

Public Document Pack

Mid Devon District Council

Audit Committee

Tuesday, 27 July 2021 at 5.30 pm
Exe Room, Phoenix House, Tiverton

Next meeting
Tuesday, 21 September 2021 at a time to be confirmed

Important - this meeting will take place at Phoenix House, but members of the Public and Press can and should attend via Zoom only. Please do not attend Phoenix House without prior agreement. The attached Protocol for Hybrid Meetings explains how this will work.

Join Zoom Meeting

<https://zoom.us/j/98673231814?pwd=TVZ0VIRPK05RSmk2ZDRwMUZITXRjUT09>

Meeting ID: 986 7323 1814

Passcode: 568685

One tap mobile

08003582817,,98673231814#,,,,*568685# United Kingdom Toll-free

08000315717,,98673231814#,,,,*568685# United Kingdom Toll-free

Dial by your location

0 800 358 2817 United Kingdom Toll-free

0 800 031 5717 United Kingdom Toll-free

0 800 260 5801 United Kingdom Toll-free

Meeting ID: 986 7323 1814

Passcode: 568685

Membership

Cllr W Burke

Cllr Mrs C Collis

Cllr N V Davey

Cllr S J Penny

Cllr A Wyer

Cllr A White

Cllr A Wilce

AGENDA

Members are reminded of the need to make declarations of interest prior to any discussion which may take place

1. **Election of Chairman**
To elect a Chairman of the Audit Committee for the municipal year 2021/2022.
2. **Election of Vice Chairman**
To elect a Vice Chairman of the Audit Committee for the municipal year 2021/2022.
3. **Apologies**
To receive any apologies for absence.
4. **Protocol for hybrid meetings** (Pages 7 - 14)
To note the protocol for hybrid meetings.
5. **Public Question Time**
To receive any questions relating to items on the Agenda from members of the public and replies thereto.
6. **Declaration of Interests under the Code of Conduct**
Councillors are reminded of the requirement to declare any interest, including the type of interest, and reason for that interest, either at this stage of the meeting or as soon as they become aware of that interest.
7. **Minutes of the previous meeting** (Pages 15 - 22)
Members to consider whether to approve the minutes as a correct record of the meeting held on 23rd March 2021.
8. **Chairman's Announcements**
To receive any announcements that the Chairman may wish to make.
9. **Start time of meetings**
To agree the start time of meetings for the remainder of the municipal year.
10. **Performance & Risk Outturn Report 2020/21** (Pages 23 - 82)
To receive a report from the Chief Executive providing Members with the outturn on performance against the Corporate Plan and local service targets for 2020/21.
11. **Draft Annual Governance Statement & Corporate Governance Framework** (Pages 83 - 112)
To receive a report from the Operations Manager for Performance, Governance and Health & Safety presenting the Committee with the draft Annual Governance Statement and Action Plan (Appendix A) and accompanying Corporate Governance Framework (Appendix B) for

2020/21.

12. **Draft Statement of Accounts for 2020/2021** *(Pages 113 - 276)*
To receive a report from the Deputy Chief Executive (S151) presenting the draft version of the annual Statement of Accounts to Members published on the website and presented for external audit in May.
13. **Internal Audit Progress Report 2021 - 2022** *(Pages 277 - 284)*
To receive a report from the Devon Audit Partnership monitoring the progress of the internal audit function.
14. **DAP Annual Report for 2020 - 2021** *(Pages 285 - 304)*
To receive a report from the Devon Audit Partnership updating the Committee on the work performed by the internal audit during the financial year 2020/2021.
15. **External Audit Progress Report** *(Pages 305 - 318)*
To receive a report from Grant Thornton providing an update on progress in delivering their responsibilities as the Council's external auditors.
16. **External Audit Plan 2020/2021** *(Pages 319 - 342)*
To receive a report from Grant Thornton providing an overview of the planned scope and timing of the statutory audit of Mid Devon District Council's Accounts for 2020/2021.
17. **External Audit - Accounting estimate management summary** *(Pages 343 - 354)*
To receive a report from Grant Thornton setting out queries in relation to some accounting estimates in the financial statements and the MDDC management response.
18. **External Audit - PSA Informing the audit risk assessment 2020-21** *(Pages 355 - 382)*
To receive a report from Grant Thornton, the purpose of which is to contribute towards the effective two-way communication between Mid Devon District Council's external auditors and Mid Devon District Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where the external auditors are required to make inquiries of the Audit Committee under auditing standards.
19. **Access to Information - Exclusion of the Press and Public**
During discussion of the following item it may be necessary to pass the following resolution to exclude the press and public having reflected on Article 12 12.02(d) (a presumption in favour of openness) of the Constitution. This decision may be required because consideration of this matter in public may disclose information falling within one of the descriptions of exempt information in Schedule 12A to the Local

Government Act 1972. The Committee will need to decide whether, in all the circumstances of the case, the public interest in maintaining the exemption, outweighs the public interest in disclosing the information.

To consider passing the following resolution so that exempt information may be discussed.

Recommended that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the next item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 respectively of Part 1 of Schedule 12A of the Act, namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

20. **Lessons learned from the disposal of Park Nursery** (*Pages 383 - 386*)

At the Cabinet meeting held on the 13/5/21, during the discussion on the monthly performance update from 3Rivers, it was proposed that the Council reflected on the process taken to dispose of the old Grounds Maintenance depot (Park Nursery), Park Road, Tiverton and to consider whether there were any lessons that could be learned.

The Audit Committee was requested to undertake a lessons learned review, providing a report to Cabinet on the financial and other impacts from the process followed for the sale of Park Road Nursery and recommending what improvements might be made in future.

A briefing paper setting out the relevant issues is attached.

21. **Identification of items for the next meeting**

Members are asked to note that the following items are already identified in the work programme for the next meeting:

- Annual Governance Statement (final version for sign off)
- Statement of Accounts (final version for sign off)
- Internal Audit Progress Report
- PSAA Consultation and new auditor appointment process
- Redmond Review update briefing
- Grant Thornton - Letter of Representation

Note: This item is limited to 10 minutes. There should be no discussion on the items raised.

Stephen Walford
Chief Executive
Monday, 19 July 2021

Covid-19 and meetings

From 7 May 2021, the law requires all councils to hold formal meetings in person. However, the Council is also required to follow government guidance about safety during the pandemic. For a short period the Council will enable all people to continue to participate in meetings via Zoom.

You are strongly encouraged to participate via Zoom to keep everyone safe - there is limited capacity in meeting rooms if safety requirements are to be met. There are restrictions and conditions which apply to those in the building and the use of the building. You must not attend a meeting at Phoenix House without complying with the requirements in the new protocol for meetings. You must follow any directions you are given.

Please read the new meeting protocol which is available here: <https://democracy.middevon.gov.uk/documents/s21866/aaaaHybridMeetingProtocolMay2021.pdf>

If you want to ask a question or speak, email your full name to Committee@middevon.gov.uk by no later than 4pm on the day before the meeting. This will ensure that your name is on the list to speak and will help us ensure that you are not missed – as you can imagine, it is easier to see and manage public speaking when everyone is physically present in the same room. Notification in this way will ensure the meeting runs as smoothly as possible.

If you would like a copy of the Agenda in another format (for example in large print) please contact Sarah Lees on:

E-Mail: slees@middevon.gov.uk

Public Wi-Fi is available in all meeting rooms.

This page is intentionally left blank

Mid Devon District Council – Hybrid Meeting Protocol

1. Introduction

Remote meetings via Zoom have been used during the Covid-19 pandemic in accordance with the temporary legislation. That legislation ceases to apply from 7 May 2021. However, Covid-19 legislation and guidance continues in place and this places specific requirements for meetings in relation to health and safety, risk assessments and related matters.

The Council has therefore put in place temporary arrangements which will enable meetings to take place in compliance with legislation, whilst providing alternative participation opportunities to maintain a Covid-19 safe environment. All are asked to remember that the Council's offices at Phoenix House are not just meeting rooms – they are the place of employment for many and there are implications beyond just how the meetings are held.

The arrangements set out in this Protocol will apply to meetings from 7 May 2021 to (and including) 30 June 2021, unless the Council decides to change, curtail or extend them. At the date of this Protocol, it is expected that arrangements may change later this year – because the Government may change the law, the Covid-19 pandemic may have further receded and/or the Council makes alternative arrangements.

2. Hybrid arrangements – how will they work?

The primary objective is to ensure that meetings can continue as safely as possible and that the rights of Members and the Public are not diminished simply because the meeting is being held through a mix of online and face-to-face means. The Chairman will retain control and discretion over the conduct of the meeting and the Zoom host will provide administrative support to facilitate the meeting.

Please note that, exceptionally, meeting arrangements may change – in response to legislation, court decisions, or risk. This may include a meeting being postponed, or the hybrid arrangements changing or being withdrawn. We ask that you check the arrangements in advance of joining or attending the meeting.

(a) Members (councillors) entitled to vote

All Members entitled to vote in a meeting must be present in the same room – if they are to be classed as 'present' (count towards the quorum) and to cast a vote. If a Member entitled to vote is not in the room, they may still participate via Zoom (see below), but they will not be present (quorum) nor be able to vote.

(b) Other Members, Officers and the Public

The Council will use Zoom to enable all other Members, officers and the Public to attend and participate in meetings safely. Zoom will be enabled in all public meetings. Those attending the meeting physically will be able to see and hear Zoom participants via the existing large TV/monitor screens in the meeting rooms.

Those on Zoom will be able to hear Members in the room and see them – although this will be a whole room view and there will be no zooming in on individual members. It is essential therefore those Members present in the room use the microphones at all times and identify themselves before speaking.

There will be some Officers in the room – the Committee Administrator, the Zoom host and, at times, an additional support officer. There may also be a meeting room host to manage the safety of the meeting. All other Officers should use Zoom, unless they are specifically invited into the room by the Chairman of the meeting.

3. Zoom

Zoom is the system the Council will be using for those attending Hybrid meetings remotely. It has functionality for audio, video, and screen sharing and you do not need to be a member of the Council or have a Zoom account to join a Zoom meeting.

4. Access to documents

Member Services will publish the agenda and reports for committee meetings on the Council's website in line with usual practice. Paper copies of agendas will only be made available to those who have previously requested this and also the Chair of a meeting.

If any other Member wishes to have a paper copy, they must notify Member Services before the agenda is published, so they can arrange to post directly – it may take longer to organise printing, so as much notice as possible is appreciated.

The Public should continue to access agendas via the Council's website - and are encouraged to do so even after the offices at Phoenix House are open again.

