC to resolve ongoing issues through an Improvement Plan.

I would like to take this opportunity to pay tribute to all of the Members and staff whose dedication to public service and tireless commitment has shone through in the Council's response to the pandemic.

The Council is taking its first steps towards developing a new long-term strategy for the District, 'Better Lives for All'. From supporting businesses to thrive, to helping communities stay strong, it's now time for our residents, businesses and stakeholders to share how they see South Hams as a place to live, work, and play and what they hope for in the future.

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 2021 and how the Council has performed against the budget set for 2020/21
- Be assured that the financial position of the Council is secure, with a degree of resilience.

This Narrative Statement provides information about South Hams District 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. Significant proportions of the Council's income ceased for a number of months and there was potential for these levels not to return to normal levels for many months to come.

The finance team have tracked the financial impact of the pandemic on the Council and submitted monthly returns to the Government highlighting the financial cost and loss of income streams, as well as submitting claims to the Government for lost revenue from sales, fees and charges. 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.

Although our Earmarked Reserves appear to have increased in 2020/21 by £7.496m to £21.494m, an amount of £6.28m of 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. This temporary increase in reserves will reverse back out again in the 2021/22 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.

We are in unprecedented times and the Council faces significant risk of increased demand for services, increased costs and reducing funding. The next few years will be challenging as the Council moves into the Recovery phase and the Government's Fair Funding Review and the reset of the Business Rates baseline will be introduced, coupled with receiving no Government Grant and the cessation of the current New Homes Bonus scheme.

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

NARRATIVE STATEMENT – INTRODUCTION

- Each year South Hams District 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 2020/21 Amended Budget for South Hams was £9.41 million. A surplus of £112,000 means that the actual spend was 1.2% less than the budget. This saving of £112,000 will go into the Council's Unearmarked Reserves and Councillors will debate in the future, investing this is our 20 year vision, 'Better Lives for All'.* The main components of the General Fund budget for 2020/21 and how these compare with actual income and expenditure are set out below:

	Estimate £000	Actual £000	Difference Cost/ (Saving) £000
Cost of services (after allowing for income and reserve contributions)	9,614	10,202	588
Parish Precepts	2,736	2,736	-
Interest and Investment income	(203)	(207)	(4)
Amount to be met from Government grants and taxation including parish precepts	12,147	12,731	584
Financed from:			
Business Rates (baseline funding level)	(1,928)	(1,928)	-
Business Rates (achieved over baseline funding level)	(227)	(227)	-
Business Rates Pooling Gain – See Note* below	(225)	-	225
Council Tax (including parish precepts)	(9,299)	(9,299)	-
Surplus on Collection Fund	(60)	(60)	-
Rural Services Delivery Grant	(408)	(408)	-
Amended Budget Earmarked Reserve Contributions	-	(630)	(630)
Amended Budget – Use of 3 rd tranche of Government COVID funding and New Burdens grant for the administration of the Business Rates Grants	-	(291)	(291)
SURPLUS FOR 2020/21	-	(112)	(112)

Note* - A Business Rates Pooling Gain of £348,000 was received in 2020/21 but this has been transferred to the Business Rates Retention Earmarked Reserve and therefore has not been used to support the cost of services in 20/21.

3. The surplus on the General Fund of £112,000 is essentially a break-even position and represents less than 0.2% of the Council's gross turnover in 2020/21 of £67 million. The £112,000 will be added to Unearmarked Reserves as set out in paragraph 2.
4. The table below shows a reconciliation of the position shown on the bottom of the Comprehensive Income and Expenditure Statement and the reported surplus for the 2020/21 financial year.

	£000
Total Comprehensive Income and Expenditure Statement	11,037
Surplus on the revaluation of Property, Plant and Equipment	1,681
Deficit on the revaluation of Financial Instruments	141
Remeasurements of the net defined benefit pension liability	(10,490)
Transfers to earmarked reserves	7,496
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	(787)
Adjustments primarily involving the Capital Grants Unapplied Account	179
Adjustments primarily involving the Capital Receipts Reserve	296
Adjustments primarily involving the Pensions Reserve	(2,357)
Adjustments primarily involving the Council Tax Collection Fund Adjustment Account	(36)
Adjustments primarily involving the Business Rates Collection Fund Adjustment Account	(7,267)
Adjustments primarily involving the Accumulated Absences Account	(5)
Surplus for the 2020/21 financial year	(112)

5. A summary of the main variances to budget in 2020/21 is provided below:

ANALYSIS OF VARIATIONS 2020/21 (% column shows variation against budget)	£000	% variation
Increases in expenditure/reduction in income		
COVID-19 expenditure (The £1,251k includes Leisure Support of £434k to the Council's leisure provider, which has been funded from earmarked reserves as shown below)	1,251	-
Sales, fees and charges income shortfall – e.g. losses in car parking income, planning income, Dartmouth Lower Ferry income, and some smaller income streams such as regulatory services. These losses of £1,786k are partly offset by the £1,079k of Government funding from the income guarantee scheme for sales, fees and charges as shown below	1,786	30.4%
Waste & Recycling – delay to the September 2020 go live date for Devon Aligned Service (new recycling service)	236	8.5%
Reductions in expenditure/additional income		
Salary savings (mainly from vacancies in 2020/21, as per the March 21 Budget Monitoring report which estimated £120k)	(127)	1.3%
Salary underspend from Devon Aligned Service implementation (Due to COVID-19 the Sept 2020 implementation date was delayed to March 2021 onwards – see * below)	(80)	64.0%
Employment Estates – additional rental income (£71k) and one-off electricity rebate (£72k)	(143)	22.0%
Business Rates Pooling Gain – Actual pooling gain for 2020/21 was £348k, which was £123k higher than the estimate of £225k	(123)	54.7%
COVID-19 Government grant support (the Council's share of four tranches of COVID grant funding)	(1,121)	-
Compensation from the Government income guarantee scheme for sales, fees and charges for 2020/21	(1,079)	-
Miscellaneous variances	(126)	-
Sub Total:	474	
Less: Transfer to a COVID Earmarked Reserve: (Fourth tranche of COVID funding of £100k)	100	-
Less: Transfer to a Salary Savings Earmarked Reserve: (Salary savings from vacancies in 2020/21, as per the March 21 Budget Monitoring report)	120	-
Less: * Transfer to the Sustainable Waste Management Earmarked Reserve: (Underspend on the Implementation costs of Devon Aligned Service – this transfer is needed to align the salary spend to the actual timescale - £80k of which will now happen in 2021/22, as per March 21 Budget Monitoring report)	80	-
Less: Transfer Business Rates Pooling Gain (SHDC share of the overall gain of £348k) to the Business Rates Retention Earmarked Reserve	348	-
Leisure support funded from Earmarked Reserves	(434)	-
Other one-off financing sources from the Amended Budget 2020/21	(800)	-
TOTAL SURPLUS FOR 2020/21	(112)	1.2%

The 2020/21 Amended Budget for South Hams was £9.41 million but the actual spend was 1.2% lower, providing a surplus of £112,000 as shown above.

KEY AREAS TO NOTE FROM THE 2020/21 STATEMENT OF ACCOUNTS

Pension Liability

6. International Accounting Standard 19 (IAS19) requires local authorities to recognise pension assets and liabilities within their accounts. The overall impact on the General Fund of the IAS 19 entries is neutral.
7. The Actuary has estimated a net deficit on the funded liabilities within the Pension Fund as at 31 March 2021 of £61.4 million. This compares to £48.5 million as at 31 March 2020. The deficit is derived by calculating the pension assets and liabilities at 31 March 2021. See Note 35 for further information.

Business Rates

8. The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme (BRRS) that enabled local authorities to retain a proportion of the business rates generated in their area, with effect from 1 April 2013. There is a risk of volatility in the system because Councils are exposed to any loss of income if businesses go into decline or if a Council's income from business rates falls due to successful business rates appeals.
9. Provision is made for likely refunds of business rates as a result of appeals against the rateable value of business properties. The provision is based on the total value of outstanding appeals at the end of the financial year as advised by the Valuation Office Agency. Using this information, an assessment was made about the likely success rate of appeals and their value.
10. In 2020/21 there has been a £63,000 increase in the provision for appeals within the Collection Fund. The balance on the Business Rates Collection Fund at 31 March 2021 is a deficit of £18,106,000 (£63,000 surplus in 2019/20). South Hams District Council's share of the surplus is 40% (£7,242,000).
11. 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 2020/21 the balance of the Business Rates Retention Scheme (BRRS) earmarked reserve increased by £0.91m to £7.10m as at 31 March 2021 (£6.19m at 31 March 2020). This reflects the additional Business Rates income generated for the District in 2020/21. 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 as business rates baselines are due to be re-set in the future.

12. In addition a new earmarked reserve has been created 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. 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 (£5.49m) together with the Tax Income Guarantee S31 grant for Business Rates of £0.79m has been 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 to smooth the impact of the Business Rates deficit. The balance on this reserve as at 31 March 2021 is £6.28m.

Trading Company

13. South Hams District Council and West Devon Borough 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 2020/21 and a set of statutory dormant Accounts will be filed with Companies House for the period 1 April 2020 to 31 March 2021. The future of Servaco Limited will be reviewed during 2021/22.

Sherford Community Land Trust

14. As part of the conditions of the S106 agreement for the new town of Sherford a limited company was created on 13th July 2018 to handle the various requirements of the S106 agreement. The company is limited by guarantee without share capital. It has seven directors, made up of one representative from each of the local authorities (South Hams District Council, Plymouth City Council and Devon County Council) and one representative from each of the developers. Group accounts are not required to be prepared as the Council's interest is below 20% and therefore does not have enough influence to be an associate.

Housing Company

15. In February 2020, the Council agreed to set up a Housing Company in the form of a Community Benefit Society (CBS), to support the Council to own and manage rented housing stock. The CBS would be capable of holding the affordable housing developed by the community housing programme and also that purchased from developers. In September 2020 the Council approved expenditure of up to £5.9m to build out the first two community housing schemes (St Ann's Chapel – 13 units and South Brent – 17 units).

Borrowing

16. In 2020/21 the long term borrowing of the Council reduced from £14,475,000 (19/20) to £14,380,000. Short term borrowing increased from £92,000 to £94,000. No further external borrowing took place during 2020/21.

Capital spending

17. The Council spent £5.6m on capital projects in 2020/21. The main areas of expenditure were as follows:
- waste vehicles for the implementation of the Devon Aligned Service – new recycling scheme (£1.6m)
 - waste depot at Ivybridge (£1.2m)
 - residential renovation grants including disabled facilities grants (£1.1m)
 - recycling boxes and containers for the implementation of the Devon Aligned Service – new recycling scheme (£0.6m)
 - affordable housing scheme (£0.3m) – this was funded by a Homes England Grant
 - coastal defence scheme at Beesands (£0.3m)
 - purchase of future IT (£0.18m)
 - new play areas (£0.07m)
 - Dartmouth Health and Wellbeing Hub (£0.03m) – this capital project will mainly happen from 2021/22 onwards

The capital programme is funded from capital receipts, capital grants, external contributions and earmarked reserves (please see Note 32).

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

18. At 31 March 2021 the Council had investments of £1.5 million with the CCLA Property Fund and £2 million with the CCLA Diversified Income Fund.
19. 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, South Hams District Council makes an irrevocable election to present in other comprehensive income, changes in the fair values of its equity instruments. These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS32

and are neither held for trading (the Council holds these investments 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.

20. A summary of the position of these equity instruments as at 31 March 2021 is shown below:

	Purchase cost	Fair Value at 31 March 2021	Movement in Financial Instruments Revaluation Reserve 2020/21
	£000	£000	£000
Equity Instrument			
CCLA Local Authorities	1,500	1,338	(162)
CCLA Diversified Income	2,000	1,942	(58)
TOTAL	3,500	3,280	(220)

FINANCIAL NEEDS AND RESOURCES

21. 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.
22. General Fund reserves (which include earmarked reserves) have increased by £7.61m from the preceding year and stand at £23.616 million at 31 March 2021. This is mainly due to the new Earmarked Reserve set up in 2020/21 to hold the S31 Business Rates compensation grants (£6.28m) which will be released to the Collection Fund to smooth the impact of the Business Rates deficit over the next 3 years.
23. The increase in Earmarked Reserves of £6.28m (S31 Business Rates compensation grants) 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. This temporary increase in reserves will reverse back out again in the 2021/22 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.

24. The General Fund Balance (un-earmarked reserve) has increased by £112,000 in 2020/21 and totals £2.122 million. 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.
25. Capital Reserves are represented by capital receipts and capital contributions unapplied. The balance at 31 March 2021 amounts to £3.27 million compared to £3.4 million at the end of the previous year.
26. There are a number of Unusable Reserves which include the Revaluation Reserve, Capital Adjustment Account, Financial Instruments Revaluation Reserve 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.
27. 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 £61.4 million at 31 March 2021. 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.
28. 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)

29. 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 2020/21.

COVID-19 Response

30. The COVID-19 pandemic has undoubtedly had a significant impact on the Council during the financial year. The pandemic required us to refocus officer effort to deliver support to our residents, businesses and communities while maintaining the majority of our core services.

31. In March 2020 we took the decision that all office staff should work from home which meant that we were able to continue to provide our services to residents uninterrupted.
32. During the year we adapted quickly to develop the processes and procedures that enabled us to provide £64 million of business grants to 4,008 businesses within the District.
33. New community grant schemes were launched to provide support to voluntary organisations that were supporting residents and direct welfare support schemes were implemented for those residents who required short term, emergency help to buy essentials.