5. Setting up the Meeting for Zoom attendance

This will be done by Member Services. They will send a meeting request via Outlook which will appear in Members' Outlook calendar. Members and Officers will receive a URL link to click on to join the meeting. The Public will use the Zoom details on the front of the agenda. The telephone dial-in via Zoom will also be available.

6. Public Access and Participation

(a) Public Access:

Members of the Public will be able to use a web link and standard internet browser. This will be displayed on the front of the agenda. Members of the Public should attend a meeting via Zoom, unless there are exceptional circumstances justifying attendance in person.

If any member of the Public still wishes to attend in person, they must notify Member Services **at least 3 working days before the meeting**. Notifications must be sent by email to:

Committee@middevon.gov.uk

Day of meeting	Notice given by
Monday	Previous Wednesday
Tuesday	Previous Thursday
Wednesday	Previous Friday
Thursday	Monday
Friday	Tuesday

The meeting risk assessment may need to be updated. Member Services will liaise with the Chief Executive, Monitoring Officer and the Chairman of the meeting. A decision will be taken on whether attendance in person can be safely accommodated.

(b) Public Participation (speaking):

Public questions will continue in line with the Council's current arrangements as far as is practicable. However, to ensure that the meeting runs smoothly and that no member of the public is missed, all those who wish to speak must register **by 4pm on the day before the meeting**. They should email their full name to Committee@middevon.gov.uk. If they wish to circulate their question in advance, that would be helpful.

At public question time, the Chair will ask each registered person to speak at the appropriate time. In the normal way, the public should state their full name, the agenda item they wish to speak to **before** they proceed with their question. Unless they have registered, a member of the public may not be called to speak, except at the discretion of the Chairman.

If a member of the public wishes to ask a question but cannot attend the meeting for whatever reason, there is nothing to prevent them from emailing members of the Committee with their question, views or concern in advance. However, if they do so, it would be helpful if a copy could be sent to Committee@middevon.gov.uk as well.

7. Arrangements for any person attending meetings at Phoenix House

Anyone attending a meeting in person must observe the following requirements:

- (a) For non-voting members, officers and the Public – are there exceptional circumstances to justify attending? If so, please notify in advance and in paragraph 6 above. It is essential that the Council knows who is attending and how many will be in the room, so that the meeting risk assessment can be updated.

- (b) Do not attend if you: have any symptoms of Covid-19; are self-isolating (with or without a positive Covid-19 test); or are in a period of post-travel quarantine.
- (c) Wear a mask at all times except when invited to speak by the Chairman of the meeting. If you have a medical exemption for wearing a mask, please attend via Zoom unless you are a Member who must attend to vote.
- (d) Use the hand sanitiser which is available in the building.
- (e) Follow the directions for entering, moving around and exiting the building. Follow the instructions of any Officer present to manage the safety of the meeting and/or the Chairman.
- (f) Sign into the meeting if requested to do so – you may be asked to leave contact details
- (g) Enter and leave the building promptly – do not gather inside after the meeting has finished, or during any break in the meeting
- (h) Bring your own water/refreshments, as these will not be available for the time being.
- (i) Maintain social distancing throughout – this is 2 metres apart, or 1 metre with additional safeguards (e.g. face masks).

8. Starting the Meeting

At the start of the meeting, the Member Services Officer will check all required attendees are present and that there is a quorum. If there is no quorum, the meeting will be adjourned. This applies if, during the meeting, it becomes inquorate for whatever reason.

The Chair will remind all Members, Officers and the Public attending via Zoom that **all microphones must be muted**, unless and until they are speaking. This prevents background noise, coughing etc. which is intrusive and disruptive during the meeting. The Hosting Officer will enforce this and will be able to turn off participant mics when they are not in use.

9. Declaration of Interests

Members should declare their interests in the usual way. A Member with a disclosable pecuniary interest is required to leave the room. If they are attending via Zoom, they will be moved to the waiting room for the duration of the item.

10. The Meeting and Debate

- (a) For Members and Officers physically present

Each member should raise their hand to indicate a request to speak. When called, they must identify themselves for the recording and for the benefit of those attending via Zoom. The microphone must be used when speaking – standing will make it difficult for those on Zoom to hear and is discouraged, including at meetings of Full Council.

(b) For any person attending via Zoom

The Council will not be using the Chat function. The Chairman will call speakers in accordance with the usual rules i.e. either at Public Question Time, or for Members and Officers, when they raise their Zoom hand to speak.

No decision or outcome will be invalidated by a failure of the Chair to call a member to speak – remote management of meetings is intensive and the Hybrid arrangements are likely to be more so. It is reasonable to expect that some requests will be inadvertently missed from time to time.

When referring to reports or making specific comments, Members and Officers should refer to the report and page number whenever possible. This will help all present or in attendance to have a clear understanding of what is being discussed.

11. Voting

Voting for meetings in person is normally through a show of hands. The Member Services Officer will announce the numerical result of the vote for the benefit of those attending via Zoom.

12. Meeting Etiquette Reminder for Zoom attendees

- Mute your microphone – you will still be able to hear what is being said.
- Only speak when invited to do so by the Chair.
- Speak clearly and please state your name each time you speak
- If you're referring to a specific page, mention the page number.

13. Part 2 Reports and Debate

There are times when council meetings are not open to the public, when confidential, or “exempt” issues – as defined in Schedule 12A of the Local Government Act 1972 – are under consideration.

If there are members of the public and press attending the meeting, then the Member Services Officer will, at the appropriate time, remove them to a waiting room for the duration of that item. They can then be invited back in when the business returns to Part 1.

Please turn off smart speakers such as Amazon Echo (Alexa), Google Home or smart music devices. These could inadvertently record phone or video conversations, which would not be appropriate during the consideration of confidential items.

14. Interpretation of standing orders

Where the Chairman is required to interpret the Council's Constitution and procedural rules and how they apply to remote attendance, they may take advice from the Member Services Officer or Monitoring Officer prior to making a ruling. However, the Chair's decision shall be final.

15. Disorderly Conduct by Members

If a Member behaves in the manner as outlined in the Constitution (persistently ignoring or disobeying the ruling of the Chair or behaving irregularly, improperly or offensively or deliberately obstructs the business of the meeting), any other Member may move 'That the member named be not further heard' which, if seconded, must be put to the vote without discussion.

If the same behaviour persists and a Motion is approved 'that the member named do leave the meeting', then (if attending via Zoom) they will be removed as a participant by the Member Services Officer.

16. Disturbance from Members of the Public

If any member of the public interrupts a meeting the Chairman will warn them accordingly. If that person continues to interrupt or disrupt proceedings the Chairman may ask the Member Services Officer to remove them as a participant from the meeting.

17. Technical issues – meeting management

If the Chairman, the Hosting Officer or the Member Services Officer identifies a problem with the systems from the Council's side, the Chairman should either declare a recess while the fault is addressed or, if the fault is minor (e.g. unable to bring up a presentation), it may be appropriate to move onto the next item of business in order to progress through the agenda. If it is not possible to address the fault, the meeting will be adjourned until such time as it can be reconvened.

If the meeting was due to determine an urgent matter and it has not been possible to continue because of technical difficulties, the Chief Executive, Leader and relevant Cabinet Member, in consultation with the Monitoring Officer, shall explore such other means of taking the decision as may be permitted by the Council's constitution.

Where any Member, Officer or the Public experience their own technical problems during the course of a meeting e.g. through internet connectivity or otherwise, the meeting will not be automatically suspended or adjourned.

18. Technical issues – Individual Responsibility (Members and Officers)

Many members, officers and the Public live in places where broadband speeds are poor, but technical issues can arise at any time for a number of reasons. The following guidelines, if followed, should help reduce disruption.

- Join public Zoom meetings by telephone if there is a problem with the internet. Before all meetings, note down or take a photograph of the front page of the agenda which has the necessary telephone numbers. Annex 1 to this protocol contains a brief step-by-step guide to what to expect
- Consider an alternative location from which to join the meeting, but staying safe and keeping confidential information secure. For officers, this may mean considering whether to come into the office, subject to this being safe and practicable (childcare etc.)
- Have to hand the telephone number of someone attending the meeting – and contact them if necessary to explain the problem in connecting
- Officers should have an ‘understudy’ or deputy briefed and on standby to attend and present as needed (and their telephone numbers to hand)

Phone only access to zoom meetings

(Before you start **make sure you know the Meeting ID and the Meeting Password**) – Both of these are available on the agenda for the meeting

Call the toll free number either on the meeting agenda or on the Outlook appointment (this will start with 0800 --- ----)

(Ensure your phone is on 'speaker' if you can)

A message will sound saying *"Welcome to Zoom, enter your meeting ID followed by the hash button"*

- **Enter Meeting ID followed by #**

Wait for next message which will say *"If you are a participant, please press hash to continue"*

- **Press #**

Wait for next message which will say *"Enter Meeting Password followed by hash"*

- **Enter 6 digit Meeting Password followed by #**

Wait for the following two messages:

"You are currently being held in a waiting room, the Host will release you from 'hold' in a minute"

Wait.....

"You have now entered the meeting"

Important notes for participating in meetings

Press ***6** to toggle between **'mute' and 'unmute'** (you should always ensure you are muted until you are called upon to speak)

If you wish to speak you can **'raise your hand'** by pressing ***9**. Wait for the Chairman to call you to speak. The Host will lower your hand after you have spoken. Make sure you mute yourself afterwards.

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 23 March 2021 at 5.30 pm

Present

Councillors

Mrs C Collis, N V Davey, F W Letch,
S J Penny, A White and A Wilce

Apologies

Councillors

W Burke and A Wyer

Also Present

Councillors

Mrs C P Daw, R M Deed, B A Moore and B G J Warren

Also Present

Officers

David Curnow (Deputy Head of Devon Audit Partnership), Paul Deal (Corporate Manager for Finance), Dean Emery (Corporate Manager for Revenues, Benefits and Recovery), Lisa Lewis (Corporate Manager for Business Transformation and Customer Engagement), Catherine Yandle (Operations Manager for Performance, Governance and Health & Safety), Paul Middlemass (Audit Manager), Fiona Wilkinson (Principal Revenues & Benefits Officer) and Sarah Lees (Member Services Officer)

Also in

Attendance

Julie Masci and Grace Hawkins from Grant Thornton

85. **APOLOGIES**

Apologies were received from Cllr W Burke and also Cllr A Wyer who was substituted by Cllr F Letch.