In Year Budget

34. Covid-19 has a significant impact on our finances with some of our key income sources being impacted throughout the national lockdowns. As a result, in September, we developed and agreed a revised budget for the year which means that we haven't had to cut our core services.
35. Fortunately additional funding has since been provided by Government to contribute to some of the financial losses we suffered.

New Chief Executive

36. Andy Bates, previously the South West Principal Adviser for the Local Government Association, took up the post of joint Chief Executive for both South Hams District Council and West Devon Borough Council with effect from June 2020. His predecessor in the post resigned in March 2020.

LOOKING FORWARD TO THE FUTURE AND NEXT STEPS

Developing our priorities

37. We have made great progress in pushing ahead with our priorities having adopted a number of strategies including Housing, Climate and Biodiversity and Consultation and Engagement.
38. These were all in development prior to the pandemic and as a result, in July, we held a series of Recovery Workshops, based on the principle of Build Back Better. This enabled all Members to put forward proposals for how we should respond to emerging challenges and maximise on emerging opportunities.
39. The recovery plans have been refined and informed a draft Corporate Strategy for the Council which will be considered during 2021/22 . There is no denying that South Hams is an incredibly special place. In response

to the newly evolving challenges and opportunities of the post-pandemic landscape, the Council has started a six week public consultation on its 20 year vision for our District, 'Better Lives for All'. This has key deliverables for the next three year period to May 2024.

40. At the forefront of our planning for the future is ensuring the wellbeing and prosperity of residents, stimulating a resilient and diverse economy and protecting the built and natural environment. Underpinning our vision, we must ensure that we deliver quality Council services that are responsive to the needs of South Hams, its residents and businesses.

Climate Emergency Response

41. In 2019, the Council declared a climate change and biodiversity emergency. The Council has agreed an ambitious plan to support its aim to be a carbon neutral organisation by 2030 and to help the whole District reach net-zero carbon by 2050 by joining forces with the Devon Climate Emergency Response Group to support the creation of a Devon-wide plan.
42. During 2020/21 the Council backed up its ambitions by developing and adopting a Climate and Biodiversity Strategy and Action Plan setting out specific actions that the Council and our communities can take to respond to the emergency.
43. This has been backed by a £600,000 budget allocation which includes crowdfunding and grants schemes to enable our communities to implement projects supporting our new zero ambitions.

Supporting our key Towns

44. As part of our recovery planning, and to support our key towns as they reopen from the Covid-19 restrictions, we agreed a package of support including additional street cleaning and officer presence on streets and in key coastal locations.
45. This is in recognition of the anticipated increase in the number of visitors we expect during an already busy summer season.
46. We have also supported marketing activities and physical changes to our high streets in order to ensure a safe shopping experience by using the government Reopening the High Street Safely Funding. We will continue to make the best use of this funding in 2021/22.

Covid-19 Community Leadership

47. A key focus for the Council in 2021/22 will be ensuring we continue to support our communities in responding to the Covid-19 pandemic.
48. We know that the broader impacts of this pandemic will be felt for many years both locally and nationally and we continue to assess the impact on the Council's finances and our communities.
49. We continue to contribute to Team Devon (a group of statutory and voluntary organisations from across the County) which is enabling us to ensure a joined up consideration of the impacts of Covid-19 and to explore opportunities that present to us to make a positive difference to the lives of our residents.

Working with communities

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

Our financial future

53. The situation continues to evolve and we are continuing to assess the impacts on our finances and our communities of the pandemic, but we know that this will be a **long term recovery** and we have commenced our recovery planning.
54. The financial standing of the Council is secure in the immediate future, but there is still much work to do to ensure the long term financial sustainability of the Council. The next few years will be challenging as the Council moves into the Recovery phase and the Government's Fair Funding Review and the reset of the Business Rates baseline will be introduced, coupled with receiving no Government Grant and the cessation of the current New Homes Bonus scheme.

Going Concern

55. There is a high degree of uncertainty about future levels of funding for local government. The Council is awaiting the announcement from the Government on the Comprehensive Spending Review for 2022/23 onwards, as the plans published in the Spending Review 2020 only covered the single year of 2021/22. The other areas adding to the uncertainty are the postponement of the implementation of the Fair Funding Review, the future resetting of business rates baselines, the impact of the COVID19 pandemic on major income streams and the future of the New Homes Bonus scheme.
56. In 2020/21 a shortfall of £1.3 million was originally projected due to the impact of the COVID pandemic on the Council's financial position. At Council on 24th September 2020, Members approved an Amended Budget for 2020/21 which addressed this shortfall.
57. 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 2020/21 are prepared on a going concern basis.

Issue of the Accounts

58. The Corporate Director for Strategic Finance authorised the audited Statement of Accounts 2020/21 for issue on 28 October 2021. Events taking place after this date are not reflected in the financial statements or notes.

ACHIEVEMENTS FOR 2020/21

The following pages set out the achievements of the Council for 2020/21

Supporting South Hams Residents

In a year that has been challenging for all residents of South Hams, the Council has focused much of its resource on ensuring that both existing and new support schemes have been implemented to respond to residents needs.

Action	20/21 Update
Covid-19 response	During 2020/21 we took steps to ensure our residents were supported throughout the pandemic, we increased our Money Advice offering from 3 days to 5 days, launched an emergency welfare fund to support individuals that found themselves without money for essentials and delivered food parcels to vulnerable residents who were required to shield but couldn't access food and essential supplies.
Homes Strategy – Better Homes, Better Lives	During the year we developed and adopted a five year strategy setting out how we'll ensure all of our residents have access to safe and warm homes. A total of 192 residents participated in the public consultation and helped inform the strategy.
Disabled Facilities Grants	In the last 12 months we've enabled 127 residents to live in their homes more safely by adapting their property to meet their needs.
A warmer and more energy efficient home	During the year we've enabled 500 households to access energy efficient measures for their homes in addition to awarding grants to 31 of the least energy efficient properties for installing first time central heating

Supporting the Economy

This year has been incredibly challenging for many of our business, most of which were required to close as part of the national effort to stop the spread of Covid-19. The Council has acted quickly to ensure that vital lifelines have been made available to businesses across the District.

Action	2020/21
Providing government business grants	The Council acted quickly, using its new IT platform to develop application processes for businesses to claim much needed grants. A total of £64m in grants was awarded throughout the year. An incredible effort by the team.
Covid safety advice and Support to businesses	The challenges of Covid required many businesses to adapt in order to offer a safe customer experience. To enhance our existing environmental health team, we appointed Covid-19 Compliance Officers to offer businesses and towns safety advice and support. Since they joined us in November, 630 visits to businesses have been undertaken.
Agreed a £9m investment in Ivybridge	This year we formally agreed a £9m investment in Ivybridge with the aim of making it a retail and social destination.
Business Support and Advice	Through our partnership with Business Information Point, we have provided over 50 hours 1-to-1 support to 31 businesses. Support for the businesses has focused on advice to deal with the covid-19 pandemic, financial, marketing and business development support
Approved a £598,000 package of support for our key towns	To support our key towns as they reopen and begin to recover from Covid-19 impacts, we agreed a package of support including additional cleaning and officer presence on streets and in key coastal locations in recognition of the anticipated volumes of visitors, a package of town centre marketing and enhancements to facilities in our towns
Redevelopments in Salcombe	We've approved major redevelopment plans in Salcombe that will help the town to remain a sustainable and viable coastal community for years to come through the development of five new commercial units that will support local jobs along with a new workshop that will ensure the Harbour Authority can continue to deliver a first class customer service

Enhancing our Communities

Action	2020/21
Support to community schemes	Our Members each have a locality fund of £2,000 a year which enables them to support local community initiatives. During 2020/21, 78 schemes were awarded a total of £43,800. The total cost of these community schemes was in excess of £379,000
Adopted a Climate and Biodiversity Strategy and Action Plan	During 2020/21 the Council adopted a Climate and Biodiversity Strategy and Action Plan which sets out specific actions that the Council and our communities can take to respond to the emergency. This has been backed by a £600,000 budget allocation which includes crowdfunding and grants schemes to enable our communities to implement projects supporting our net zero ambitions
Community Safety	Through our participation in the Community Safety Partnership we have:- <ul style="list-style-type: none"> - Assisted schools to get funding for Run, Hide, Tell Campaign - Worked closely with Police in Totnes and Kingsbridge to address risk of exploitation of vulnerable members of the community - Worked with Wave Academy at Dartington to commission a Motiv8 scheme of mentoring to twelve children over a three month period
Seamoor Lotto	Our community lottery, now in its 3 rd year, is enabling 101 charity and community groups across South Hams and West Devon to raise over £25,000 a year.
Improving community facilities	We've supported a wide number of schemes across South Hams during the year including £81k towards sport and leisure groups in Stoke Gabriel to improve access, revamping Salcombe's Courtenay Park, beginning to redesign Woodlands Park in Ivybridge and donating 15 Benches to Bayards Cove

Service Delivery and Governance

Throughout the year, we're really pleased that the significant majority of our services continued to be delivering in addition to the new services we implemented to respond to the pandemic. Our office staff all transitioned brilliantly to working from home full time and our frontline staff adopted new safety measures to ensure they could continue to support our residents and communities.

Action	2020/21
Maintaining services	We took the decision in March that all office staff should work from home. This meant that we were able to continue to provide our services to our residents uninterrupted. Our staff have been able to work from home for many years and so this was a smooth transition. Our employees were supported through the transition to homeworking, including providing advice and guidance on maintaining health and wellbeing, and holding regular staff briefings online. We also continued to recruit staff with our recruitment process shifting to an online interview process.
Revising our budget	Covid had a significant impact on our finances with some of our key income sources being impacted through the national lockdowns. As a result, in September, we developed and agreed a revised budget for the year which meant that we haven't had to make cuts to our core services. Fortunately additional funding has since been provided by Government to contribute to some of the financial losses we suffered.
Continuing to develop our priorities	We have made great progress in pushing ahead with our priorities having adopted a number of strategies focusing on Housing, Climate and Biodiversity Strategy and Consultation and Engagement. The focus for the coming year will be on delivering against the action plans for these.
Democracy Online	The Council quickly took steps to implement remote meetings of its committees. All 31 Members of the Council were able to participate in the democratic process and our residents were able to watch meetings online. A total of 43 formal committee meetings were held over the year.
Enhancing the Democratic Decision Making Process	During the year we commenced a review of the democratic decision making process including frequency and timing of meetings, public participation in committee meetings and review of Member working groups.
New Super Recycler Service	During 2020/21, our Waste and Recycling Contractor (FCC) begun to implement a new, enhanced recycling scheme. As at the end of the financial year (31 st March 2021), the implementation was broadly successful, however at the time of finalising this report (June 2021), we are aware of significant issues with the implementation which continue to be addressed by the Senior Leadership Team and Executive Members.

2020/21 IN NUMBERS

The following are just a few examples of how our funding was used during the year to support our businesses, residents and communities

5,850

Residents supported with debt, housing and employment advice through our partnership with Citizens Advice

£9m

Investment in making Ivybridge a social and retail destination agreed

500

Households supported to access energy efficiency measures making their home cost less to run

£598k

Funding allocated to support our key town and coastal areas to recover from the Covid-19 pandemic

101

Community Groups supported to raise over £25,000 through our Seamoor Community Lotto

31

Council computers repurposed to enable home education of children without access to a computer

127

Residents properties adapted to support their needs, enabling them to remain in their own homes

£43,000

Member Community Grants awarded to projects making improvements in local areas




£64m

in Government Business Support Grants awarded to businesses within the District

PERFORMANCE INDICATORS FOR 2020/21

Work is planned to develop and implement a new Performance Management Framework for the Council and to review performance measures in line with the Council's Corporate Strategy. This will include a new approach to reporting performance through Overview and Scrutiny so that performance is reported by each theme rather than all performance measures being included in a single report.

Balanced Scorecard

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



In March 2021, our Waste and Recycling Contractor (FCC) began to implement a new, enhanced recycling scheme, which has been impacted by a range of issues resulting in an unacceptable level of missed collections per week and jeopardised the roll out of the new recycling service (Devon Aligned Service). The new and improved waste and recycling service will increase the amount of materials the District recycles.

In the new service, glass and plastics will be collected from the kerbside and will do much to reduce the District's carbon footprint. Some difficulties with the new service are still being experienced at the time of publishing the accounts. The Council is working with FCC (the Council's contractor) to resolve ongoing issues through an Improvement Plan.

PRINCIPAL RISKS AND UNCERTAINTIES

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

A risk report is presented to the Council's Audit Committee every six months with the most recent update being to Audit Committee on 1st July 2021. The principle risks from that meeting are as set out below.