86. **PROTOCOL FOR REMOTE MEETINGS**

The protocol for remote meetings was **NOTED**.

87. **PUBLIC QUESTION TIME**

Mr Nick Quinn (a local resident) asked the following question:

My question concerns: Agenda Item 9 – Performance and Risk.

Risk Report Appendix 6, contains a 'risk' which I believe should be removed. That risk is: **SPV 3 Rivers Reputational Impact** - That 3 Rivers reputation is damaged by the actions of the council, etc.

I believe the wording of this risk is designed to muzzle any Councillor who wishes to express genuine concerns about the performance and actions of this Company - or the way this Council interacts with it.

This Company was set up by the Council to “*make profits which would feed in to the revenue streams of the Council and mitigate the cuts in Government funding*”. Unfortunately the Company is not doing this.

The Company has only paid the Council one (partial) loan repayment; a VAT refund; service recharges and interest on Council loans. No profits!

This is a Council owned Company, being loaned public money. Of course there will be public interest and scrutiny, especially when:

- The published Company Accounts have never shown any profits;
- Potential losses caused impairments to be put in the Council’s Accounts;
- Council money loaned to the Company was unsecured - until recently;
- Independent reviews of the Company led to 39 secret recommendations;
- Company figures given to two Council Committees were inconsistent.

The reputation of the whole Council is at stake. Councillors must be allowed to ask questions, to ensure the Nolan Principles of Integrity, Objectivity, Accountability, Openness, and Honesty are maintained.

The reputation of any Company is built on consistently delivering a good quality product, on-time and on-price.

A good reputation for this Company will only be achieved by the Directors actually delivering on their business plans - not by gagging Councillors.

My question is:

Will Audit Committee please remove, or ask for the removal of, this restrictive ‘reputational’ risk from this risk list?

The Chairman stated that this question would be addressed under the Performance and Risk item on the agenda.

88. DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT

No interests were declared under this item.

89. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 26 January 2021 were confirmed as a true and accurate record.

90. CHAIRMAN'S ANNOUNCEMENTS (00:08:00)

The Chairman welcomed Grace Hawkins to the meeting who would be the regular representative from Grant Thornton attending future meetings of the Audit Committee. She had replaced Andrew Davies as the Engagement Lead.

91. GRANT PAYMENT CHECKING REPORT

The Group had before it, and **NOTED**, a report * from the Operations Manager for Performance, Governance and Health & Safety. As part of the Covid response Mid Devon District Council had been responsible for paying significant sums in grant funding on behalf of Business Energy & Industrial Strategy (BEIS). It was suggested that the Audit Committee would want to seek assurance about the process for ensuring grants were paid only to those who were eligible.

The contents of the report were outlined with reference to the following:

- Large sums of money were involved which was why assurance regarding the checking procedures was needed.
- As time had gone on, the process for checking had become much slicker. The Revenues and Growth and Economic Development Team had been instrumental in this with a much smoother and faster process now in place.

The Committee congratulated those involved for a remarkable achievement.

Note: * Report previously circulated; copy attached to the signed minutes.

92. ANTI-FRAUD AND CORRUPTION STRATEGY (00:13:00)

The Committee had before it a report * from the Operations Manager for Performance, Governance and Health & Safety presenting the reviewed and updated Anti-Fraud and Corruption Strategy. The Audit Committee needed to consider the strategy and appendices together to reach an understanding on where the Council was with regards to fraud prevention and discovery.

The contents of the report were outlined with reference to:

- Following the discussion at the last meeting, the Operations Manager for Performance, Governance and Health & Safety had liaised with DAP and other necessary parties to produce a report providing greater clarity on the substance of the strategy.
- More detail was provided with regard to assessing 'risk' and the matrix used to do this.
- The process for referral of fraud concerns was highlighted as was the escalation process. The Corporate Manager for Revenues, Benefits and Recovery was identified as the lead officer within the Corporate Management Team who would take responsibility for this issue.
- DAP were now content that a more proactive approach was being taken by the Council.

RESOLVED that the Anti-Fraud and Corruption Strategy be approved.

(Proposed by the Chairman)

Reason for the decision:

Without the policy and strategy the Council is at risk of not detecting fraud, corruption or financial irregularities, which could result in significant loss to the Council and damage its reputation.

Note: * Report previously circulated; copy attached to the signed minutes.

93. **PERFORMANCE AND RISK REPORT (00:18:00)**

The Committee had before it, and **NOTED**, a report * from the Operations Manager for Performance, Governance and Health & Safety providing it with an update on performance against the Corporate Plan and local service targets for 2020-21 as well as providing an update on the key business risks.

Discussion took place with regard to:

- The need for more qualitative data in relation to Freedom of Information requests such as how many were received and how many were refused as opposed to simply whether the responses were timely. It was explained that this information was currently available on the website. However, it was felt that it would be relatively easy to condense this information into a regular report rather than checking the website.
- The Council providing electric car charging points but it could not make people use them.
- Staff turnover figures.

The Cabinet Member for Finance responded to the question raised during in Public Question Time. He stated that Mr Quinn had made quite an extensive statement which included a number of assertions that were incorrect and therefore misleading. Rather than correct those 'on the hoof' he would like to respond in writing to his statement and question.

He continued....that said, there is absolutely no intention to muzzle Councillors who have been encouraged to raise any questions about the business but respecting Part 2 confidentiality about commercial sensitivities. And they have, regularly.

However, there is no doubt that there is a risk that were confidentiality not respected or inaccurate public statements made there is a direct reputational risk to 3 Rivers Development Ltd in that it potentially shakes confidence in the company, makes contracting potentially more challenging (expensive, delay etc.) and could even have a knock-on impact on confidence in the product. Any of those could impact the company's ability to return a profit to the Council in due course. It therefore is also a direct risk to the Council.

RECOMMENDED to the Cabinet that the targets suggested for 2021/2022 against the Corporate Plan Performance Framework be approved with the addition of the following:

That information with regard to the number of Freedom of Information requests made, the number refused and the number reviewed be contained from now on within the regular Performance and Risk report.

(Proposed by Cllr A Wilce and seconded by Cllr S Penny)

Reason for the decision:

If performance is not monitored we may fail to meet our corporate and local service plan targets or to take appropriate corrective action where necessary. If key business risks are not identified and monitored they cannot be mitigated effectively.

Note: * Report previously circulated; copy attached to the signed minutes.

94. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN (00:45:00)**

The Committee had before it, and **NOTED**, a report * from the Operations Manager for Performance, Governance and Health & Safety providing it with an update on progress made against the Annual Governance Statement 2019/20 Action Plan.

Note: * Report previously circulated; copy attached to the signed minutes.

95. **WHISTLEBLOWING POLICY (00:46:00)**

The Committee had before it a report * from the Operations Manager for Performance, Governance and Health & Safety presenting it with the updated Whistleblowing Policy.

It was explained that only minor changes had been required to bring the policy up to date such as some corrections to job titles.

RESOLVED that the updated Whistleblowing Policy 2021 be approved.

(Proposed by the Chairman)

Reason for the decision:

Without this Policy MDDC is at increased risk of not detecting fraud, corruption or financial irregularities, which could result in loss to the Council or damage its reputation.

Note: * Report previously circulated; copy attached to the signed minutes.

96. **RISK MANAGEMENT POLICY (00:48:00)**

The Committee had before it a report * from the Operations Manager for Performance, Governance and Health & Safety presenting it with the updated Risk Management Policy for approval.

It was explained that 'Opportunity' had been removed from the title of the policy but that sections 4.5 and 5.4 of the policy provided detail on how 'Opportunities' were to be considered at the same time as risks. A number of examples where this could happen were provided.

RESOLVED that the updated Risk Management Policy be approved.

(Proposed by the Chairman)

Reason for the decision:

- i. Failure to take advantage of opportunities and mitigate business risks could impact on the Council's ability to deliver its strategic objectives.
- ii. Assessment of the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability is a key element of the Council's governance arrangements.

Note: * Report previously circulated; copy attached to the signed minutes.

97. **INTERNAL AUDIT PROGRESS REPORT (00:51:00)**

The Committee had before it, and **NOTED**, a report * from the Devon Audit Partnership presenting an update on the progress and performance of Internal Audit.

The contents of the report were outlined and discussion took place with regard to:

- The internal audits that had taken place since the last meeting as well as fraud prevention work.
- Detail in relation to the Payroll review.
- The need for better controls in the digitalisation and social media area.
- Clarification needed in respect of the use of waivers in the Procurement area.
- The remaining audits for 2020/2021 were listed including Climate Change and Cyber Security.
- Completion of some audit recommendations had been deferred due to the pandemic.
- Procurement training was now available through the Learning and Development system via SharePoint.
- 5 outstanding recommendations from 2018 in the Development Management S106 area and whether these still related to IT and staff resourcing issues? It was confirmed that this was due to the complexity of the systems. It was **AGREED** that contact be made with the head of IT to express the concerns of the Committee and ask what could be done to resolve the outstanding issues.
- Concerns regarding the fragility of the Payroll system following a recent upgrade which had resulted in issues requiring daily intervention from IT Services. However, the ability to run the payroll from home had been tested and there were back up plans in place should an issue occur. These back ups were all contained within the business continuity plan.

Note: * Report previously circulated; copy attached to the signed minutes.

98. **INTERNAL AUDIT ASSURANCE MAPPING 2020/21 (01:02:00)**

The Committee had before it, and **NOTED**, a report * from the Devon Audit Partnership setting out how during the year they had developed an assurance map for Mid Devon, to provide a high level graphical picture of the effectiveness of key controls on which the Council relied to ensure integrity and effectiveness in its

operations. This report provided an update on this work which they were delivering as part of the core audit delivery model for the Council.

The contents of the report were outlined and reference was made to:

This was a respected tool used within the banking industry.
Mapping work to date had led to some areas being identified as needing better controls or more clarification.
The 3 lines of defence system was explained.
The importance attached to the organisation needing to be self aware and to instigate action when needed to address areas of concern.

Note: * Report previously circulated; copy attached to the signed minutes.

99. **INTERNAL AUDIT PLAN 2021 - 2022 (01:07:00)**

The Committee had before it a report * from the Devon Audit Partnership setting out the Internal Audit Plan for Mid Devon for 2021-2022.

Reference was made to the following within the report:

- This was a flexible plan providing a wide range of assurance regarding the internal control framework.
- It was anticipated that there would be some changes to the plan due to the ongoing effects of the pandemic.
- DAP were pleased to be working with Council colleagues on fraud prevention work.

RESOLVED that the Internal Audit Plan 2021 – 2022 be approved.

(Proposed by the Chairman)

Reason for the decision:

The Audit Committee is required to review and approve the Internal Audit Plan to provide assurance to support the governance framework.

Note: * Report previously circulated; copy attached to the signed minutes.

100. **INTERNAL AUDIT CHARTER AND STRATEGY (01:12:00)**

The Committee had before it a report * from the Devon Audit Partnership presenting the revised Internal Audit Charter and Strategy for 2021 – 2022.

RESOLVED that the Internal Audit Charter and Strategy for 2021 – 2022 be approved.

(Proposed by the Chairman)

Reason for the decision:

To recognise the key role of Internal Audit in understanding the key risks of the Council, to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation, and contribute to proper economic, efficient and effective use of resources

Note: * Report previously circulated; copy attached to the signed minutes.

101. EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE (01:15:00)

The Committee had before it, and **NOTED**, a report * from Grant Thornton providing an update on their responsibilities as the Council's external auditors.

The following was highlighted within the report:

- Changes within the Audit team which it was explained was good practice.
- Work in relation to the Certification of the Housing Benefit Subsidy Claim was ongoing. To date there had been no adverse findings.
- A number of areas had been identified as needing to be looked at in greater detail, more information would be provided at the next meeting.
- The Audit Plan was currently being worked up and would be presented to the next meeting.
- Changes with regard to how Value for Money work was to be undertaken in future was explained. The National Audit Office had issued new requirements.

Note: * Report previously circulated; copy attached to the signed minutes.

102. CHAIRMAN'S ANNUAL REPORT FOR 2020/2021 (01:24:00)

The Committee had before it, and **NOTED**, a draft report * from the Chairman of the Committee on its work during 2020/2021. A final copy of the report would be submitted to Council on 28 April 2021.

Note: * Report previously circulated; copy attached to the signed minutes.

103. IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:25:00)

In addition to the items listed in the work programme the following was requested to be added to the agenda for the next meeting:

- Annual Governance Statement Action Plan update
- External Audit Plan for 2021/22

(The meeting ended at 6.55 pm)

CHAIRMAN

AUDIT COMMITTEE 27 JULY 2021

PERFORMANCE AND RISK OUTTURN REPORT FOR 2020/21

Cabinet Member Cllr Bob Deed
Responsible Officer Chief Executive, Stephen Walford

Reason for Report: To provide Members with the outturn on performance against the corporate plan and local service targets for 2020/21.

RECOMMENDATION: That the PDG reviews the performance and risks and feeds back any areas of concern.

Relationship to Corporate Plan: Corporate Plan priorities and targets are effectively maintained through the use of appropriate performance indicators and regular monitoring.

Financial Implications: None identified

Legal Implications: None

Risk Assessment: If performance is not monitored we may fail to meet our corporate and local service plan targets or to take appropriate corrective action where necessary.

Equality Impact Assessment: No equality issues identified for this report.

Climate Impact Assessment: A number of performance indicators are either directly or indirectly related to our corporate ambition to reduce carbon emissions. Monitoring the performance of these can help evaluate impact of Council interventions as well as guide future decisions on spend and investment.

1.0 Introduction

1.1 The Corporate Plan was approved by Cabinet on 16 January 2020 and runs from April 2020 until March 2024. This is the first annual report against the current Corporate Plan. The attached KPI appendices cover the entire financial year. Progress is monitored throughout the year by reporting against the declared Aims for each Priority identified.

1.2 In terms of the priorities for the coming year, the Cabinet will be focused on embedding a recovery from the pandemic, while trying to ensure that delivery against the corporate plan is back on track. As members will see from the KPI report, there are a number of areas that have been dramatically affected by the pandemic and it will be important to understand where these are inevitable and understood 'blips' on a trajectory, where they might be structural changes caused by what's occurred in the last year, and most importantly how to get

delivery back on track wherever possible to ensure that corporate aims can be met.

2.0 Environment Appendix 1

Aim - Increase recycling rates and reduce the amounts of residual waste generated

- 2.1 The final result for the recycling rate for the year was just below target at 53.5% compared to 53.12% last year. The residual waste was above target at 379.8Kg last year's final result was on target at 365Kg per household.
- 2.2 The waste service has experienced significantly increased levels of recycling and residual waste during lockdown periods, waste arisings have increased by 1975.57 tonnes compared to last year. All our near neighbours also saw an increase in residual waste per household. The service was also adversely affected by staff absences and constraints at the start of the pandemic.
- 2.3 Both measures for missed collections are better than target at 0.02% of all collections for the second year running.
- 2.4 The number of households paying for the chargeable garden waste service exceeded the target of 11,100 customers. An increase of 16.45% compared to the previous year; this is the largest increase since 2017/18.
- 2.5 Altogether a good set of results, the priority for 2021/22 is the three weekly waste collection trial which is due to start in July for three months. This will establish whether this is viable and how much of an improvement it might lead to in terms of recycling rates and a corresponding fall in residual Kg per household. Recycling rates need to significantly increase, so further work is likely to be needed to explore ways in which this could be achieved.

Aim - Encourage "green" sources of energy supply new policies and develop plans to decarbonise energy consumption in Mid Devon

- 2.6 At an extraordinary meeting of Full Council on 26 June 2019, Members voted unanimously to support an ambitious cut in carbon emissions; to aim for Mid Devon to become carbon neutral by 2030.
- 2.7 The Climate Change Strategy and Action Plan were approved by Cabinet on 1 October 2020. The Climate and Sustainability Specialist started on 1 March 2021.
- 2.8 The Council has secured more than £310,000 of Public Sector Decarbonisation Scheme grant to fund the installation of energy efficiency and cost-saving measures at its three leisure centres.
- 2.9 The Council will also receive an additional £38,000 in the form of two grants from Salix, which is administering the government funding. These two grants are specifically to assist the development of a Heat Decarbonisation Plan to 2030 (£18,000) and £20,000 for skilled project support on the delivery of our Public Sector Decarbonisation Scheme that will be rolled out to the leisure

centres. All three funding schemes will help the Council take valuable steps closer to realising its ambition to become carbon neutral by 2030.

3.0 Homes Appendix 2

Aim - Deliver more affordable housing and greater numbers of social rented homes

3.1 No new council houses were built during 2020/21 but two right to buy properties were bought back. However in March the Council announced plans to build more than 50 new council houses between 2021 and 2024. For 2021/22 a target of 17 has been set.

3.2 None of the targets for housing delivery have been met but it must be recognised that the Covid pandemic increased the challenges during 2020/21 with the industry being completely shut down during the first period of lockdown. In this light the number of completions should be viewed favourably.

Aims - Work with Community Land Trusts and other organisations to deliver homes retained in perpetuity for local need Support the establishment of Community Land Trusts in partnership with Parish Councils and other local bodies

3.3 Two Community Land Trusts were assisted during 2020/21 meeting the target.

Aim - Work with landlords to ensure the quality of homes in the private rented sector

3.4 Empty homes brought back into use were once again above target at 101 (138 last year).

Aim - Support and grow active tenancy engagement

3.5 A tenant survey was successfully completed with a response rate of 34%. Work is continuing on analysing the results and developing an action plan.

3.6 Staff continued to provide a high level of support to tenants while working from home during the pandemic. Repairs staff were redeployed to maintain corporate assets while non-urgent work was suspended during the first lockdown but have been working fairly normally throughout the remainder of the year. The teams received a lot of positive feedback from customers.

Aim - Work with local stakeholders to initiate delivery of the new garden village at Culm

3.7 Two stakeholder forums were held remotely during 2020/21, in August and September, on the Building with Nature accreditation and the Connecting the Culm project.

4.0 Economy Appendix 3

Aims - Identify strategic and tactical interventions to create economic and community confidence and pride in the places we live. This includes a continued focus on Town Centre Regeneration

Develop and deliver regeneration plans for all 3 main towns in partnership with Town and Parish Councils, private and third sector and communities Promote the regeneration of our Town Centres by working with landlords and property developers to improve and increase the supply of quality housing

- 4.1 Progress has been made on both the Tiverton Town Centre and Cullompton Town masterplans during 2020/21 with stage 2 consultations for both scheduled for 2021/22.
- 4.2 The Council's own retail properties have good occupancy rates with only three vacancies across the portfolio in Tiverton, one of which has been recently let subject to contract.
- 4.3 The number of empty business units across the district have reduced during 2020/21 and the number of business rate accounts has increased, although this is partly due to small businesses registering for the first time in order to secure grant funding. This is an encouraging sign of business resilience, however the next 6-9 months will be the test as national support mechanisms unwind and economic activity rebalances to its own level.
- 4.4 The Council has administered £36M of Covid grant funding to businesses over the course of the pandemic along with £2M of new rate reliefs. This was an enormous amount of work undertaken by staff from Revenues, Growth and Economic Development, redeployed Leisure staff and Finance.
- 4.5 Growth and Economic Development and Public Health staff have worked hard to help businesses and retail areas to open safely when they were allowed after the periods of lockdown.

Aim - the creation of South West Mutual Bank and seek opportunities to encourage new branches being opened in areas that aren't well-served by existing banking services providers

- 4.6 A meeting was held in December 2020 by the Deputy Chief Executive and the Cabinet Member for Finance with SW Mutual Bank's Director to receive an update on progress. Clearly, the prevailing Covid19 challenges have slowed down previously identified actions and delayed key milestones, however, at the conclusion of the meeting it was agreed that a quarterly progress update report would be provided in the future.

5.0 Community Appendix 4

- 5.1 In addition to the business grant funding referred to above the Council has £534,410 funding specifically to help adversely affected individuals through

Hardship funding and Self Isolation payments. For the latter the Council had 263 applications up to March 2021; 104 were paid (£52k), 144 rejected and 15 were awaiting assessment.

Aim - Secure decent digital connectivity for all of Mid Devon

- 5.2 Town centre Wi-Fi projects are proposed to be delivered in 2021.

Aim - Seek opportunities to address public health issues and disparities to improve the health and wellbeing of everyone in Mid Devon

- 5.3 Despite the Leisure centres being closed for several periods during the pandemic a few people were still referred under the various schemes and started in the Autumn. These programmes will continue in 2021/22.
- 5.4 During the closures Leisure staff were redeployed to other services including Street Scene, Planning, Housing, grant payments and NFI work. During the first lockdown some were working on the Shielding project and later with community testing at EVLC and vaccinations at LMLC.