Risk Title	Description	Current Note July 2021
Delivery of waste & recycling service changes	The risk is that the contractor, FCC, lacks the capacity or ability to rectify the issues being experienced by residents at this stage resulting in further delays, increased reputational damage and overall significant frustration for our residents.	<p>Implementation of waste changes has been impacted by a range of issues resulting in an unacceptable level of missed collections per week and jeopardised the roll out of the new recycling service (Devon Aligned Service).</p> <p>Major issues with the new service are being experienced at the time of the update. The Council is working with FCC (the Council's contractor) to resolve ongoing issues via an Improvement Plan.</p> <p>An extraordinary meeting of the Overview and Scrutiny Committee was held on 10th June 2021 to receive an update from the Portfolio Holder for Waste and Recycling on the progress in resolving the issues.</p> <p>On 17th June 2021, an Extraordinary meeting of Council was held to discuss performance and receive an Improvement Plan from FCC.</p> <p>In the short term, 26,000 residents will continue to have their recycling sorted at the kerbside into the new vehicles. 11,000 residents will have their recycling collected in a different vehicle and it will be sorted at a local sorting facility. 8,000 residents will remain on the clear and blue sack system for the time being.</p> <p>All residents are being asked to continue to separate their recycling following the instructions, regardless of which vehicle arrives on their collection day.</p> <p>The Executive Director Service Delivery has embedded a number of Council Officers within FCC to support them with rectifying the issues.</p>

Risk Title	Description	Current Note July 2021
		<p>The expectation is that FCC will collect recycling on the right day for all residents by the middle of July.</p>
<p>Adherence to Medium Term Financial Strategy</p>	<p>Failure to sustain a robust on-going medium term financial strategy in SHDC with adequate reserves to meet unforeseen circumstances, due to cost pressures and reduced income targets, 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 is in the process of closing its Accounts for 2020/21 and these will be published by 1st August 2021. In the Council's latest budget report for 2020/21, a small surplus of £96,000 is predicted, against the Council's total net budget of just over £9million.</p> <p>The Council has to be entirely independent to fund all of its services on a net budget of just over £9million, as the District Council no longer receives any main Government Grant (Revenue Support Grant). The Council has had a reduction in core Government funding of £4million per year since 2010. The Council will prepare its Medium Term Financial Strategy for the period covering 2022/23 to 2026/27 and this will be presented to the Executive at its September 2021 meeting, alongside the Budget Monitoring report for the first few months of 2021/22.</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. The Fair Funding Review and the re-setting of the Business Rates baseline could be deferred from 2022/23. The Council is also awaiting further Government announcements on the New Homes Bonus funding. The Budget Gap over the next two years is likely to be in excess of £0.8million and work is already underway to address this. Much will also depend on the next Government financial settlement for 2022/23 and confirmation on funding items like Negative Revenue Support Grant, which has been assumed in the modelling to start impacting in 2022/23.</p>

Risk Title	Description	Current Note July 2021
Inadequate Staffing Resource	Failure to have sufficient staffing arrangements. 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.	<p>The ongoing response to Covid-19 continues to impact staffing resource as we continue to:-</p> <ul style="list-style-type: none"> - Process business grants - Prepare for new Restart Grants - Implement Covid-19 Secure elections - Offer support and advice to businesses on safety measures - Plan for the removal of restrictions - Plan and implement recovery measures including development of a new Corporate Strategy <p>Flexibility around government funding has meant that we have been able to extend the temporary Covid marshalls to support business advice on safety measures, supporting our existing EH team resource.</p>
Political Commitment for Change	On-going political commitment to support changes needed for ongoing financial sustainability & community resilience	Council have supported the development of a new Corporate Strategy which will set out a clear direction and priorities for the future. A full Member briefing was held on 17 June 2021 to set out the emerging priorities. Work now continues with Executive Members to refine the priorities with a draft strategy being considered by Executive and Council in July 2021. There will be a period of consultation on the emerging priorities commencing in July 2021 and the final strategy and detailed delivery plans will be considered by Executive and Council in September 2021.
Health and Wellbeing Service Provision	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>All Centre's are open and running activities in line with Covid-19 restrictions and as before the popular activities being Swim School, casual swimming, group exercise classes, then going to the gym.</p> <p>Average monthly usage for all 6 Centres is running at c35,000 whereas prior to the pandemic this would be between 52-55,000. In the first month of returning, 634 centres memberships were taken but overall numbers are at 56% at c3,800 compared to c6,700 in Feb'20.</p> <p>Swim School is performing very well with numbers currently at 71% compared to Feb'20. Ivybridge is back to its normal level. Group exercise classes occupancy is at c75% and is still affected due to space and number restrictions.</p> <p>GP Referrals are back but numbers are still small and other activities, schools and clubs are beginning to return.</p> <p>Fusion highlight that customers are upbeat and usage is going in the right direction. This will hopefully improve further when Step 4 of the lockdown eases. However in a recent</p>

Risk Title	Description	Current Note July 2021
		APSE report the effects of the pandemic on leisure are likely to last for another 18months with social distancing and public anxiety likely to suppress centre usage for a period of time. A report to Members on Leisure is on the Executive Forward Plan for October 2021.
Covid-19 (Coronavirus) impact on services	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 will be additional financial implications	<p>We continue to monitor the government roadmap in order to identify any possible impacts on council services. As restrictions are lifted, we have been able to 'stand down' our community response although there still remains a focus on provision of government grants to businesses which is causing pressure in this area of the Council.</p> <p>The summer period may well see additional pressures to our localities team given the expected increase in 'staycations'. To support this activity, the Council have extended our Covid-19 compliance officers until the end of the year.</p>
Business Continuity	Officers fail to develop 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	<p>Covid-19 Incident Management meetings continue to be held three times a week to monitor and respond to impacts. This has been an effective way of co-ordinating the Councils response.</p> <p>The Extended Leadership Team are currently refining specific risk assessments for the unlocking of Covid-19 restrictions and this will form the basis of future Incident Management Team discussions.</p> <p>A further lessons learnt session with officers has been held to review our response to the latest lockdown and restrictions with the results of that helping to shape future incident responses.</p>
Emergency Response	There is high public expectation in relation to supporting communities during coastal erosion/storm damage/flooding 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	The Council continues to engage with the Local Resilience Forum and is keeping its emergency response plans up to date

Risk Title	Description	Current Note July 2021
	expectations during an event.	
Delivery of Strategic Capital Projects	The risk is that the Council is not able to deliver on one or more of its strategic capital projects.	Schemes continue to be monitored in accordance with the governance arrangements set out in the mitigations column of this register. Updates on individual schemes will be provided in accordance with the Executive Forward Plan.
WD Financial position affecting SH shared arrangements	South Hams operate a joint shared services (shared workforce) arrangement with West Devon Borough Council. Both Councils have different financial pressures and strategies to meet predicted financial gaps. If West Devon were unable to meet its financial obligations, this could have a significant negative impact on South Hams.	On 22nd September 2020, West Devon Borough Council approved a revised (Amended) Budget for 2020/21 with measures totalling £501k being agreed by Members. The Deputy S151 Officer continues to submit monthly DELTA returns to Central Government that details the current additional expenditure and loss of income streams suffered by both Councils on a monthly basis (due to Covid19), with predictions for future months. In West Devon Borough Council's latest budget monitoring report for 2020/21, a small surplus of £23,000 is predicted, against WDBC's total net budget of just over £7million. The Council will prepare its Medium Term Financial Strategy for the period covering 2022/23 to 2026/27 and this will be presented to the Hub Committee at its September 2021 meeting, alongside the revenue budget monitoring report for the first few months of 2021/22. West Devon BC's budget gap over the next two years is likely to be in excess of £0.5million and work is already underway to address this. West Devon BC are predicted to have Earmarked Reserves of £3.9 million and Unearmarked Reserves of £1.1 million at 31.3.2021, as referenced in Appendix A to the Month 10 Revenue Budget Monitoring (Hub Committee report 16th March 2021).

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 (Note 4) and the Movement in Reserves Statement (Section 2B).

2019/20 Restated*			2020/21			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Segment	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
29,595	(23,097)	6,498	Customer Service & Delivery**	33,553	(24,511)	9,042
833	-	833	Strategic Finance	737	(199)	538
8,070	(7,701)	369	Place & Enterprise***	12,423	(10,656)	1,767
6,726	(1,819)	4,907	Governance & Assurance	6,602	(1,419)	5,183
45	-	45	Material Items (Note 2)	-	-	-
45,270	(32,618)	12,652	Cost of Services*	53,315	(36,785)	16,530
		2,599	Other operating expenditure (Note 9)			2,850
		130	Financing and investment income and expenditure (Note 10)			636
		(14,608)	Taxation and non-specific grant income (Note 11)			(17,647)
		773	(Surplus) or Deficit on Provision of Services			2,369
		(137)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(451)
		350	Remeasurements of the net defined benefit liability			10,490
		338	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income			(141)
		551	Other Comprehensive Income and Expenditure			9,898
		1,324	Total Comprehensive Income and Expenditure			12,267

*The 2019/20 Cost of Services has been restated in 2020/21 following a Management Restructure in September 2019. The total cost of services figures remain the same, only the presentation of the individual service groups has changed.

** The net expenditure in Customer Service and Delivery has increased by £2.544m in 2020/21. This is mainly due to additional COVID-19 expenditure of £1.2m and an increase in the accounting adjustment for pensions (IAS19) of £1.3m.

*** The net expenditure in Place and Enterprise has increased by £1.398m in 2020/21. This is largely due to losses in Car Parking and Ferry income, amounting to £1.1m.

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.

2020/21	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	2,010	13,998	16,008	3,059	341	19,408	35,989	55,397
Movement in Reserves during 2020/21								
Total Comprehensive Income and Expenditure	(2,369)	-	(2,369)	-	-	(2,369)	(9,898)	(12,267)
Adjustments between accounting basis and funding basis under regulations (Note 7)	9,977	-	9,977	(211)	82	9,848	(9,848)	-
Transfers to/from Earmarked Reserves (Note 8)	(7,496)	7,496	-	-	-	-	-	-
Increase/ (Decrease) in Year	112	7,496	7,608	(211)	82	7,479	(19,746)	(12,267)
Balance at 31 March 2021 carried forward	2,122	21,494	23,616	2,848	423	26,887	16,243	43,130

SECTION 2B MOVEMENT IN RESERVES STATEMENT

2019/20 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 2019/20 £000
Balance at 31 March 2019 carried forward	1,898	13,293	15,191	3,537	828	19,556	37,165	56,721
Movement in Reserves during 2019/20								
Total Comprehensive Income and Expenditure	(773)	-	(773)	-	-	(773)	(551)	(1,324)
Adjustments between accounting basis and funding basis under regulations (Note 7)	1,590	-	1,590	(478)	(487)	625	(625)	-
Transfers to/from Earmarked Reserves (Note 8)	(705)	705	-	-	-	-	-	-
<i>Increase/ (Decrease) in Year</i>	112	705	817	(478)	(487)	(148)	(1,176)	(1,324)
Balance at 31 March 2020 carried forward	2,010	13,998	16,008	3,059	341	19,408	35,989	55,397

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 were 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 2020 £000		Notes	31 March 2021 £000
76,768	Property, Plant and Equipment	12	79,149
19,156	Investment Properties	13	18,560
52	Intangible Assets		202
3,139	Long Term Investments	14	3,280
99,115	Long Term Assets		101,191
15,500	Short Term Investments	14	15,600
452	Assets Held for Sale		293
69	Inventories		67
6,135	Short Term Debtors	15	15,321
16,819	Cash and Cash Equivalents	17	23,838
38,975	Current Assets		55,119
(9,193)	Short Term Creditors	18	(27,542)
(92)	Short Term Borrowing	14	(94)
(2,950)	Revenue Grants in Advance	30	(1,336)
(1,611)	Provisions	19	(1,636)
(13,846)	Current Liabilities		(30,608)
(61)	Long Term Creditors	18	(74)
(5,707)	Long Term Revenue Grants in Advance - Section 106 Deposits	30	(5,725)
(14,475)	Long Term Borrowing	14	(14,380)
(48,504)	Pensions Liability	35	(61,351)
(100)	Capital Grants - Receipts in Advance	30	(1,042)
(68,847)	Long Term Liabilities		(82,572)
55,397	Net Assets		43,130
19,408	Usable Reserves	20	26,887
35,989	Unusable Reserves	21	16,243
55,397	Total Reserves		43,130

The notes on pages 36 to 124 form part of these financial statements. The unaudited accounts were issued on 30 July 2021. The audited accounts were issued on 28 October 2021.

SECTION 2D CASHFLOW 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.

2019/20 £000		2020/21 £000
773	Net (surplus) or deficit on the provision of services	2,369
(3,992)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 22)	(16,653)
2,205	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 23)	1,716
(1,014)	Net cash outflows/ (inflow) from Operating Activities	(12,568)
8,693	Net increase/(decrease) in Investing Activities (Note 24)	1,683
(12,569)	Net cash outflow/(inflow) from Financing Activities (Note 25)	3,866
(4,890)	Net (increase) or decrease in cash and cash equivalents	(7,019)
11,929	Cash and cash equivalents at the beginning of the reporting period	16,819
16,819	Cash and cash equivalents at the end of the reporting period (Note 17)	23,838

Section 3

Notes to the

Financial Statements

SECTION 3. 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 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 2021 for which there are significant risks of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Property, Plant and Equipment</p>	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>Assets are depreciated over useful lives which are estimated annually. The carrying value of Property, Plant and Equipment as at 31 March 2021 is £80 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 £8m.</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 reduce by 1 year across all assets, this would have an impact of approximately £176,000 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 2021 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 2021 is £4.1 million, of which the Council's share is 40% (£1.6 million).</p> <p>Due to the uncertain impact of Covid-19 on businesses and potential rateable value appeals it is possible that current assumptions may not be fully accurate. The Government has indicated its intention to amend regulations to rule out appeals against rateable values based on the impact of the pandemic, but has not actually done so to date.</p>	<p>Whilst the uncertainty around Covid-19 means any estimate of the impact would be highly uncertain, the impact would feed through in to the collection fund balance which would then be taken account of in future years' budgets.</p>
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 £3.1 million.</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, although these valuations could be earlier. 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 valuation in 2019. This valuation is based upon cash flow and assets values as at 31 March 2021.</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 2021 is £61.4 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 South Hams District Council.</p>	<p>The assumptions interact in complex ways. For example, in 2020/21, the Authority's actuaries advised that the pension liability has reduced by £1.5 million as a result of a change in "demographic assumptions" and increased by £33.2 million as a result of a change in "financial assumptions".</p> <p>Please refer to Note 35 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 £3.1m 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 2021.</p>

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

2. MATERIAL ITEMS OF INCOME AND EXPENSE

The following material item has been included on the face of the Comprehensive Income and Expenditure Statement (CIES) since 2014/15. This expenditure relates to the upfront investment costs for the Council's Transformation Programme (T18). There are no material items of income and expense in 2020/21.

Transformation Programme (T18) Investment Costs	2019/20			2020/21		
	Direct £000	Recharges £000	Total £000	Direct £000	Recharges £000	Total £000
GROSS REVENUE EXPENDITURE						
Redundancy and Pension Strain payments	45	-	45	-	-	-
Sub Total	45	-	45	-	-	-
GROSS REVENUE INCOME						
Shared Service Recharge to West Devon BC	-	-	-	-	-	-
Sub Total	-	-	-	-	-	-
NET REVENUE EXPENDITURE/ (INCOME) (as shown in the CIES)	45	-	45	-	-	-

3. EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts (SOA) for 2020/21 was approved for issue by the Section 151 Officer & Corporate Director for Strategic Finance on 30 July 2021. The Statement of Accounts were then reviewed by the Audit Committee on 2 September 2021. The audited accounts were authorised for issue on 28 October 2021. This is also the date up to which events after the reporting period have been considered. There are no events which took place after 31 March 2021 which require disclosure.

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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

2020/21	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 & Delivery	7,149	1,893	9,042
Strategic Finance	538	-	538
Place & Enterprise	(511)	2,278	1,767
Governance & Assurance	4,378	805	5,183
Net Cost of Services	11,554	4,976	16,530
Other income and expenditure	(19,162)	5,001	(14,161)
(Surplus)/Deficit on Provision of Services	(7,608)	9,977	2,369

	General Fund Balance £000	Earmarked Reserves £000	Total General Fund Reserves £000
Opening Balance at 31 March 2020	(2,010)	(13,998)	(16,008)
(Increase)/decrease in year	(112)	(7,496)	(7,608)
Closing Balance at 31 March 2021	(2,122)	(21,494)	(23,616)

2019/20 Comparatives (restated)*	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 & Delivery	5,520	978	6,498
Strategic Finance	833	-	833
Place & Enterprise	(501)	870	369
Governance & Assurance	4,062	845	4,907
Material Items	45	-	45
Net Cost of Services	9,959	2,693	12,652
Other income and expenditure	(10,776)	(1,103)	(11,879)
(Surplus)/Deficit on Provision of Services	(817)	1,590	773

	General Fund Balance £000	Earmarked Reserves £000	Total General Fund Reserves £000
Opening Balance at 31 March 2019	(1,898)	(13,293)	(15,191)
(Increase)/decrease in year	(112)	(705)	(817)
Closing Balance at 31 March 2020	(2,010)	(13,998)	(16,008)

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

5. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note explains the main adjustments from the 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				
2020/21	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	1,165	723	5	1,893
Place & Enterprise	2,008	270	-	2,278
Governance & Assurance	629	176	-	805
Net Cost of Services	3,802	1,169	5	4,976
Other income and expenditure from the Expenditure & Funding Analysis	(3,490)	1,188	7,303	5,001
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	312	2,357	7,308	9,977

Adjustments between Funding and Accounting Basis				
2019/20 Comparatives (restated)*	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	1,616	(646)	8	978
Place & Enterprise	1,250	(380)	-	870
Governance & Assurance	1,368	(523)	-	845
Net Cost of Services	4,234	(1,549)	8	2,693
Other income and expenditure from the Expenditure & Funding Analysis	(3,104)	1,134	867	(1,103)
Difference between the General Fund surplus or deficit, and the surplus or deficit on the provision of services in the CIES	1,130	(415)	875	1,590

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

*The 2019/20 Net Cost of Services has been restated in 2020/21 following a Management Restructure in September 2019. The total net cost of services figures remain the same, only the presentation of the individual service groups has changed.

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 and other capital contributions are deducted. 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	2019/20	2020/21
	£000	£000
Employee Benefits Expenses*	10,949	14,342
Other Service Expenses	30,153	35,234
Depreciation, Amortisation and Impairment	4,223	4,088
Interest Payments	177	414
Pension Fund Administration Expenses	71	65
Net Interest on the net defined benefit liability	1,067	1,123
Losses/(Gains) on disposal of non current assets	64	49
Total Expenditure	46,704	55,315
Fees, Charges and Other Service Income	(14,264)	(13,376)
Interest and Investment Income	(385)	(220)
Income from Council Tax and Business Rates**	(5,963)	(59)
Revenue Grants and Contributions***	(23,473)	(37,758)
Capital Grants and Contributions	(1,774)	(1,420)
Other Income	(72)	(113)
Total Income	(45,931)	(52,946)
(Surplus) or Deficit on Provision of Services	773	2,369

* The increase in Employee Benefit Expenses is mainly due to an increase in the accounting adjustment for pensions (IAS19) of £2.7m. This is shown in Note 5 - Note to the Expenditure and Funding Analysis.

** The figure for Council Tax and Business Rates in this statement is shown net of expenditure (precepts to other bodies). This includes a deficit on the Business Rates Collection Fund Adjustment Account. The expenditure detail is shown in Note 11 – Taxation and Non-Specific Grant Income.

***The increase in Revenue Grants and Contributions largely relates to the receipt of additional COVID-19 related funding support, including income from the Government Business Grants scheme, the Government sales fees and charges income compensation scheme and the S31 compensation grant that local authorities were awarded to offset the business rate reliefs given to businesses during lockdown and the Tax Income Guarantee S31 grant for Business Rates, amounting to £6.28m.

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.

2020/21	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):				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</i>				
Charges for depreciation and impairment of non-current assets	2,557			(2,557)
Revaluation losses/(gains) on Property, Plant and Equipment	(188)			188
Movements in the market value of Investment Properties	286			(286)
Amortisation of Intangible Assets	29			(29)
Capital grants and contributions applied	(1,241)			1,241
Revenue expenditure funded from capital under statute (REFCUS)	1,404			(1,404)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	232			(232)
<i>Insertion of items not debited or credited to the CIES:</i>				
Statutory provision for the financing of capital investment	(344)			344
Capital expenditure charged against the General Fund	(1,798)			1,798
Revenue contribution to Capital Outlay – RCCO	(150)			150
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(179)		179	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(97)	97
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(184)	184		-
Costs of disposal funded from capital receipts	1	(1)		-

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

2020/21	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	(113)	113		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(507)		507
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 35)	3,787			(3,787)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,430)			1,430
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	36			(36)
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	7,267			(7,267)
Adjustments primarily involving the Accumulated Absences 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	5			(5)
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2020/21	9,977	(211)	82	(9,848)

*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 will not be discharged against the Collection Fund deficit until 2021/22 onwards. Therefore there is a deficit on the Business Rates Collection Fund Adjustment Account at 31 March 2021.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

2019/20 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):				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</i>				
Charges for depreciation and impairment of non-current assets	2,308			(2,308)
Revaluation losses/(gains) on Property, Plant and Equipment	45			(45)
Movements in the market value of Investment Properties	(10)			10
Amortisation of Intangible Assets	92			(92)
Capital grants and contributions applied	(1,677)			1,677
Revenue expenditure funded from capital under statute (REFCUS)	1,788			(1,788)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	424			(424)
Repayment of mortgage and parish loans		1		(1)
<i>Insertion of items not debited or credited to the CIES:</i>				
Statutory provision for the financing of capital investment	(34)			34
Capital expenditure charged against the General Fund	(1,278)			1,278
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(96)		96	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(583)	583
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(364)	364		-
Costs of disposal funded from capital receipts	4	(4)		-

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

2019/20 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	(72)	72		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(911)		911
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 35)	1,097			(1,097)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,512)			1,512
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	78			(78)
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	789			(789)
Adjustments primarily involving the Accumulated Absences 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	8			(8)
Total Adjustments between the Accounting Basis and Funding Basis under regulations in 2019/20	1,590	(478)	(487)	(625)

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 2020/21. The purpose of some of the more significant earmarked reserves are shown below:

Vehicles and Plant Renewals - This reserve is used to purchase vehicles and heavy plant to maintain a modern and efficient Council fleet, and to ensure contract conditions are met.

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 Retention Earmarked reserve covers any possible funding issues from the new accounting arrangements and to smooth the volatility from business rates income over a period of years.

Affordable Housing - To support the funding of affordable housing.

Community Housing Fund - This reserve was set up to hold the Community Housing Fund Grant.

COVID-19 - This is a new reserve set up to hold tranches of Government COVID-19 funding to protect against future COVID-19 losses.

Emergency Climate Change Projects - This a new reserve set up for Emergency Climate Change projects in order to give effect to the Council's Climate Change Action Plan.

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. 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.

Although our Earmarked Reserves appear to have increased overall in 2020/21 by £7.496m to £21.494m, an amount of £6.28m of 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 (this funding is in the S31 Compensation Grant Reserve). This temporary increase in reserves will reverse back out again in the 2021/22 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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

The table below shows the earmarked reserve balances at 31 March 2021 and the movement during 2020/21.

2020/21 EARMARKED RESERVES	Balance at 31.3.2020 £000	Transfers Out £000	Transfers In £000	Balance at 31.3.2021 £000
General Fund				
Affordable Housing	706	(38)	-	668
Community Parks and Open Spaces	38	(6)	17	49
Grounds Maintenance	-	-	104	104
Pension Fund Strain	29	(19)	99	109
Repairs and Maintenance	203	(15)	43	231
Members Sustainable Community	28	-	7	35
Marine Infrastructure Reserve	268	-	58	326
Land and Development	210	(113)	7	104
Ferry Repairs and Renewals	446	(135)	117	428
Economic Initiatives	6	(4)	21	23
Salary Savings	-	-	120	120
Emergency Climate Change Projects	-	-	400	400
Vehicles & Plant Renewals	1,183	(1,590)	550	143
COVID-19	-	-	100	100
Pay and Display Equipment	144	-	21	165
On-Street Parking	44	-	-	44
ICT Development	122	(90)	50	82
Sustainable Waste Management	54	-	192	246
District Elections	-	-	10	10
Beach Safety	14	-	-	14
Planning Policy & Major Developments	187	-	30	217
Section106 Agreements (no conditions)	38	-	-	38
Revenue Grants	607	(190)	684	1,101
Capital Programme	26	(27)	182	181
New Homes Bonus	1,697	(1,093)	1,199	1,803
Renovation Grant Reserve	7	(7)	-	-
Business Rates Retention	6,192	(6,894)	7,805	7,103
Homelessness Prevention Reserve	112	-	54	166
Strategic Change	30	(30)	-	-
Innovation Fund (Invest to Earn)	9	(9)	-	-
Community Housing Fund	493	(314)	15	194
Leisure Services Reserve	57	(6)	-	51
Support Services Trading Reserve	43	-	29	72
Environmental Health Initiatives Reserve	20	-	-	20
S106 Monitoring Reserve	133	(23)	39	149
Economic Regeneration Reserve	319	(270)	-	49
Joint Local Plan Reserve	21	(21)	-	-
S106 Technical Support Reserve	16	(19)	37	34
Maintenance, Management & Risk Reserve	8	-	29	37
Sub Total General Fund Reserves	13,510	(10,913)	12,019	14,616

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Specific Reserves – Business Rates*				
Business Rates s31 Compensation Grant	-	-	6,283	6,283
Sub Total Specific Reserves Business Rates	-	-	6,283	6,283
Specific Reserves – Salcombe Harbour				
Pontoons	162	0	65	227
Harbour Renewals	136	(7)	40	169
General Reserve	190	(46)	55	199
Sub Total Specific Reserves Salcombe Harbour	488	(53)	160	595
TOTAL EARMARKED REVENUE RESERVES*				
(See Note on the Business Rates s31 Compensation Grant below)	13,998	(10,966)	18,462	21,494

2019/20 Comparatives EARMARKED RESERVES	Balance at 31.3.2019 £000	Transfers Out £000	Transfers In £000	Balance at 31.3.2020 £000
General Fund				
Affordable Housing	988	(282)	-	706
Community Parks and Open Spaces	107	(86)	17	38
Pension Fund Strain	-	(70)	99	29
Repairs and Maintenance	45	(39)	197	203
Members Sustainable Community	6	-	22	28
Marine Infrastructure Reserve	210	-	58	268
Land and Development	94	(5)	121	210
Ferry Repairs and Renewals	455	(96)	87	446
Economic Initiatives	27	(21)	-	6
Vehicles and Plant Renewals	1,264	(669)	588	1,183
Pay and Display Equipment	123	-	21	144
On-Street Parking	44	-	-	44
ICT Development	126	(54)	50	122
Sustainable Waste Management	29	-	25	54
District Elections	78	(88)	10	-
Beach Safety	14	-	-	14
Planning Policy & Major Developments	125	(18)	80	187
Section106 Agreements (no conditions)	38	-	-	38
Revenue Grants Reserve	578	(183)	212	607
Capital Programme	84	(328)	270	26
New Homes Bonus	1,155	(685)	1,227	1,697
Renovation Grant Reserve	7	-	-	7
Business Rates Retention	5,114	(30)	1,108	6,192
Homelessness Prevention Reserve	112	-	-	112
Strategic Change	-	(30)	60	30
Innovation Fund (Invest to Earn)	17	(8)	-	9
Community Housing Fund	1,285	(792)	-	493
Leisure Services Reserve	57	-	-	57
Support Services Trading Reserve	43	-	-	43

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Environmental Health Initiatives Reserve	20	-	-	20
S106 Monitoring Reserve	124	(22)	31	133
Economic Regeneration Reserve	379	(60)	-	319
Joint Local Plan Reserve	31	(10)	-	21
S106 Technical Support Reserve	20	(4)	-	16
Maintenance, Management and Risk Management Reserve	-	-	8	8
Sub Total	12,799	(3,580)	4,291	13,510
Specific Reserves – Salcombe Harbour				
Pontoons	213	(114)	63	162
Harbour Renewals	117	(16)	35	136
General Reserve	164	(23)	49	190
Sub Total	494	(153)	147	488
TOTAL EARMARKED REVENUE RESERVES	13,293	(3,733)	4,438	13,998

Note* - Business Rates S31 Compensation Grant Earmarked Reserve

Earmarked Reserves have increased by £7.5m in 2020/21. This is 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 (£5.49m) together with the Tax Income Guarantee S31 grant for Business Rates of £0.79m has been 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 to smooth the impact of the Business Rates deficit. The balance on this reserve as at 31 March 2021 is £6.28m.