6.0 Corporate Appendix 5

- 6.1 The Planning KPIs are all on target or better than target which, bearing in mind both the vacancies in key areas and the relatively undiminished volume of applications, is a significant success.
- 6.2 The responses to FOI requests have been 100% on time for two years.
- 6.3 The Council's own industrial units had 100% occupancy rates at the end of the year.
- 6.4 Collection rates for Council tax and NNDR are only slightly below target which is a real achievement during a pandemic when no formal recovery took place.
- 6.5 The Devon and Somerset Metro Board reached an important milestone in February, submitting a Strategic Outline Business Case to the Department for Transport to reopen stations at Cullompton and Wellington. This is a crucial step forward in the process of implementing improvements to the rail network including the provision of these new stations.

7.0 Risk

Some risk scores have increased due to the Covid 19 pandemic especially as regards financing, homelessness and the economic outlook.

- 7.1 The Corporate risk register is regularly reviewed by Group Managers and Leadership Team and updated as required.

7.2 Risk reports to committees include strategic risks with a current score of 10 or more in accordance with the Risk and Opportunity Management Strategy. (Appendix 6)

7.3 Operational risk assessments are job specific and flow through to safe systems of work. These risks go to the Health and Safety Committee biannually with escalation to committees where serious concerns are raised.

8.0 Recommendations

8.1 That the PDG reviews the performance and risks and feeds back any areas of concern.

Contact for more Information: Catherine Yandle Operations Manager for Performance, Governance and Health & Safety email: cyandle@middevon.gov.uk

Circulation of the Report: Leadership Team and Leader

Corporate Plan PI Report Environment

Monthly report for 2020-2021

Arranged by Aims

Filtered by Aim: Priorities Environment

For MDDC - Services

Key to Performance Status:

Performance Indicators:

No Data

Well below
target

Below target

On target

Above target

Well above
target

* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Environment

Priorities: Environment

Aims: Increase recycling and reduce the amount of waste

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Residual household waste per household (measured in Kilograms) (figures have to be verified by DCC)</u>	365.00	362.0	34.3	63.0	93.8	126.5	154.7	184.4	216.6	248.3	276.3	314.8	344.7	379.8	Darren Beer	(April - March) A 3.42% increase compared to previous year; The lockdown period has contributed to this rise due to residents creating more residual waste to be disposed

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:08

Corporate Plan PI Report Environment

Priorities: Environment

Aims: Increase recycling and reduce the amount of waste

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																of from home. (LD)
Number of Fixed Penalty Notices (FPNs) Issued (Environment)	17	No Target	0	0	4	4	4	5	10	10	10	10	10	10	Darren Beer	(March) Lockdown restrictions during March have reduced the occurrence of offences (LD)
% of Household Waste Reused, Recycled and Composted (figures have to be verified by DCC)	53.12%	54.5%	52.6%	53.7%	54.3%	54.3%	54.3%	55.4%	54.8%	54.6%	54.0%	53.7%	53.2%	53.5%	Darren Beer	(March) Waste arisings have increased by 1975.57 tonnes compared to last year with 1214.19 of those tonnes being recyclables the remaining 761.27 tonnes are residual waste which is encouraging however if the waste hierarchy is

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:08

Corporate Plan PI Report Environment

Priorities: Environment

Aims: Increase recycling and reduce the amount of waste

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																applied an emphasis on prevention and reuse would reduce waste arisings as well as residual waste. (LD)
<u>Number of Households on Chargeable Garden Waste</u>	10,007	11,100	10,007	10,837	10,928	11,088	11,154	11,245	11,251	11,176	11,232	11,315	11,501	11,653	Darren Beer	(March) An increase of 16.45% compared to the previous year; this is the largest increase since 2017/18. (LD)
<u>% of missed collections reported (refuse and organic waste)</u>	0.02%	0.03%	0.01%	0.02%	0.02%	0.01%	0.01%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	Darren Beer	(March) Missed collections for refuse/organic are 0.01% under the annual target (LD)
<u>% of Missed Collections logged (recycling)</u>	0.02%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.02%	0.02%	0.02%	Darren Beer	(March) Missed collections for recycling

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:08

Corporate Plan PI Report Environment

Priorities: Environment

Aims: Increase recycling and reduce the amount of waste

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																collections are 0.01% under the annual target (LD)

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:08

Corporate Plan PI Report Climate Change

Monthly report for 2020-2021
 Arranged by Aims
 Filtered by Aim: Priorities Climate Change
 For MDDC - Services

Key to Performance Status:

Performance Indicators:

No Data

Well below
target

Below target

On target

Above target

Well above
target

*

indicates that an entity is linked to the Aim by its parent Service

Page 33

Corporate Plan PI Report Climate Change

Priorities: Climate Change

Aims: Green Sources of Energy

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Electric Car Charger Units</u>	n/a	8	n/a	n/a	0	n/a	n/a	0	n/a	n/a	0	n/a	n/a	0	Jason Ball, Andrew Busby	(Quarter 4) Between 5 and 15 high potential locations identified. Options report submitted for Cabinet 13 May 2021 in order to empower officers to secure funded installations. (CY)

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:07

Corporate Plan PI Report Climate Change

Priorities: Climate Change

Aims: Green Sources of Energy

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>New Solar Initiatives</u>	n/a	250	n/a	n/a		n/a	n/a	211	n/a	n/a	251	n/a	n/a	251	Jason Ball, Andrew Busby	(Quarter 4) 37 customers have now been accepted for solar panel installations and 8 for retrofit batteries (CY)
<u>Electric Car Charger usage</u>	n/a	2,000	11	58	139	399	762	994	1,248	1,342	1,513	1,603	1,712	1,867	Jason Ball, Andrew Busby	(March) Year finished slightly below target after effects of lockdowns earlier in the year (CY)

Page 34

Aims: Biodiversity

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Corporate Tree Planting Scheme</u>	n/a	Develop corporate tree planting scheme by end 20/21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	No	Jason Ball, Andrew Busby	(2020 - 2021) Post the national restrictions volunteers have now met again on the allocated area of land adjacent to Morrison's in Tiverton with a date on planting expected to be early in the New Year and Property Services also

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:07

Corporate Plan PI Report Climate Change

Priorities: Climate Change

Aims: Biodiversity

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																met Sustainable Crediton who are looking to plant trees at the end of January 2021 Cllr Slade has allocated Tiverton Tree Team £500 from his Mayor's Community Fund (CY)
<u>Community climate and biodiversity grants</u>	n/a	Funding agreed is first stage	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	No	Jason Ball, Andrew Busby	(2020 - 2021) Following a meeting with Mid Devon District Council, members of the St Lawrence Community Group and Sustainable Crediton have joined forces to take over planting up the flower beds on St Lawrence Green with pollinator friendly varieties. (CY)

Aims: Retro-fitting measures

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Corporate</u>	n/a	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1	Jason Ball,	(2020 - 2021) Carlu Close

Corporate Plan PI Report Climate Change

Priorities: Climate Change

Aims: Retro-fitting measures

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Renewable Energy Projects</u>															Andrew Busby	solar PV project has been completed and the hydro project is a live planning application at present. (CY)
<u>ECO Flex</u>	n/a	600						424	550	637	744	818	909	1,032	Simon Newcombe	
<u>Housing Assistance Policy</u>	n/a	5	1	1	1	1	1	1	2	2	4	5	5	5	Simon Newcombe	
<u>Home Improvement Loans</u>	n/a	5	n/a	n/a	0	n/a	n/a	1	n/a	n/a	5	n/a	n/a	10	Simon Newcombe	(Quarter 4) As we are coming out of lockdown we are seeing a rise in enquiries which in turn leads to loans sanctioned. This is a great result given the difficulties of the last year. (TW)

Aims: Other

Corporate Plan PI Report Climate Change

Priorities: Climate Change

Aims: Other

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Community Schemes</u>	n/a		n/a	n/a	0	n/a	n/a	0	n/a	n/a	0	n/a	n/a	0	Jason Ball, Andrew Busby	(Quarter 4) The C&S Specialist will enable community groups to promote sustainability activities and resources on the new climate website. (CY)
<u>Council Carbon Footprint</u>	n/a	19,000	n/a	n/a		n/a	n/a		n/a	n/a		n/a	n/a	19,439	Jason Ball, Andrew Busby	(Quarter 4) LED lighting and new boiler installation in Phoenix House, Carlu Close solar PV (CY)

Page 37

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:07

This page is intentionally left blank

Corporate Plan PI Report Homes

Monthly report for 2020-2021
 Arranged by Aims
 Filtered by Aim: Priorities Homes
 For MDDC - Services

Key to Performance Status:

Performance Indicators:

No Data

Well below
target

Below target

On target

Above target

Well above
target

* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Homes

Priorities: Homes

Aims: Deliver Housing

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Net additional homes provided</u>	n/a	393	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	335	Jenny Clifford, Simon Newcombe	(2020 - 2021) The annual target has not been met. However, house completions have been sustained notwithstanding the challenges that the Covid-19 pandemic has placed on the construction industry. (TP)
<u>Self Build Plots</u>	n/a	5	n/a	n/a	3	n/a	n/a	3	n/a	n/a	6	n/a	n/a	6	Jenny Clifford	(Quarter 3) Three custom and self build plots were permissioned in October 2020 on three sites. (TP)
<u>Gypsy & Traveller Pitches</u>	n/a	2	n/a	n/a	0	n/a	n/a	0	n/a	n/a	0	n/a	n/a	1	Jenny Clifford	(Quarter 4) 1 pitch implemented in January 2021. Planning permission has been granted for 5 pitches as part of mixed development at Pedlarspool, Crediton. (TP)
<u>Number of affordable</u>	133	94	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	30	Jenny	(2020 - 2021) Evidence shows that some

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:05

Corporate Plan PI Report Homes

Priorities: Homes

Aims: Deliver Housing

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>homes delivered (gross)</u>															Clifford	delivery of Affordable Housing has been sustained on site allocations, but delivery overall has been impacted by the challenges the Covid 19 pandemic has placed on the construction industry. (TP)
<u>New Social Rent Council Houses</u>	26		n/a	n/a	0	n/a	n/a	0	n/a	n/a	0	n/a	n/a	0	Andrew Busby, Simon Newcombe	(Quarter 4) We have converted 2 additional properties and bought back 2 RTB properties during the year (CY)
<u>Number of Homelessness Approaches</u>	n/a	721 for 2019/20	n/a	n/a	125	n/a	n/a	289	n/a	n/a	433	n/a	n/a	587	Simon Newcombe	