This temporary increase in reserves will reverse back out again in the 2021/22 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.

9. OTHER OPERATING EXPENDITURE

2019/20 £000		2020/21 £000
2,464	Parish council precepts	2,736
64	(Gains)/losses on the disposal of non-current assets	49
71	Pension administration expenses	65
2,599	Total	2,850

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2019/20 £000		2020/21 £000
177	Interest payable and similar charges	414
(372)	Interest receivable and similar income	(207)
(72)	Other investment income	(113)
1,067	Net interest on the net defined benefit liability	1,123
(670)	Investment properties (Note 13)	(581)
130	Total	636

11. TAXATION AND NON-SPECIFIC GRANT INCOME

2019/20 £000		2020/21 £000
	Council Tax	
(8,779)	• Income	(9,299)
79	• Collection Fund adjustment	35
(112)	• Collection Fund - distribution of surplus	(60)
74	• Support grant to parishes	37
	Business Rates	
(11,085)	• Income	(11,395)
11,280	• Tariff	11,464
160	• Levy payment	316
1	• Pooling administration costs	1
(238)	• Pooling benefit	(348)
193	• Transfer of Collection Fund deficit/(surplus)*	6,454
	Non ring - fenced Government Grants :	
(2,766)	• S.31 Business Rate Relief Grants*	(9,183)
(1,227)	• New Homes Bonus Grant	(1,199)
(408)	• Rural Services Delivery Grant	(408)
(6)	• Levy Account Surplus Grant	-
-	• COVID-19 LA Response Grant	(1,088)
-	• COVID-19 Sales, Fees & Charges Compensation	(1,079)
-	• COVID-19 New Burdens Admin Support Grant	(475)
(1,774)	Capital grants and contributions	(1,420)
(14,608)	Total	(17,647)

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

*The S31 Business Rate Relief Grants received in 2020/21 include the S31 compensation grant that local authorities were awarded to offset the business rate reliefs given to businesses during lockdown and the Tax Income Guarantee S31 grant for Business Rates, amounting to £6.28m in total. 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 there is a deficit on the Business Rates Collection Fund Adjustment Account at 31 March 2021 which is reflected in the transfer 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.

This temporary increase in Earmarked Reserves will reverse back out again in the 2021/22 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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

Movements in 2020/21	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation						
At 1 April 2020	67,314	9,799	10,912	454	397	88,876
Additions	111	2,336	341		1,274	4,062
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(582)					(582)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(10)					(10)
Derecognition – disposals	(20)	(1,379)				(1,399)
Assets reclassified (to)/from Held for Sale	159					159
Other movements in cost/ valuation - reclassification	1,341		39		(1,230)	150
At 31 March 2021	68,313	10,756	11,292	454	441	91,256
Accumulated Depreciation & Impairment at 1 April 2020	1,588	6,621	3,899	-	-	12,108
Charge for 2020/21	1,377	741	439			2,557
Depreciation written out to the Revaluation Reserve	(1,033)					(1,033)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(198)					(198)
Derecognition – disposals	(3)	(1,324)				(1,327)
Other movements in depreciation - reclassification						
At 31 March 2021	1,731	6,038	4,338	-	-	12,107
Balance Sheet amount at 31 March 2021	66,582	4,718	6,954	454	441	79,149
Balance Sheet amount at 31 March 2020	65,726	3,178	7,013	454	397	76,768

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Comparative Movements in 2019/20	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
£000	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2019	62,616	9,356	10,662	454	5,624	88,712
Additions	1,203	1,068	250		371	2,892
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(914)					(914)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(270)					(270)
Derecognition – disposals	(127)	(625)				(752)
Assets reclassified (to)/from Held for Sale	(792)					(792)
Other movements in cost/ valuation - reclassification	5,598				(5,598)	-
At 31 March 2020	67,314	9,799	10,912	454	397	88,876
Accumulated Depreciation & Impairment at 1 April 2019	1,661	6,604	3,479	-	-	11,744
Charge for 2019/20	1,251	637	420			2,308
Depreciation written out to the Revaluation Reserve	(1,051)					(1,051)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(225)					(225)
Derecognition – disposals	(48)	(620)				(668)
Other movements in depreciation - reclassification						
At 31 March 2020	1,588	6,621	3,899	-	-	12,108
Balance Sheet amount at 31 March 2020	65,726	3,178	7,013	454	397	76,768
Balance Sheet amount at 31 March 2019	60,955	2,752	7,183	454	5,624	76,968

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Depreciation

The Council provides for depreciation on all assets other than freehold land, community assets and investment properties. The provision for depreciation is made by allocating the cost (or revalued amount) less the estimated residual value of the assets over the accounting periods 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 rolling programme of property revaluation and annual impairment review. Where the useful life of an asset is revised, the carrying amount of the asset is depreciated over the revised remaining life.

Capital Commitments

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

As a comparison, as at 31 March 2020 the Authority had entered into the following contract for the construction or enhancement of Property, Plant and Equipment. This commitment related to:

- New depot, Ivybridge £1,200,000

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 38.

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

	Land and buildings £000	Vehicles, plant, furniture & equipment £000	Total £000
Valued at historical cost	-	4,718	4,718
Valued at current value in:			
2020/2021	49,186		49,186
2019/2020	6,373		6,373
2018/2019	12,224		12,224
2017/2018	29		29
Total	67,812	4,718	72,530

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.

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	2019/20 £000	2020/21 £000
Rental income from investment properties	(725)	(929)
Direct operating expenses arising from investment properties	55	348
Net (gain)/ loss	(670)	(581)

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

B. Movement in fair value	2019/20 £000	2020/21 £000
Balance at start of the year	14,150	19,156
Purchases	4,996	-
Net gains/(losses) from fair value adjustments*	10	(286)
Transfers (to)/from Property, Plant and Equipment	-	(310)
Balance at end of the year	19,156	18,560

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

During 2019/20 the Council incurred capital expenditure totalling £5 million for the purchase of an Investment Property in Dartmouth. This amount equated to the purchase price of the investment property plus transaction costs (e.g. stamp duty land tax) and directly attributable expenditure (costs incurred in successfully negotiating the sale terms and price and relevant professional fees e.g. legal costs) which were also capitalised in accordance with the Code. The £286,000 reduction on the fair value adjustment is due to the write down of the costs of acquisition of £296,000 (e.g. stamp duty land tax and legal and professional fees) plus a £10,000 upward valuation on Lee Mill, Ivybridge.

The Code requires that Investment Properties are measured annually at fair value. The fair value valuation was £18.56 million at 31 March 2021. 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' in the Income and Expenditure account, as it is reversed out through the Capital Adjustment Account.

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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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.

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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

- **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 overleaf 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 2020 £000	31 March 2021 £000	31 March 2020 *Restated £000	31 March 2021 £000
Financial Assets at Amortised Cost				
Investments	-	-	15,500	15,600
Cash and Cash Equivalents	-	-	16,819	23,838
Debtors	-	-	2,685	3,456
Fair Value through Other Comprehensive Income – Financial Assets				
Investments – CCLA Local Authorities’ Property Fund	1,347	1,338	-	-
Investments – CCLA Diversified Income Fund	1,792	1,942	-	-
Total Financial Assets	3,139	3,280	35,004	42,894
Financial Liabilities at Amortised Cost				
Borrowing	(14,475)	(14,380)	(92)	(94)
Creditors	(61)	(74)	*(2,939)	(16,088)
Total Financial Liabilities	(14,536)	(14,454)	(3,031)	(16,182)

*the 2019/20 Creditors figure has reduced from £3,082k following the removal of the employee untaken leave accrual.

Designated to Fair Value Through Other Comprehensive Income

At 31 March 2021 the Council had investments of £1.5 million with the CCLA Property Fund and £2.0 million with the CCLA Diversified Income Fund.

Following the adoption of accounting standard IFRS 9 Financial Instruments in 2018/19, investments in equity are to be classified as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through other comprehensive income.

The Council elected to designate the CCLA investments 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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

and are neither held for trading (the Council holds these investments 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 that there is no impact on the revenue budget. Any gains or losses on the valuation of the CCLA investments 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) 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 2020/21.

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

The Council had the following investments in equity instruments at 31 March 2021:

Investment	Nominal	Fair Value	Change in Fair Value during 2020/21
	£000	£000	£000
CCLA Property Fund	1,500	1,338	(162)
CCLA Diversified Income Fund	2,000	1,942	(58)
Total	3,500	3,280	(220)

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:

	2019/20	2020/21
	£000	£000
Net gains/losses on: Financial Assets measured at fair value through other comprehensive income	(338)	141
Total Net Gains/(Losses)	(338)	141

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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 2020 Fair Value £000	31 March 2021 Fair Value £000
Fair Value Through Other Comprehensive Income CCLA Property Fund and CCLA Diversified Income Fund	Level 2	Inputs other than quoted market prices that are observable for the asset or liability	3,139	3,280
TOTAL			3,139	3,280

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 2020		31 March 2021	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
PWLB Debt – Maturity	(5,490)	(5,649)	(5,490)	(5,890)
PWLB Debt – Annuity	(9,076)	(9,080)	(8,984)	(9,812)
Long Term Creditors	(61)	(61)	(74)	(74)

Heritable Bank

At the 31 March 2021 the Council had £10,542 frozen in the Heritable Bank which is UK registered and regulated, but a subsidiary of Landsbanki, one of the Icelandic Banks that was affected by the world economic crisis. Heritable Bank is registered in Scotland with a registered address in Edinburgh. Heritable Bank PLC is authorised and regulated by the Financial Services Authority and is on the FSA Register. The bank's shares are owned by Icelandic bank, Landsbanki.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

The Council placed a deposit of £1,250,000 on 25th September 2008 with the Heritable Bank. Of this amount £1,239,458 (99%) has already been repaid to the Council by the Administrators.

The balance outstanding at 31 March 2014 (£72,368) was impaired (written out of the Balance Sheet) in the 2013/14 Accounts.

At the time the deposit was placed, the risk rating of Heritable was 'A' (long term deposits) and F1 (short term deposits). Both ratings indicated low risk and were within the deposit policy approved by the Council.

Administrators have kept the bank trading and are winding down the business over a period of years. The Administrators have paid sixteen dividends amounting to 99% of the original deposit. However, they do not intend to make any further distributions until the conclusion of a legal dispute with Landsbanki.

15. DEBTORS

31.3.2020 £000		31.3.2021 £000
	Short Term	
1,258	Central Government bodies	1,802
765	Other Local Authorities	787
	Other debtors	
1,036	Council Tax	1,938
711	Business Rates*	8,389
2,365	Other entities and individuals	2,405
6,135	Total	15,321

*There is a significant increase in the short term Business Rates debtor as at 31 March 2021. This is due to the movement on the Collection Fund during 2020/21 and the end of year deficit position 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 £9.05m, Devon County Council £1.63m and Devon and Somerset Fire Authority £0.18m) at 31 March 2021. This is partly offset by the Preceptors share of the Business Rates bad debts and appeals provisions.

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:

31.3.2020 £000		31.3.2021 £000
559	Up to one year	377
406	One to three years	342
154	Over three years	154
1,119	Total Debtors for Local Taxation	873

17. CASH AND CASH EQUIVALENTS

31.3.2020 £000		31.3.2021 £000
719	Cash held by the Authority	638
16,100	Money Market Funds*	23,200
16,819	Total Cash and Cash Equivalents	23,838

*Cash and Cash Equivalents have increased by £7m in 2020/21. This is mainly due to the receipt of S31 compensation grants during 2020/21 amounting to £6.28m. These grants are held in an earmarked reserve as at 31 March 2021 and will be applied to the Business Rates Collection Fund over the next three years to smooth the impact of the Business Rates deficit.

18. CREDITORS

31.3.2020 £000		31.3.2021 £000
	Short Term	
(418)	Central Government bodies*	(12,960)
(1,000)	Other Local Authorities	(1,398)
	Other Creditors	
(105)	Council Tax	(135)
(3,793)	Business Rates**	(8,545)
(3,877)	Other entities and individuals	(4,504)
(9,193)	Total	(27,542)
	Long Term	
(61)	Other entities and individuals	(74)
(61)	Total	(74)

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

*The Council administered various Business Grants on behalf of Central Government during 2020/21 and the increase in the short term creditors is funding which represents the amount still available at year end. A large proportion of this will be distributed in 2021/22 with any remaining balances ultimately due back to Central Government.

**The increase in the creditor for Business Rates as at 31 March 2021 largely relates to S31 grant paid on account by Central Government which is due to be returned (£8.3m). This is partially offset by the Tax Income Guarantee S31 grant (£0.787m) due from Central Government.