Aims: Community Land Trusts

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Community Land Trusts Assisted</u>	n/a	2	n/a	n/a		n/a	n/a	1	n/a	n/a	2	n/a	n/a	2	Jenny Clifford	(Quarter 4) Two CLTs have been assisted in the period 2020 - 2021 (Chawleigh Community Trust and Sampford Peverell Community Land Trust). (TP)

Aims: Private Sector Housing

Corporate Plan PI Report Homes

Priorities: Homes

Aims: Private Sector Housing

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Deliver homes by bringing Empty Houses into use</u>	138	72	1	9	26	31	34	44	59	60	71	78	88	101	Simon Newcombe	
<u>Houses in Multiple Occupation (HMOs) investigations</u>	n/a	100%						100%	100%	100%	100%	98%	92%	93%	Simon Newcombe	(February) 8 HMO enquiries received 5 have had initial investigation carried out. Covid restrictions, lack of resources and additional workload mean that not all HMO enquiries have been progressed. (TW)
<u>Landlord engagement and Support</u>	n/a	9	n/a	n/a	4	n/a	n/a	8	n/a	n/a	12	n/a	n/a	14	Simon Newcombe	(Quarter 4) Pin point and social media post (TW)

Aims: Council Housing

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>% Complaints Responded to On Time</u>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	Simon Newcombe	
<u>Tenant Census</u>	n/a		n/a	n/a	34%	n/a	n/a	34%	n/a	n/a	34%	n/a	n/a	34%	Simon Newcombe	
<u>% Emergency Repairs</u>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	Simon Newcombe	

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:05

Corporate Plan PI Report Homes

Priorities: Homes

Aims: Council Housing

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Completed on Time</u>																
<u>% Urgent Repairs Completed on Time</u>	100.0%	95.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.1%	Simon Newcombe	
<u>% Routine Repairs Completed on Time</u>	99.3%	95.0%	100.0%	100.0%	100.0%	100.0%	98.4%	99.8%	100.0%	100.0%	99.5%	97.5%	100.0%	100.0%	Simon Newcombe	
<u>% Repair Jobs Where an Appointment Was Kept</u>	98.9%	95.0%	100.0%	100.0%	99.8%	100.0%	99.0%	99.7%	100.0%	100.0%	99.3%	99.6%	100.0%	99.0%	Simon Newcombe	
<u>% Properties With a Valid Gas Safety Certificate</u>	99.82%	100.0%	99.6%	99.4%	98.9%	98.9%	99.2%	99.4%	99.5%	99.5%	99.5%	99.4%	99.9%	99.4%	Simon Newcombe	

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:05

Corporate Plan PI Report Economy

Monthly report for 2020-2021
 Arranged by Aims
 Filtered by Aim: Priorities Economy
 For MDDC - Services

Key to Performance Status:

Performance Indicators:

No Data

Well below
target

Below target

On target

Above target

Well above
target

*
 Indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Economy

Priorities: Economy

Aims: Incubator and start-up space

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Incubator and Start-up space</u>	n/a	Target not yet set as initial work required													Jenny Clifford	(February) Scoping exercise to understand requirements has been affected by staff redeployment into COVID-19 response work and will not now take place until later in 2021. (JC)
<u>Sites for Commercial Development</u>	n/a	2						0	0	0	0	0	0	0	Keith Ashton, Andrew Busby	(March) Kingmills/Simmons Place footprint for other sites. (CY)

Aims: Improve and regenerate our town centres

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Number of business rate accounts</u>	3,241	3,250	3,104	3,112	3,123	3,137	3,149	3,339	3,340	3,349	3,347	3,355	3,356	3,356	Dean Emery	
<u>Business Rates RV</u>	n/a		£45,355,994	£45,388,169	£45,354,679	£45,377,354	£45,470,574	£45,519,079	£45,519,379	£45,564,477	£45,584,367	£45,584,392	£45,577,552	£45,601,082	Dean Emery	
<u>Empty Business Properties</u>	n/a							267	258	304			250	244	Dean Emery	
<u>Tiverton Town Centre Masterplan</u>	n/a		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Jenny Clifford, Adrian Welsh	(2020 - 2021) Projects associated with the masterplanning work have been

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:04

Corporate Plan PI Report Economy

Priorities: Economy

Aims: Improve and regenerate our town centres

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																considered by Cabinet in order to prepare for possible funding opportunities. Informed by this work a Community Renewal Fund bid has been submitted. Stage 2 consultation on the masterplan is programmed for Autumn 21. (JC)
<u>Cullompton Town Centre Masterplan</u>	n/a		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Jenny Clifford, Adrian Welsh	(2020 - 2021) The draft masterplan was agreed for public consultation at the May 21 Cabinet meeting. Stage 2 public consultation is due to commence in June 21. (JC)
<u>Pannier Market Regular Traders</u>	n/a	Varies from 75 to 80% depending on the day							77.7%		77.0%	41.0%	35.7%	34.7%	Adrian Welsh	(March) Social distancing limitations and pandemic were still issues over this period. Early signs are encouraging following the 12 April 21 reopening and work continues to attract more traders to the market. (CY)
<u>West Exe North and South</u>	n/a		n/a	n/a	13	n/a	n/a	13	n/a	n/a	13	n/a	n/a	13	Keith Ashton, Andrew Busby	(Quarter 4) 92%, 1 unit vacant (CY)

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:04

Corporate Plan PI Report Economy**Priorities: Economy****Aims: Improve and regenerate our town centres****Performance Indicators**

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Fore St Tiverton</u>	n/a		n/a	n/a	4	n/a	n/a	4	n/a	n/a	4	n/a	n/a	4	Keith Ashton, Andrew Busby	(Quarter 4) 80% 1 vacant unit, let STC (CY)
<u>Market Walk Tiverton</u>	n/a		n/a	n/a	13	n/a	n/a	13	n/a	n/a	14	n/a	n/a	14	Keith Ashton, Jason Ball, Andrew Busby	(Quarter 4) 93% 1 vacant unit, some interest being shown (CY)

Aims: Community Land Trusts**Performance Indicators**

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Community Land Trusts Assisted</u>	n/a	2	n/a	n/a		n/a	n/a	1	n/a	n/a	2	n/a	n/a	2	Jenny Clifford	(Quarter 4) Two CLTs have been assisted in the period 2020 - 2021 (Chawleigh Community Trust and Sampford Peverell Community Land Trust). (TP)

Aims: Digital Connectivity**Performance Indicators**

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Digital connectivity</u>	n/a	>24 Mbps	n/a	n/a		n/a	n/a		n/a	n/a		n/a	n/a		Adrian Welsh	(Quarter 4) Town centre wifi projects are still proposed to be delivered in 2021. (CY)

This page is intentionally left blank

Corporate Plan PI Report Community

Monthly report for 2020-2021

Arranged by Aims

Filtered by Aim: Priorities Community

Filtered by Flag: Exclude: Corporate Plan Aims 2016 to 2020

For MDDC - Services

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
-------------------------	---------	-------------------	--------------	-----------	--------------	-------------------

* indicates that an entity is linked to the Aim by its parent Service

Page 47

Corporate Plan PI Report Community

Priorities: Community

Aims: Health and Wellbeing

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Annual Community Safety Partnership (CSP) Action Plan</u>	n/a	12												12	Simon Newcombe	(March) Completed 20/21 Action Plan and project spend summary approved at May 2021 CSP Board meeting. Covid adjusted core project plan fully delivered and updated 21/22 plan

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:07

Corporate Plan PI Report Community

Priorities: Community

Aims: Health and Wellbeing

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Safeguarding standards for drivers</u>	n/a	100%						100%					100%	100%	Simon Newcombe	approved. (SN) (February) Training has been delivered remotely/online during pandemic. All scheduled training completions due to end of Feb 2021 have been completed for those drivers retaining a licence (SN)
<u>Mental Health First Aiders</u>	n/a	5	n/a	n/a	0	n/a	n/a	0	n/a	n/a	0	n/a	n/a	0	Matthew Page	(Quarter 4) Refresher training has been provide for 2 staff and plans are in place to offer training to increase numbers in 21/22 (CY)
<u>National and regional promotions</u>	n/a	5	0	1	1	1	2	3	4	5	5	5	6	7	Simon Newcombe	(March) HHSRS national review (TW)

Aims: Community Involvement

Corporate Plan PI Report Community

Priorities: Community

Aims: Community Involvement

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>% of complaints resolved w/in timescales (10 days - 12 weeks)</u>	94%	90%	100%	100%	96%	91%	94%	93%	90%	90%	90%	90%	90%	90%	Lisa Lewis	(March) 32 closed at 1st check 39 closed at 2nd check (RT)
<u>Number of Complaints</u>	313		5	21	45	64	97	122	145	163	184	211	230	273	Lisa Lewis	(March) Actual number reported (CY)

Aims: Leisure Centres

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Health Referral Initiative starters</u>	n/a	15	0	0	0	0	0	0	4	2	0	0	0	0	Corinne Parnall	(March) covid-19 (K)
<u>Health Referral Initiative completers</u>	n/a	15	0	0	0	0	0	0	0	0	0	0	0	0	Corinne Parnall	(March) covid-19 (K)
<u>Health Referral Initiative</u>	n/a	5	0	0	0	0	0	0	0	0	0	0	0	0	Corinne Parnall	(March) covid-19 (K)

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:07

Corporate Plan PI Report Community

Priorities: Community

Aims: Leisure Centres

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>conversions</u>																

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:07

Corporate Plan PI Report Corporate

Monthly report for 2020-2021

Arranged by Aims

Filtered by Aim: Priorities Delivering a Well-Managed Council

For MDDC - Services

Key to Performance Status:

Performance Indicators:

No Data

Well below
target

Below target

On target

Above target

Well above
target*
Indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Corporate

Priorities: Delivering a Well-Managed Council

Aims: South West Mutual Bank

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>South West Mutual Bank</u>	n/a		n/a	n/a	n/a	n/a	n/a		n/a	n/a	n/a	n/a	n/a		Andrew Jarrett	(October - March) A meeting was held in December 2020 by the Dep CE and the Cabinet Member for Finance with SW Mutual Bank's Director to receive an update on progress. Clearly, the prevailing Covid19 challenges have slowed down previously identified actions and delayed key milestones, however, at the conclusion of the meeting it was agreed that a quarterly progress update report would be provided in the future. (CY)

Aims: Commercial Opportunities

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Tiverton Other</u>	n/a		n/a	n/a	8	n/a	n/a	8	n/a	n/a	8	n/a	n/a	8	Keith Ashton,	(Quarter 4) 100% Occupancy (CY)

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:06

Corporate Plan PI Report Corporate

Priorities: Delivering a Well-Managed Council

Aims: Commercial Opportunities

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
															Andrew Busby	
<u>Industrial Units Cullompton</u>	n/a		n/a	n/a	15	n/a	n/a	14	n/a	n/a	14	n/a	n/a	15	Keith Ashton, Andrew Busby	(Quarter 4) 100% Occupancy (CY)

Aims: Other

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Sickness absence %</u>	3.27%	2.78%	n/a	n/a	2.17%	n/a	n/a	1.99%	n/a	n/a	1.89%	n/a	n/a	2.10%	Matthew Page	(Quarter 2) Short term sickness has considerably reduced due to a combination of the new sickness policy but also the impact of COVID-19 and WFH (as well as the need for staff to self isolate) (CY)
<u>Appraisals completed</u>	75%	100%	n/a	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a	n/a	n/a	97%	Matthew Page	(October - March) Deadline has been moved to the 31 March 2021 due to the

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:06

Corporate Plan PI Report Corporate

Priorities: Delivering a Well-Managed Council

Aims: Other

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																new online Appraisal/PDR system coming in and the need to train/upskill line managers and employees on how to use the system. (CY)
New Performance Planning Guarantee determine within 26 weeks	100%	100%	n/a	n/a	100%	n/a	n/a	100%	n/a	n/a	100%	n/a	n/a	100%	Jenny Clifford, Eileen Paterson	(Quarter 1) COVID-19 (RP)
Major applications overturned at appeal (over last 2 years)	2%	10%	n/a	n/a	4%	n/a	n/a	5%	n/a	n/a	4%	n/a	n/a	5%	Jenny Clifford, Eileen Paterson	
Major applications overturned at appeal % of appeals	10.00%		n/a	n/a	0%	n/a	n/a	0%	n/a	n/a	0%	n/a	n/a	0%	Jenny Clifford, Eileen Paterson	(Quarter 4) Target less than 10% (RP)
Minor applications overturned at appeal (over last 2	0%	10%	n/a	n/a	0%	n/a	n/a	0%	n/a	n/a	2%	n/a	n/a	2%	Jenny Clifford, Eileen Paterson	

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:06

Corporate Plan PI Report Corporate

Priorities: Delivering a Well-Managed Council

Aims: Other

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>years)</u>																
<u>Minor applications overturned at appeal % of appeals</u>	13%		n/a	n/a	0.25%	n/a	n/a	0.25%	n/a	n/a	1.73%	n/a	n/a	1.66%	Jenny Clifford, Eileen Paterson	
<u>Response to FOI Requests (within 20 working days)</u>	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Catherine Yandle	
<u>Working Days Lost Due to Sickness Absence</u>	8.12days	7.00days	n/a	n/a	1.41days	n/a	n/a	2.61days	n/a	n/a	4.18days	n/a	n/a	5.80days	Matthew Page	
<u>Staff Turnover</u>	n/a	14.0%	n/a	n/a		n/a	n/a		n/a	n/a	12.7%	n/a	n/a	15.0%	Matthew Page	(Quarter 4) We are in line with the sector in terms of staff turnover (CY)
<u>% total Council tax collected - monthly</u>	98.50%	98.50%	10.72%	19.37%	28.02%	36.82%	45.54%	54.55%	64.10%	73.26%	80.75%	91.27%	94.34%	96.96%	Dean Emery	
<u>% total NNDR collected - monthly</u>	99.20%	99.20%	10.09%	16.52%	31.01%	38.88%	47.90%	55.45%	62.86%	70.21%	77.03%	84.56%	90.94%	96.81%	Dean Emery	(August) COVID effect and no formal recovery. Better to compare actuals in prev yr and work out the

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:06

Corporate Plan PI Report Corporate

Priorities: Delivering a Well-Managed Council

Aims: Other

Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																value down c £104,190 (DE)

Printed by: Catherine Yandle

SPAR.net

Print Date: 10 June 2021 18:06

This page is intentionally left blank

Corporate Risk Management Report - Appendix 6

Report for 2021-2022

Filtered by Prefix: Exclude Risk Prefix: OP, PR, EV

Filtered by Flag: Include: * Corporate Risk Register

For MDDC - Services

Filtered by Performance Status: Exclude Risk Status: Low

Not Including Risk Child Projects records, Including Mitigating Action records

Key to Performance Status:

Mitigating Action:	Milestone Missed	Behind schedule	In progress	Completed and evaluated	No Data available
--------------------	-------------------------	------------------------	--------------------	--------------------------------	--------------------------

Risks:	No Data (0+)	High (15+)	Medium (6+)	Low (1+)
--------	---------------------	-------------------	--------------------	-----------------

Corporate Risk Management Report - Appendix 6

Risk: Climate Change Declaration The implications to the Council's strategic, budget and medium term financial plans are not yet fully explored and understood. This introduces an increased level of uncertainty. Impact of climate change on the financial viability of the Council.

Service: Climate Change

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Climate and Sustainability Specialist	Appointment commenced in March 2021	Catherine Yandle	30/04/2021	30/04/2021	Fully effective (1)
In progress	Climate Change Strategy and Action Plan	Was approved by Cabinet on 1 October 2020. The Handbook needs completing and publishing	Catherine Yandle	09/12/2020	30/04/2021	Satisfactory (2)
Completed and evaluated	Consideration by the Environment PDG	This PDG has been tasked with considering the Council's own policy response (s) to the Climate Change Declaration made at Full Council on 26 June 2019.	Catherine Yandle	19/07/2019	30/04/2021	Fully effective (1)
Completed and evaluated	Devon Climate Emergency – Tactical Group	MDDC are part of the tactical group for the climate emergency that has strategic	Catherine Yandle	18/05/2020	30/04/2021	Fully effective (1)

Printed by: Catherine Yandle

SPAR.net

Print Date: 30 June 2021 11:13

Corporate Risk Management Report - Appendix 6						
Mitigating Action records						
Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
		links to our own plans.				
In progress	Net Zero Advisory Group	This was approved by Cabinet on 23 April 2020 terms of reference to be progressed for the group, membership confirmed and first meeting held remotely.	Catherine Yandle	18/05/2020	30/04/2021	Satisfactory (2)
Current Status: High (20)		Current Risk Severity: 5 - Very High		Current Risk Likelihood: 4 - High		
Service Manager: Jason Ball, Catherine Yandle						
Review Note: The new Climate and Sustainability Specialist is now prioritising work streams for future consideration.						

Corporate Risk Management Report - Appendix 6

Risk: Commercial Land supply Insufficient diversity in commercial land provided to meet changing business needs

Service: Planning

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Business and landowner engagement	Continued brokering of sites and identification of creative opportunities to meet business demands can be very effective in addressing this risk	Adrian Welsh	10/06/2019	07/04/2021	Satisfactory (2)
In progress	Call for sites	Call for sites (and subsequent site assessment) in connection with the next Local Plan will assist in understanding of site availability in order to effectively plan for employment needs across the new local plan period.	Jenny Clifford	07/04/2021	07/04/2021	Satisfactory (2)
Behind schedule	Incubator/Flexible workspace project	This project should help identify opportunities to help the delivery of new flexible workspace	Adrian Welsh	10/06/2019	07/04/2021	Action required(3)
In progress	Plan for recovery	Develop a recovery plan/ strategy in conjunction with partners	Jenny Clifford	12/05/2020	07/04/2021	Satisfactory (2)
Current Status: Medium (10)		Current Risk Severity: 5 - Very High		Current Risk Likelihood: 2 - Low		

Service Manager: Jenny Clifford

Review Note: Position has not changed since last review in that Local Plan adoption provides allocated employment sites. Work has also started to plan for employment needs over the next local

Printed by: Catherine Yandle

SPAR.net

Print Date: 30 June 2021 11:13

Corporate Risk Management Report - Appendix 6

plan period with the recent call for sites.

Incubator/flexible workspace project requires intelligence to better understand and plan for business need. This work has been delayed due to required focus on business grants and recovery planning.

Risk: Coronavirus Pandemic The risk to MDDC's ability to conduct business as usual

Service: Governance

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Business Continuity Planning (BCP)	BCPs have been reviewed. Regular updates are being obtained from Public Health England and the Local Resilience Forum. Fortnightly meetings of managers and Leadership Team via Skype.	Catherine Yandle	06/03/2020	07/04/2021	Fully effective (1)
In progress	Financial and Economic effects monitoring	To ensure that local authorities including MDDC are reimbursed in full for the Covid 19 response by Central government. At present we have been given approx. £1.2M to date in extra funding in 4 tranches.	Catherine Yandle	13/05/2020	07/04/2021	Satisfactory (2)
Current Status: High (15)		Current Risk Severity: 5 - Very High		Current Risk Likelihood: 3 - Medium		

Service Manager: Simon Newcombe

Review Note: Response continually monitored in the light of developments with the new Covid variant. Vaccination programme success has enabled score to be reduced. Community response has been stood down.

Corporate Risk Management Report - Appendix 6

Risk: Culm Garden Village Possible discontinuance of Government funding support

Service: Planning

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Funding opportunities	Lobby for the creation of further funding opportunities and for further rounds of the garden communities capacity funding	Jenny Clifford	03/02/2021	10/05/2021	Satisfactory (2)
In progress	Further bids for capacity funding	To continue to secure external funding to support the project	Jenny Clifford	29/03/2019	10/05/2021	Satisfactory (2)

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Jenny Clifford, Adrian Welsh

Review Note: Bid submitted for 20/21 round of capacity funding. Currently awaiting outcome. Further future bid opportunities unknown at this stage and will be announced by Government in due course.

Corporate Risk Management Report - Appendix 6

Risk: Cyber Security Inadequate Cyber Security could lead to breaches of confidential information, damaged or corrupted data and ultimately Denial of Service. If the Council fails to have an effective ICT security strategy in place.

Risk of monetary penalties and fines, and legal action by affected parties

Service: I C T

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Email and Protective DNS	ICT have applied the all levels of the government secure email policy, which ensures secure email exchange with government agencies operating at OFFICIAL. PSN DNS has been configured at the Internet gateway, which ensures the validity of websites and blocks known sites.	Lisa Lewis	06/06/2019	29/06/2021	Fully effective (1)
Completed and evaluated	Information Security Policy in place, with update training	Information Security Policy on LMS (online policy system) included in induction.	Catherine Yandle	22/10/2015	29/06/2021	Fully effective (1)
In progress	Regular user awareness training	Staff and Member updates help to reduce the risk	Catherine Yandle	03/01/2019	29/06/2021	Satisfactory (2)
Completed and evaluated	Technical controls in place	Required to maintain Public Sector Network certification	Lisa Lewis	03/01/2019	29/06/2021	Fully effective (1)

Current Status: High (20)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 4 - High

Service Manager: Lisa Lewis

Review Note: External penetration testing occurred in May - mitigation plan pending. Two cyber audits in progress, one with DAP and one with localdigital.gov.uk an arm of MHCLG. Results will inform appropriately prioritised Cyber and Disaster Recovery plan to be completed by the Autumn.