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 2020/21 or 2019/20. The breakdown of the 2020/21 provision is shown in the following table:

	Business Rates Appeals £000
Balance at 1 April 2020	1,611
Provisions made in year	330
Amounts used in year	(305)
Balance at 31 March 2021	1,636

Short term – 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 is made about the likely success rate of appeals and their value. In 2020/21 there has been a £63,000 increase in the provision for appeals within the Collection Fund. The Council's share of this is 40% (i.e. £25,000).

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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 2020/21 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.

21. UNUSABLE RESERVES

31.3.2020 £000		31.3.2021 £000
30,278	Revaluation Reserve	30,405
54,655	Capital Adjustment Account	54,796
(48,504)	Pensions Reserve	(61,351)
39	Council Tax Collection Fund Adjustment Account	3
25	Business Rates Collection Fund Adjustment Account	(7,242)
(361)	Financial Instruments Revaluation Reserve	(220)
(143)	Accumulated Absences Account	(148)
35,989	Total Unusable Reserves	16,243

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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.

The Reserve includes only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

31.3.2020 £000	31.3.2020 £000	Revaluation Reserve	31.3.2021 £000	31.3.2021 £000
	30,649	Balance at 1 April		30,278
1,921		Upward revaluation of assets	4,297	
<u>(1,784)</u>		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	<u>(3,846)</u>	
	137	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		451
(367)		Difference between fair value depreciation and historical cost depreciation	(404)	
-		Accumulated gains on assets reclassified as Investment Properties	117	
<u>(141)</u>		Accumulated gains on assets sold or scrapped	<u>(37)</u>	
	(508)	Amount written off to the Capital Adjustment Account		(324)
	30,278	Balance at 31 March		30,405

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

2019/20 £000	2019/20 £000	Capital Adjustment Account	2020/21 £000	2020/21 £000
	54,312	Balance at 1 April		54,655
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES) :		
(2,308)		▪ Charges for depreciation of non-current assets	(2,557)	
(45)		▪ Revaluation gains/(losses) on Property, Plant and Equipment (PPE)	188	
10		▪ Revaluation gains/(losses) on Investment Properties	(286)	
(92)		▪ Amortisation of Intangible Assets	(29)	
(1,788)		▪ Revenue expenditure funded from capital under statute (REFCUS)	(1,404)	
(424)		▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(232)	
	(4,647)	Total		(4,320)
141		Amounts of Revaluation Reserve balance written off on disposal or sale of PPE	37	
-		Amounts of Revaluation Reserve written off on reclassification of PPE to Investment Properties	(117)	
<u>367</u>		Adjusting amounts written out of the Revaluation Reserve	<u>404</u>	
	508	Net written out amount of the cost of non-current assets consumed in the year		324
		Capital financing applied in the year:		
911		• Use of the Capital Receipts Reserve to finance new capital expenditure	507	
1,677		• Capital grants and contributions credited to the CIES that have been applied to capital financing	1,241	
583		• Application of grants to capital financing from the Capitals Grants Unapplied Account	97	
34		• Statutory provision for the financing of capital investment charged against the General Fund	344	
1,278		• Capital expenditure charged against the General Fund	1,798	
-		• Revenue Contribution to Capital Outlay (RCCO)	150	
<u>(1)</u>		• Repayment of parish loans	=	
	4,482	Total		4,137
	54,655	Balance at 31 March		54,796

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.

31.3.2020 £000	Pensions Reserve	31.3.2021 £000
(48,569)	Balance at 1 April	(48,504)
(350)	Actuarial gains or (losses) on pension assets and liabilities	(10,490)
(1,097)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(3,787)
1,512	Employer's pensions contributions and direct payments to pensioners payable in the year	1,430
(48,504)	Balance at 31 March	(61,351)

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.

31.3.2020 £000	Council Tax Collection Fund Adjustment Account	31.3.2021 £000
117	Balance at 1 April	39
(78)	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	(36)
39	Balance at 31 March	3

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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.

31.3.2020 £000	Business Rates Collection Fund Adjustment Account	31.3.2021 £000
814	Balance at 1 April	25
(789)	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*	(7,267)
25	Balance at 31 March	(7,242)

*The large movement in the 2020/21 Business Rates Collection Fund Adjustment Account reflects the deficit position on the Business Rates Collection Fund as 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 will not be discharged against the Collection Fund deficit until 2021/22 onwards. Therefore there is a deficit on the Business Rates Collection Fund Adjustment Account at 31 March 2021.

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

31.3.2020 £000	Financial Instruments Revaluation Reserve	31.3.2021 £000
(23)	Balance at 1 April	(361)
-	Upward revaluation of assets	151
(338)	Downward revaluation of assets	(10)
(361)	Balance at 31 March	(220)

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 this Account.

31.3.2020		Accumulated Absences Account	31.3.2021	
£000	£000		£000	£000
	(135)	Balance at 1 April		(143)
135		Settlement or cancellation of accrual made at the end of the preceding year	143	
(143)		Amounts accrued at the end of the current year	(148)	
	(8)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(5)
	(143)	Balance at 31 March		(148)

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

2019/20		2020/21
£000		£000
(2,308)	Depreciation	(2,557)
(45)	Impairment and downward valuations	188
10	Movement in market value of investment properties	(286)
(92)	Amortisation	(29)
(33)	Increase/(decrease) in Debtors	606
(1,508)	Increase/(decrease) in Creditors	(11,984)
(7)	Increase/(decrease) in Inventories	(2)
415	Movement in pension liability	(2,357)
(424)	Carrying amount of non-current assets held for sale, sold or derecognised	(232)
(3,992)	Total	(16,653)

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

2019/20 £000		2020/21 £000
432	Proceeds from the sale of non-current assets	296
1,773	Other non-cash items charged to the net surplus or deficit on the provision of services	1,420
2,205	Net cash flows from investing activities	1,716

24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2019/20 £000		2020/21 £000
7,899	Purchase of Property, Plant and Equipment, Investment Properties and Intangible Assets	4,241
3,000	Increase/(decrease) in investments	100
(432)	Proceeds from the sale of Property, Plant and Equipment, Investment Properties and Intangible Assets	(296)
(1,774)	Other receipts from investing activities (capital grants and contributions)	(2,362)
8,693	Net cash flows from investing activities	1,683

25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2019/20 £000		2020/21 £000
(9,077)	Cash receipts of short term and long term borrowing	-
-	Repayments of short and long-term borrowing	93
(3,492)	Other payments for financing activities*	3,773
(12,569)	Total	3,866

*The movement between 2019/20 and 2020/21 is due to the movement on the Collection Fund during 2020/21 and the end of year deficit position from the timing differences in the Collection Fund accounting treatment of the S31 compensation grant. For further information see Note 15 and 18.

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, South Hams District Council (SHDC), West Devon Borough Council (WDBC) 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 Devon Building Control Partnership (DBCP) to the three Council areas. This agreement saw the transfer of all staff who had DBCP responsibilities from SHDC or WDBC to TDC. As a result of this change, operational arrangements such as the delivery and management of support service functions, including holding the DBCP financial reserve, passed to TDC. Consequently the balance of the Building Control earmarked reserve was paid over to TDC during 2017/18 (£436,000). SHDC & WDBC retain control over the operation of this reserve and the DBCP by virtue of the partnership and hosting agreement, along with active participation in the controlling Devon Building Control Partnership Committee.

The Summary Accounts for the year will be detailed in the DBCP Accounts, which can be found on Teignbridge District Council's Website under the Devon Building Control Partnership Committee 2020/2021.

27. 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.

2019/20 £000		2020/21 £000
240	Allowances	245
24	Expenses	1
264	Total	246

28. OFFICERS' REMUNERATION

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

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

- 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 £
Chief Executive and Head of Paid Service (Post vacant from 15/03/20 to 07/06/20 - Note C)	19/20	111,900	800	16,300	129,000
	20/21	100,300	-	16,900	117,200
Corporate Director of Governance & Assurance (New post, start date 09/09/19 – Note B)	19/20	39,400	400	5,700	45,500
	20/21	72,500	500	12,200	85,200
Head of Finance (Deputy S.151 Officer) – regraded from 01/12/19	19/20	55,100	100	8,000	63,200
	20/21	58,000	100	9,300	67,400
Head of Maritime – regraded from 01/12/19	19/20	50,400	1,300	7,400	59,100
	20/21	54,200	1,000	8,900	64,100
Head of IT – regraded from 01/12/19	19/20	50,300	200	7,300	57,800
	20/21	56,500	100	9,500	66,100
Head of Place Making – regraded from 01/12/19, post vacant until 26/10/20	19/20	47,800	700	7,000	55,500
	20/21	22,200	100	3,700	26,000
Head of Human Resources – regraded from 01/12/19	19/20	48,900	100	7,100	56,100
	20/21	52,400	200	8,800	61,400
Customer First Specialist Manager (Post holder moved to Corporate Director of Governance & Assurance 09/09/19)	19/20	23,500	600	3,400	27,500
	20/21	-	-	-	-
Head of Legal & Monitoring Officer (in post from 10th November 2020 – Note D)	19/20	-	-	-	-
	20/21	50,300	-	8,400	58,700

No other officers earned over £50,000 during 2020/21 or 2019/20.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Note A: Shared Services with West Devon Borough Council

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

In 2020/21 South Hams District Council reimbursed costs amounting to £502,000 (2019/20 £429,700) in respect of some members of the Senior Leadership Team (SLT) and the Extended Leadership Team (ELT) who are employed by West Devon Borough Council. South Hams District Council received a reimbursement in 2020/21 from West Devon Borough Council of £233,100 (2019/20 £216,400) in respect of the above shared senior employees.

Note B: Senior Leadership Team interim arrangements

South Hams District Council is in a shared services arrangement with West Devon Borough Council and the two Councils have a shared Senior Leadership Team and a shared non-manual workforce. Following the resignation of the former Executive Director in February 2018, Council approved interim senior management arrangements. A report was presented to Council on 21 February 2019 (Council Minute 55/18) that outlined a review of the Staffing Establishment.

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

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

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

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

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

- Director of Strategic Finance (West Devon)

Following the Senior Leadership Team restructure, the Extended Leadership Team and Team Leader structure was reviewed to ensure that resources were aligned to delivering the Council's corporate priorities. This resulted in the following changes to the establishment:-

Deletion of the following posts

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

Creation of the following posts

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

This restructure concluded in December 2019 resulting in a saving of £60,000 per annum for South Hams District Council.

Note C: 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 D: 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

29. 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:

	<i>Restated*</i> 2019/20 £000	2020/21 £000
Fees payable with regard to external audit services	54	64
Core Audit Fees	47	54
Audit of Grants and Returns	7	10
Rebate from Public Sector Audit Appointments Ltd	(4)	-
Total	50	64

*The 2019/20 audit fees have been increased from £40,000 (Core Audit Fees) and £6,000 (Audit of Grants) to £47,000 and £7,000 respectively. These changes reflect the additional audit fees charges in respect of 2019/20.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

30. GRANT INCOME

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

	2019/20 £000	2020/21 £000
Credited to Taxation and Non-Specific Grant Income		
Capital grants and contributions:		
Disabled Facilities Grants	(1,081)	(1,141)
Capital Section 106 deposits	(638)	-
Homes England (Clay Park)	-	(270)
Other capital grants and contributions	(55)	(9)
Non ring - fenced Government grants and contributions:		
New Homes Bonus Grant	(1,227)	(1,199)
S31 Business Rate Relief Grants*	(2,766)	(9,183)
Levy Account Surplus Grant	(6)	-
Rural Services Delivery Grant	(408)	(408)
COVID-19 LA Response Grant	-	(1,088)
COVID-19 Sales, Fees & Charges Compensation		(1,079)
COVID-19 New Burdens Admin Support Grant		(475)
Total	(6,181)	(14,852)
Credited to Services		
Rent Allowance subsidy**	(16,628)	(15,545)
Housing Benefit administration subsidy	(190)	(200)
Rent rebate subsidy	(84)	(62)
Discretionary housing payments	(111)	(172)
Council Tax benefit administration subsidy	(79)	(78)
Business Rates cost of collection allowance	(204)	(206)
Recycling credits	(434)	(538)
Revenue Section 106 deposits	(382)	(521)
Electoral Commission – General Elections and European Elections	(283)	(18)
COVID-19 Additional Restrictions Support Grant	-	(1,178)
COVID-19 Additional Restrictions Support Grant (Top Up)	-	(223)
COVID-19 Track & Trace Administration Support Grant	-	(24)
COVID-19 Discretionary Business Grants Fund	-	(2,306)
COVID-19 Cold Weather Grant Fund	-	(6)
COVID-19 Compliance and Enforcement Grant	-	(35)
COVID-19 Council Tax Hardship Grant Fund	-	(508)
COVID-19 Local Restrictions Support Grant (Open)	-	(2,079)
Other grants	(669)	(627)
Total	(19,064)	(24,326)

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

S31 Business Rate Relief Grants

*The S31 Business Rate Relief Grants received in 2020/21 include the S31 compensation grant that local authorities were awarded to offset the business rate reliefs given to businesses during lockdown and the Tax Income Guarantee S31 grant for Business Rates, amounting to £6.28m in total.

Rent Allowance Subsidy

** Housing Benefit Payments and Subsidy have reduced significantly between 2020/21 and 2019/20 mainly due to a reduction in caseload.

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 2020 £000	31 March 2021 £000
Section 106 Deposit – Penn Torr, Salcombe	(84)	-
BEIS Green Homes Grant	-	(1,026)
Other grants	(16)	(16)
Total	(100)	(1,042)

Revenue Grants Receipts in Advance	31 March 2020 £000	31 March 2021 £000
COVID-19 Business Rate Relief grant	(2,941)	-
COVID-19 Additional Restrictions Grant	-	(562)
COVID-19 Additional Restrictions Grant (Top Up)	-	(550)
COVID-19 LRSG (Open)	-	(215)
Other grants	(9)	(9)
Total	(2,950)	(1,336)

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Long Term Revenue Grants Receipts in Advance (Section 106 Deposits)	31 March 2020 £000	31 March 2021 £000
Lantage Energy Centre	(1,722)	(1,458)
Gara Rock, East Portlemouth	(523)	(523)
Land South East of Torhill Farm, Ivybridge	(511)	(489)
Land at Woodland Road, Ivybridge	(202)	(195)
Bonfire Hill, Salcombe	(185)	(184)
Land at Moorview, Marldon	(170)	(130)
Riverside, Totnes	(128)	(96)
Former Old Chapel Inn, Bigbury	(110)	(110)
Sawmills Field, Dartington	(98)	(77)
Trennels, Herbert Road, Salcombe	(93)	(93)
Webbers Yard, Dartington	(85)	(56)
Venn Farm, Brixton	(79)	(60)
Holywell Stores, Bigbury	(74)	(74)
Former Gas Works, Salcombe	(69)	(68)
Cornwood Road, Ivybridge	(214)	(214)
Land off Palm Cross Green, Modbury	(202)	(197)
Knighton Road, Wembury	(111)	(106)
Land East of Allern Lane, Tamerton Foliot	(105)	(105)
Land at Cornwood Road, Ivybridge	-	(97)
Yealm Hotel, Newton Ferrers	-	(139)
Various other sites	(1,026)	(1,254)
Total	(5,707)	(5,725)

31. 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 30.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 27.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

During 2020/21 the Council incurred capital expenditure for the waste depot at Ivybridge (£1.2m) and recycling containers for the implementation of the Devon Aligned Service - a new recycling service (£0.6m). The total borrowing of £1.8 million is reflected in the movement in the Capital Financing Requirement (CFR) below.

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

Summary of Capital Expenditure and Financing (incorporating the Capital Financing Requirement)	2019/20 £000	2020/21 £000
<i>Opening Capital Financing Requirement</i>	6,291	11,494
Capital Investment		
Property, Plant and Equipment	2,521	2,788
Investment Properties	4,996	-
Intangible Assets	10	179
Revenue expenditure funded from capital under statute (REFCUS)	1,788	1,404
Assets under Construction	371	1,274
Bank investment	-	-
Total expenditure for capital purposes	9,686	5,645
Sources of Finance		
Capital receipts	(911)	(507)
Capital grants and external contributions	(2,260)	(1,338)
Earmarked reserves	(1,278)	(1,798)
Revenue	-	(150)
Total funding	(4,449)	(3,793)
Minimum Revenue Provision	(34)	(344)
<i>Closing Capital Financing Requirement</i>	11,494	13,002
<i>Movement in Capital Financing Requirement</i>	5,203	1,508
Explained by:		
Increase in underlying need to borrow (supported by government financial assistance)	5,054	(316)
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	149	1,824
Increase/(decrease) in Capital Financing Requirement	5,203	1,508

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

33. LEASES

Operating Leases

Authority as Lessee

The Authority uses certain land and buildings under the terms of operating leases. The most significant are:

Detail of lease	Term	Expiry date	Segment in CIES
A parcel of land for car parking	6 years	30.05.2023	Place and Enterprise
The fundus of the Salcombe & Kingsbridge Estuary for the provision of harbour activities	21 years	24.03.2028	Place and Enterprise

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

	31 March 2020 £000	31 March 2021 £000
N.B. Rentals for the fundus have been estimated based on income generated from certain harbour activities.		
Not later than one year	236	232
Later than one year & not later than five years	756	627
Later than five years	400	254
Total	1,392	1,113

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

	2019/20 £000	2020/21 £000
Minimum lease payments	170	230
Total	170	230

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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 operation of a supermarket	99 years	20.12.2077	Investment Properties
The operation of a supermarket and residential accommodation	35 years	24.03.2031	Investment Properties
The rental of an industrial unit	25 years	31.05.2029	Place and Enterprise
The rental of office accommodation	20 years	24.07.2032	Place and Enterprise
The rental of office accommodation	10 years	29.09.2026	Place and Enterprise

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

	31 March 2020 £000	31 March 2021 £000
N.B. Rental income from the temporary accommodation has been estimated (based on rentals paid).		
Not later than one year	1,004	1,004
Later than one year & not later than five years	4,015	4,015
Later than five years	33,494	32,490
Total	38,513	37,509

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

34. EXIT PACKAGES AND TERMINATION BENEFITS

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

Exit package cost band (incl. special payments)	Number of voluntary redundancies		Number of compulsory redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	19/20	20/21	19/20	20/21	19/20	20/21	19/20	20/21
£0 - £20,000	-	-	1	2	1	2	2,636	8,272
TOTAL	-	-	1	2	1	2	2,636	8,272

The exit package amount (£8,272 in 2020/21) is the cost of redundancy payment plus the cost of any pension strain payments.

Shared Services with West Devon Borough Council

Of the £8,272 cost of exit packages in 2020/21 (£2,636 in 2019/20), West Devon Borough Council (WDBC) made a contribution of £2,830 in 2020/21 (£659 in 2019/20). In addition, South Hams District Council made a contribution of nil to West Devon Borough Council in respect of their exit package costs in 2020/21 (£76,919 in 2019/20).

35. 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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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. 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 2022 is £1.253m. 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.

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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement	2019/20 £000	2020/21 £000
Cost of Services		
<i>Service cost comprising</i>		
- Current Service Cost	(41)	2,599
<i>Financing and Investment Income and Expenditure</i>		
- Net Interest Expense	1,067	1,123
- Administration Expenses	71	65
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	1,097	3,787
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	(12,457)	33,174
- Change in demographic assumptions	(1,029)	(1,470)
- Experience loss/(gain)	3,913	(1,829)
- Return on fund assets in excess of interest	9,543	(19,385)
- Other actuarial gains/(losses) on assets	380	-
<i>Total re-measurement recognised</i>	<i>350</i>	<i>10,490</i>
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	1,447	14,277
<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	1,097	3,787
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>		
- Employers contributions payable to scheme	1,512	1,430

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:

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Net Pension Liability	31 March 2020 £000	31 March 2021 £000
Present value of the defined benefit obligation	129,835	161,989
Fair value of Fund assets	(83,985)	(103,353)
Deficit/(surplus)	45,850	58,636
Present value of unfunded obligation	2,654	2,715
Net defined benefit liability/(asset)	48,504	61,351

Reconciliation of opening and closing balances of the fair value of Fund assets	31 March 2020 £000	31 March 2021 £000
Opening fair value of Fund assets	98,688	83,985
Interest on assets	2,230	1,951
Return on assets less interest	(9,543)	19,385
Other actuarial gains/(losses)	(380)	-
Administration expenses	(71)	(65)
Contributions by employer including unfunded	1,512	1,430
Contributions by Scheme participants	458	481
Estimated benefits paid plus unfunded net of transfers in	(4,328)	(3,814)
Settlement prices received/(paid)	(4,581)	-
Closing fair value of Fund assets	83,985	103,353

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	31 March 2020 £000	31 March 2021 £000
Opening defined benefit obligation	147,257	132,489
Current service cost	2,702	2,599
Interest cost	3,297	3,074
Change in financial assumptions	(12,457)	33,174
Change in demographic assumptions	(1,029)	(1,470)
Experience loss/(gain) on defined benefit obligation	3,913	(1,829)
Liabilities assumed/(extinguished) on settlements	(7,938)	-
Estimated benefits paid net of transfers in	(4,137)	(3,622)
Past service costs, including curtailments	614	-
Contributions by Scheme participants	458	481
Unfunded pension payments	(191)	(192)
Closing defined benefit obligation	132,489	164,704

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 2021, they have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2020, using financial assumptions that comply with IAS19.

To calculate the asset share they have rolled forward the assets allowing for investment returns (estimated where necessary), contributions paid into and estimated benefits paid from the Fund, by and in respect of the Employer and its employees.

The major assumptions are summarised in the table below:

Basis for estimating assets and liabilities	31 March 2020	31 March 2021 (after CMI_2020 update)
Mortality assumptions (in years):		
<u>Longevity at 65 for current pensioners</u>		
- Men	22.9	22.6
- Women	24.1	23.9
<u>Longevity at 65 for future pensioners (in 20 years)</u>		
- Men	24.3	24.0
- Women	25.5	25.4
Financial assumptions (in percentages):		
- RPI increases	2.7%	3.2%
- CPI increases	1.9%	2.8%
- Salary increases	2.9%	3.8%
- Pension increases	1.9%	2.8%
- Discount rate	2.4%	2.0%

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new 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.

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	(0.1%)
Present value of total obligation	161,654	164,704	167,907
Projected service cost	3,813	3,946	4,083
Adjustment to long term salary increase	+0.1%	0.0%	(0.1%)
Present value of total obligation	164,493	164,704	164,466
Projected service cost	3,948	3,946	3,944
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	(0.1%)
Present value of total obligation	167,639	164,704	161,823
Projected service cost	4,082	3,946	3,814
Adjustment to life expectancy assumptions	+ 1 Year	None	-1 Year
Present value of total obligation	172,477	164,704	157,291
Projected service cost	4,119	3,946	3,779

The estimated asset allocation for South Hams District Council as at 31 March 2021 is as follows:

Employer asset share	31 March 2020		31 March 2021	
	£000	%	£000	%
Gilts	3,582	4%	3,514	3%
UK equities	11,176	14%	11,447	11%
Overseas equities	36,118	43%	53,375	52%
Property	7,912	10%	8,301	8%
Infrastructure	3,619	4%	4,188	4%
Target return portfolio	11,028	13%	9,730	9%
Cash	978	1%	1,066	1%
Other bonds	4,400	5%	4,634	5%
Alternative assets	5,172	6%	7,098	7%
Total	83,985	100%	103,353	100%

Of the total fund asset at 31 March 2021, the following table identifies the split of those assets with a quoted market price and those that do not:

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Employer Asset Share – Bid Value		31 March 2021	
		% Quoted	% Unquoted
Fixed interest government securities	UK	0.1%	-
	Overseas	3.3%	-
Corporate bonds	UK	0.1%	-
	Overseas	2.3%	-
Equities	UK	11.1%	-
	Overseas	51.6%	-
Property	All	-	8.0%
Others	Absolute return portfolio	9.4%	-
	Private equity	-	4.1%
	Infrastructure	-	-
	Derivatives	0.1%	-
	Multi sector credit fund	6.8%	-
	Private debt	-	2.1%
	Cash/Temporary investments	-	1.0%
Net current assets	Debtors	-	0.1%
	Creditors	-	(0.1%)
Total		84.8%	15.2%

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 the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published.

The valuation provided includes an allowance to reflect the Court of Appeal judgement. This allowance was described in the previous accounting report and incorporated into the accounting results as at 31 March 2020. These results, including the allowance, have been rolled forward and remeasured to obtain the accounting results as at 31 March 2021.

Based on available information, the actuary's view is that the final remedy is unlikely to have a materially different effect from the estimate already made.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

36. CONTINGENT LIABILITIES

The transfer of the Council's housing stock in March 1999 resulted in a capital receipt of some £42m. As the stock transfer had to take place over a very short timescale, wide warranties were given to South Hams Housing (now LiveWest, previously Liverty) on staffing, environmental and other issues, (for example in relation to the existence of contaminated land, subsidence, etc.). These warranties were granted for 35 years from 1999. The purpose of these warranties is to safeguard the housing company if any of the main assumptions on which the transfer price was calculated turn out to be different in reality. Any liabilities that do arise will be funded from the Council's general reserves. Unfortunately, owing to the uncertainties surrounding any potential claim, it is not practicable to make an estimate of the total value of liabilities (if any).

37. 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:

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its Financial Regulations/Standing Orders/Constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures regarding the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported to Members during the year.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 30 April 2020 and is available on the Council's website (Minute 86/19).

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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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 2020/21 was approved by Council on 30 April 2020 and is available on the Council's website (Minute 86/19).

The Council's Counterparty limits are as follows:

- £6.0 million for Money Market Funds
- £1.5 million on CCLA Property Investment Fund
- £2.0 million on CCLA Diversified Income Fund
- £6.0 million on term deposits with banks and building societies with the UK (£7.0 million with Lloyds Bank PLC, the Council's bank).

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 2021 and is reflected in the current figure of £545,000. This compares to £585,000 in 2019/20. The bad debt provision is adequate to deal with the historical experience of default and current market conditions. An analysis of the Council's debtors is provided in Note 15 to the accounts.

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Amounts Arising from Expected Credit Losses

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

	Balance at 31 March 2021	Historical Experience of Default	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2021
	£000	%	£000
Deposits with Bank and Financial Institutions			
Aberdeen Standard Money Market Fund	6,000	0.000%	-
Blackrock Money Market Fund	6,000	0.000%	-
Deutsche Money Market Fund	5,200	0.000%	-
LGIM Money Market Fund	6,000	0.000%	-
Barclays Bank PLC	3,500	0.002%	-
Barclays Bank PLC	2,500	0.002%	-
Debt Management Office	3,600	0.001%	-
Lloyds Bank PLC	1,000	0.004%	-
Lloyds Bank PLC	5,000	0.013%	1
Total	38,800		1

Liquidity risk

The Council 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 Council 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 Council 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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements.

From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Finance team will monitor markets and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

Price risk

The Council has an investment of £1.5 million in the CCLA Local Authorities Property Fund and £2.0 million in the CCLA Diversified Income Fund. At the end of each financial year the value of the Local Authority's investments are adjusted to equal the number of units held, multiplied by the published bid price.

The above investments have 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,

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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's 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 Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

	Approved minimum limits	Approved maximum limits	31 March 2020		31 March 2021	
	%	%	£million	%	£million	%
Less than 1 year	0%	10%	0.092	0.6%	0.094	0.6%
Between 1 and 2 years	0%	10%	0.094	0.6%	0.096	0.7%
Between 2 and 5 years	0%	50%	1.016	7.0%	1.384	9.6%
Between 5 and 10 years	0%	50%	2.347	16.1%	2.361	16.3%
Between 10 and 20 years	0%	50%	4.294	29.5%	3.968	27.4%
More than 20 years	0%	100%	6.723	46.2%	6.571	45.4%
Total			14.566	100.0%	14.474	100.0%

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

38. ACCOUNTING POLICIES

a) General Principles

The **Statement of Accounts** summarises the Authority's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. 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 2020/21, 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 expenditure the de minimis has remained at £5,000 in 2020/21.

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 Council's cash management.

d) Material Items of Income and Expense

When items of income and expense are material (in excess of £500,000), 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 Council'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*, 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 Council. 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 Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. 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 end at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post-Employment Benefits

Employees of the Council are members of 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 Council.

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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

- 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 35.

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 Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the *Financing and Investment Income and Expenditure* line of the **Comprehensive Income and Expenditure Statement** – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- **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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

In relation to retirement benefits, statutory provisions require the *General Fund balance* to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the *Movement in Reserves Statement*, this means that there are appropriations to and from the *Pensions Reserve* to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the *Pensions Reserve* thereby measures the beneficial impact to the *General Fund* of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff 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**.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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.

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).

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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.

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*.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Inputs to the valuation techniques in respect of 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 Council 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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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 Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the **Comprehensive Income and Expenditure Statement** until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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.

k) Heritage Assets

Heritage assets are assets that are held by the Council 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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

l) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council. 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 Council can be determined by reference to an active market. In practice, no intangible asset held by the Council 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) Inventories

Inventories are included in the **Statement of Financial Position** (Balance Sheet) at the lower of cost and net realisable value.

n) 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 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*

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Account and (for any sale proceeds greater than £10,000) the *Capital Receipts Reserve*.

o) 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.

p) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets (i.e. embedded leases).

The Authority as Lessee

Finance Leases

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

Operating Leases

Rentals paid under operating leases are charged to the **Comprehensive Income and Expenditure Statement** as an expense of the services benefitting from use of the leased property, plant or equipment. Where material, charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

The Authority as Lessor

Finance Leases

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the **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.

q) Overheads and Support Services

Costs of overheads and support services are only recharged to services requiring full cost recovery including Salcombe Harbour. Apart from these exceptions support services are shown in the Customer Service and Delivery service group within the **Comprehensive Income and Expenditure Statement**, which is in line with the Council's internal reporting method.

r) 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 Council 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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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).

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*.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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.*

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

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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 sixty years	Up to eighty years
Infrastructure	Up to twenty years	Up to fifty years
Refuse vehicles	Up to seven years	Up to ten years
Light vans	Up to seven years	Up to seven years
Marine vessels	Up to fifteen years	Up to fifteen years
IT equipment	Up to three years	Up to three years

For some assets, a residual value is held on the Asset Register. The residual value is the estimated amount which would currently be realised from the disposal of the asset after deducting selling costs. Residual values are recorded as £15,000 for Ferry Tugs and £6,000 for Ferry Floats, both of which are used in the operation of the Dartmouth Ferry. Refuse vehicles purchased before 2015/16 also have a residual value of £2,000.

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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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 **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*.

s) 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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

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 Council.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the **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 and assets 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.

t) 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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

u) 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.

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

v) 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 Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the *Movement in Reserves Statement* from the *General Fund Balance* to the *Capital Adjustment Account* then reverses out the amounts charged so that there is no impact on the level of council tax.

w) Section 106 Deposits

Where repayment conditions exist, developer contributions are treated as revenue receipts (Long Term Liabilities in the Statement of Financial Position, also known as the Balance Sheet) unless a clear capital use is identified in the terms of the agreement. In the latter case they are defined as Capital Receipts in Advance. Where no conditions are attached to the agreement, they are either treated as capital grants unapplied or credited directly to services if revenue in nature.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

x) Shared Services

South Hams District Council and West Devon Borough 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.

y) 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.

z) 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 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.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

aa) 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.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) introduces changes in accounting policies that will have to be adopted fully by the Council in the 2021/22 financial statements i.e. from 1 April 2021.

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 have deferred implementation of IFRS16 for local government until 1 April 2022 due to the COVID-19 pandemic. This is in line with decisions made by HM Treasury in respect of the UK public sector as a whole.

Following this deferral, it is not yet possible to determine the impact on the Council's financial performance or financial position.

SECTION 3. NOTES TO THE FINANCIAL STATEMENTS

40. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 38, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The cost drivers used to apportion Shared Service costs are appropriate and result in recharges which fairly reflect actual workloads and costs. The 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 2021

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.

2019/20 Business Rates £000	2019/20 Council Tax £000		2020/21 Business Rates £000	2020/21 Council Tax £000
		INCOME		
-	(74,334)	Income from Council Tax	-	(77,229)
(29,646)	-	Business Rates Receivable*	(15,575)	-
3	-	Interest on Refunds	-	-
1,189	-	Less: Transitional Relief	377	-
(28,454)	(74,334)		(15,198)	(77,229)
		EXPENDITURE		
		Precepts, Demands and Shares:		
13,856	-	Central Government	14,244	-
2,494	52,852	Devon County Council	2,564	55,431
-	8,105	Devon & Cornwall Police	-	8,535
277	3,303	Devon & Somerset Fire Authority	285	3,398
11,085	8,779	South Hams District Council (net including Towns/Parishes)	11,395	9,299
585	-	Business Rates written off and change in impairment allowance	2,575	-
-	1,018	Council Tax written off and change in impairment allowance	-	362
436	-	Business Rates increase/(decrease) in provision for appeals	63	-
204	-	Business Rates – Costs of collection	206	-
		Distribution/collection of previous year's estimated surplus/(deficit):		
(512)	-	Central Government	744	-
1,390	685	Devon County Council	457	360
-	97	Devon and Cornwall Police	-	55
15	43	Devon and Somerset Fire Authority	20	22
596	112	South Hams District Council	814	60
30,426	74,994		33,367	77,522
1,972	660	MOVEMENT ON BALANCE*	18,169	293

SECTION 4. COLLECTION FUND

* Business Rates Receivable in 2020/21 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 will not be discharged against the Collection Fund deficit until 2021/22 onwards. Therefore Business Rates Receivable have reduced by £14.1m in 2020/21 leading to an overall deficit on the Business Rates Collection Fund of £18.106m as at 31 March 2021, a movement of £18.169m. 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.

1. Council Tax and Council Tax Base

In 2020/21, the Council's average Band D Council Tax was £1,990.82 (£1,913.04 in 2019/20). The charge for each band is a ratio of band D. The 2020/21 charges therefore were:

Band	Ratio to Band D	Council Tax (£)
Disabled A	5/9	1,106.01
A	6/9	1,327.21
B	7/9	1,548.42
C	8/9	1,769.62
D	1	1,990.82
E	11/9	2,433.22
F	13/9	2,875.63
G	15/9	3,318.03
H	18/9	3,981.64

These charges are before any appropriate discounts. 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 2020/21 was **38,508.49** as calculated below (**38,179.72** in 2019/20).

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
Disabled A	-	14.25	14.25	5/9	7.92
A	4,991	(858.50)	4,132.50	6/9	2,755.00
B	8,752	(1,021.00)	7,731.00	7/9	6,013.00
C	8,828	(816.75)	8,011.25	8/9	7,121.11
D	8,092	(559.25)	7,532.75	1	7,532.75
E	6,877	(474.50)	6,402.50	11/9	7,825.28
F	3,812	(193.25)	3,618.75	13/9	5,227.08
G	3,064	(180.75)	2,883.25	15/9	4,805.42
H	344	(20.00)	324.00	18/9	648.00
Total	44,760.00	(4,109.75)	40,650.25		41,935.56
Less allowance for non collection					(838.72)
Plus adjustment for armed forces dwellings					66.70
Other adjustments including Council Tax Support					(2,655.05)
Tax base					38,508.49

2. Rateable Value

The total business rates rateable value at 31 March 2021 was £86,832,255. This compares to £86,532,995 at 31 March 2020. The standard business rates multiplier was 51.2p in 2020/21 (2019/20 50.4p). Without reliefs this would generate a total income of £44,458,114.56 (2019/20 £43,612,629.48). These figures are a snapshot only and differ from the value of business rate bills issued due to changes in rateable values during the year, small business rate relief, void properties and charitable relief. In 2020/21 the Government also fully funded an expanded Retail, Hospitality and Leisure Relief scheme in response to the COVID-19 pandemic.

3. Collection Fund balance

2019/20 Business Rates* £000	2019/20 Council Tax £000		2020/21 Business Rates* £000	2020/21 Council Tax £000
(2,035)	(981)	Fund balance at 1 April	(63)	(321)
1,972	660	Deficit/(surplus) for year	18,169	293
(63)	(321)	Fund balance as at 31 March – deficit/(surplus)	18,106	(28)

SECTION 4. COLLECTION FUND

*Business Rates Position 31 March 2021 (the deficit on the Collection Fund for Business Rates)

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 will not be discharged against the Collection Fund deficit until 2021/22 onwards. Therefore Business Rates Receivable have reduced by £14.1m in 2020/21 leading to an overall deficit on the Business Rates Collection Fund of £18.106m as at 31 March 2021. 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.

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

2019/20 Business Rates £000	2019/20 Council Tax £000		2020/21 Business Rates* £000	2020/21 Council Tax £000
242	-	Central Government	9,053	-
(279)	(233)	Devon County Council	1,630	(20)
-	(35)	Devon and Cornwall Police	-	(4)
(1)	(14)	Devon and Somerset Fire Authority	181	(1)
(38)	(282)	Total deficit/(surplus) due to Preceptors	10,864	(25)
(25)	(39)	South Hams District Council	7,242	(3)
(63)	(321)	Fund balance as at 31 March – deficit/(surplus)*	18,106	(28)

*Business Rates Position 31 March 2021(the deficit on the Collection Fund for Business Rates)

The deficit on the Business Rates Collection Fund as at 31 March 2021 of £18.106m is shared between the Preceptors and South Hams District Council as shown in the table above. The Preceptors element of this deficit is reflected in the significant increase in the Business Rates Debtor as at 31 March 2021 detailed in Note 15.

SECTION 5. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF 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 (the Chief Financial Officer) has responsibility for the administration of those affairs. In this Authority, that officer is the Section 151 Officer & Corporate Director of Strategic Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- 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 (which includes the financial statements) 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;
- 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 of its income and expenditure for the year ended 31 March 2021.

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

28 October 2021

SECTION 5. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS.

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at its meeting held on 28 October 2021.

Signed on behalf of South Hams District Council

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Councillor L Austen

Chairman of the Audit Committee

SECTION 6. AUDITORS REPORT.

DRAFT Independent auditor's report to the members of South Hams District Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of South Hams District Council (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income & Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director of Strategic Finance (Section 151 Officer) use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Corporate Director of Strategic Finance (Section 151 Officer) conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability

SECTION 6. AUDITORS REPORT.

to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Corporate Director of Strategic Finance (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Corporate Director of Strategic Finance (Section 151 Officer) with respect to going concern are described in the 'Responsibilities of the Authority, the Corporate Director of Strategic Finance (Section 151 Officer) and Those Charged with Governance for the financial statements' section of this report.

Other information

The Corporate Director of Strategic Finance (Section 151 Officer) is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

SECTION 6. AUDITORS REPORT.

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Corporate Director of Strategic Finance (Section 151 Officer) and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the statement of accounts, 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). The Corporate Director of Strategic Finance (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director of Strategic Finance (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Strategic Finance (Section 151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government

SECTION 6. AUDITORS REPORT.

Act 1972, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.

- We enquired of senior officers and the Audit Committee concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Audit Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries posted during and post year-end; and
 - the significant accounting estimates in the financial statements, including those related to the valuation of property, plant and equipment, the net pensions liability and significant year-end accruals.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Corporate Director of Strategic Finance (Section 151 Officer) has in place to prevent and detect fraud;
 - journal entry testing, with a focus on large and unusual postings;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings, investment property and the defined benefit pensions liability; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations].
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the local government sector; and
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation;
 - guidance issued by CIPFA, LASAAC and SOLACE; and
 - the applicable statutory provisions.

SECTION 6. AUDITORS REPORT.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; and
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

SECTION 6. AUDITORS REPORT.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for South Hams District Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

SECTION 7. GLOSSARY OF TERMS

ACCRUALS	A sum included in the accounts to cover income or expenditure attributable to an accounting period for goods received or works 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 AND 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.
CAPITAL EXPENDITURE	Expenditure on the acquisition of an asset or expenditure which adds to and not merely maintains the value of an existing 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 loan.
CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)	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 business rates.
CURRENT SERVICE COST	Amount chargeable to Services based on the Actuary's assessment of pension liabilities arising and chargeable to the financial year.
CURTAILMENTS	This is the amount the Actuary estimates as the cost to the Authority of events that reduce future contributions to the scheme, such as granting early retirement.

SECTION 7. GLOSSARY OF TERMS

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 AND CHARGES	In addition to the income from charge payers and the Government, 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 collectible 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) AND 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

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	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.
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, and general running expenses etc.
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 Council at 31 March.
SUNDRY DEBTORS	Amounts owed to the Council at 31 March.