Notification/emails to staff/members about phishing and other risks are circulated regularly.

Email and Protective DNS - conforming with government secure email policy.

Early mitigation plans around password management and multi-factor authentication have commenced, but this is likely to incur training requirements for officers/members as we change

Printed by: Catherine Yandle

SPAR.net

Print Date: 30 June 2021 11:13

Corporate Risk Management Report - Appendix 6

business practices.

Risk: Economic Development Service The macro economic position might necessitate a reactive response, impacting on the Council's resourcing and reducing its ability to deploy resources as planned.

Service: Growth, Economy and Development

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Distribution and processing of Gov business support funding.	To assist businesses during the Covid19 pandemic and to help sustain them during this time of national restrictions.	Adrian Welsh	12/05/2020	06/05/2021	Satisfactory (2)
In progress	Hardship funding	To support individuals/households but also crucial for self employed and furloughed staff as a result of the pandemic.	Adrian Welsh	12/05/2020	06/05/2021	Satisfactory (2)
In progress	Recovery plans	Work underway in partnership with other Devon and regional partners to develop economic recovery plans to assist positive outcomes on local economy.	Adrian Welsh	12/05/2020	06/05/2021	Satisfactory (2)
Current Status: High (25)		Current Risk Severity: 5 - Very High		Current Risk Likelihood: 5 - Very High		

Service Manager: Adrian Welsh

Review Note: The pandemic has had a critical impact on the local, national and global economy. Officer resource has been prioritised to issuing business grant support. Whilst recovery planning work takes place with our partners, our ability to contribute is less than we would want as a result of the grant work prioritisation.

Corporate Risk Management Report - Appendix 6

Risk: Economic Strategy Failure to deliver projects/outcomes in Economic Strategy

Service: Growth, Economy and Development

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Continue to seek out existing and new funding opportunities	To assist in ensuring adequate funding for delivery of COVID19 economic recovery work.	Adrian Welsh	10/06/2019	06/05/2021	Satisfactory (2)
In progress	partnership working	Continue to work closely with delivery partners to gain advance warning of difficulties so as to seek to mitigate and also to develop joint responses to COVID economic recovery	Adrian Welsh	10/06/2019	06/05/2021	Satisfactory (2)
In progress	Project Management	Continue rigorous project management, monitoring and reporting of economic development projects	Adrian Welsh	10/06/2019	06/05/2021	Satisfactory (2)
In progress	Recovery Plans	Recovery Plans will be put in place to aid recovery.	Adrian Welsh	12/05/2020	06/05/2021	Satisfactory (2)
In progress	Review and reprioritisation	Part of review of projects for Year 2 actions and a review of the likely impacts on the economy of the pandemic. This will consider maximising investment through external funding and prioritising officer time.	Adrian Welsh	31/01/2020	06/05/2021	Satisfactory (2)

Current Status: High (20)

Current Risk Severity: 4 - High

Current Risk Likelihood: 5 - Very High

Service Manager: Adrian Welsh

Printed by: Catherine Yandle

SPAR.net

Print Date: 30 June 2021 11:13

Corporate Risk Management Report - Appendix 6

Review Note: Although a review of the strategy was programmed for Q1 2021, this has had to be moved back following the further period of national lockdown and resultant business support requirements. The review will be informed by emerging 'Team Devon recovery work'. This work will also be informed by national economic predictions and forecasts once a better idea of the implications to the economy of the emerging vaccination programme are known.

Risk: Funding Insufficient resources (including funding) to deliver growth aspirations of Corporate Plan.

Service: Growth, Economy and Development

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Actively pursue funding opportunities through Levelling Up Agenda/Shared Prosperity Fund	Work currently being undertaken to be in a state of readiness as opportunities become available	Adrian Welsh	03/02/2021	06/05/2021	Satisfactory (2)
In progress	Lobbying	Officers will continue to review funding opportunities and seek opportunities to work closely with local partners and the HotSWLEP to seek additional funding support for key infrastructure.	Adrian Welsh	12/05/2020	06/05/2021	Satisfactory (2)
In progress	Officers have reprioritised work programmes to explore new funding opportunities	End of European funding sources	Adrian Welsh	10/06/2019	06/05/2021	Satisfactory (2)
Current Status: High (16)		Current Risk Severity: 4 - High		Current Risk Likelihood: 4 - High		

Service Manager: Adrian Welsh

Review Note: Given ongoing constraints on resource and the scale of the challenges to the GED team at this time there has been need to carefully prioritise project delivery. Funding opportunities are actively being pursued.

Corporate Risk Management Report - Appendix 6

Risk: GDPR compliance That the Council cannot demonstrate that we are compliant with GDPR requirements.

Service: Governance

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	IDOX Records Handling Plan	To utilize IDOX bulk data handling tool across the Council services using Uniform	Catherine Yandle	01/03/2019	19/05/2021	Satisfactory (2)
Completed and evaluated	Records Management Action Plan	To improve identified issues with records management	Catherine Yandle	15/06/2018	19/05/2021	Fully effective (1)

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Catherine Yandle

Review Note: GDPR awareness among staff is good. Some refresher training will be organised in Q2 21/22 .

Corporate Risk Management Report - Appendix 6

Risk: Health and Safety Inadequate Health and Safety Policies or Risk Assessments and decision-making could lead to Mid Devon failing to mitigate serious health and safety issues

Service: Governance

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Risk Assessments	Review risk assessments and procedures to ensure that we have robust arrangements in place. Risk training sessions in place.	Catherine Yandle	28/05/2013	10/01/2021	Satisfactory (2)
In progress	Risk assessments	Group Managers receive monthly automated reminders to update any outstanding risk reviews	Catherine Yandle	20/09/2019	10/01/2021	Satisfactory (2)
Current Status: Medium (10)		Current Risk Severity: 5 - Very High		Current Risk Likelihood: 2 - Low		

Service Manager: Catherine Yandle

Review Note: Covid Secure RAs have been updated in the light of latest national lockdown and mitigations re new variants of the virus. Guidance updated.

Corporate Risk Management Report - Appendix 6

Risk: Homelessness Insufficient resources to support an increased homeless population could result in failure to meet statutory duty to provide advice and assistance to anyone who is homeless.

Service: Housing Services

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Multi-skilled Staff	Due to an increase in homelessness approaches more applicants with complex needs are coming through the system that require far greater staff attention than normal. In order to mitigate this, staff are expanding their training around mental health, drug and alcohol awareness, and safeguarding, in order to create a more multi-skilled and adaptable workforce. This may require a greater allocation of resources as homelessness increases.	Claire Fry	21/12/2020	09/04/2021	Fully effective(1)
Completed and evaluated	RSI funding	The number of homeless approaches and the number of rough sleepers in the District are both likely to increase as a result of the economic instability and the current outbreak of Covid19. Our	Claire Fry	21/12/2020	09/04/2021	Fully effective(1)

Corporate Risk Management Report - Appendix 6						
Mitigating Action records						
Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
		success in obtaining up to £6,400 in RSI funding to deliver services during the cold weather means that we can adapt to this increased caseload and better carry out early intervention and prevention options to aid rough sleepers and prevent returning to the streets.				
Completed and evaluated	Staff Support	Officers are trained and knowledgeable and the structure of Housing Options team reviewed to build resilience.	Claire Fry	22/06/2017	09/04/2021	Fully effective(1)
Completed and evaluated	Temporary Accommodation	With the rise in homelessness applicants, the overall cost of homelessness provisions will increase and therefore there is a need to make use of existing stock as temporary accommodation, as opposed to more costly alternatives such as bed and breakfast.	Claire Fry	21/12/2020	09/04/2021	Fully effective(1)
Current Status: High (16)		Current Risk Severity: 4 - High		Current Risk Likelihood: 4 - High		
Service Manager: Claire Fry						
Review Note: This area of work is high-risk due to the fact that we anticipate increasing numbers of						
Printed by: Catherine Yandle			SPAR.net		Print Date: 30 June 2021 11:13	

Corporate Risk Management Report - Appendix 6

people approaching us as homeless due to the ongoing economic impact of the pandemic. In addition, those presenting may be distressed and therefore their responses to our officers may be inappropriate, which can cause stress. Further, there are risks associated with rough sleeping during the pandemic, however, we have obtained further funding from MHCLG which supports work with rough sleepers and the Housing Options Team has necessary skills, knowledge, and experience to enable them to prevent and manage homelessness efficiently and effectively.

Risk: Information Security Inadequate data protection could lead to breaches of confidential information and ultimately enforcement action by the ICO.

Service: Governance

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Awareness and Training	Attend team meetings and other meetings such as Tenants Together to provide training and answer questions on request. Articles in the Link on an ad hoc basis. Annual Information Security training is mandatory for all network computer users	Catherine Yandle	09/08/2019	19/05/2021	Fully effective (1)
In progress	Breach notification	Security breaches are logged via the helpdesk and monitored for developing trends. Training and advice is offered in response to items logged.	Catherine Yandle	09/08/2019	19/05/2021	Satisfactory (2)
Current Status: Medium (12)		Current Risk Severity: 4 - High		Current Risk Likelihood: 3 - Medium		
Service Manager: Catherine Yandle						
Review Note: Awareness among staff is good. Some refresher training will be organised in Q2 21/22 . New Member trainingtook place on 1 June 21						

Corporate Risk Management Report - Appendix 6

Risk: Infrastructure delivery Inability to deliver, or delay in delivering, key transport infrastructure to unlock planned growth

Service: Growth, Economy and Development

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Close working with Devon Country Council (delivery partner) over the HIF schemes	DCC is the delivery partner for the Council's HIF highway infrastructure project. Close working is taking place in order to ensure risks of project delay or cost escalation are reduced. DCC is undertaking robust project management of the projects. These actions seek to ensure the projects remain on track and any problems are raised at an early stage allowing for corrective action.	Jenny Clifford	13/01/2021	06/05/2021	Satisfactory (2)
In progress	Close working with Homes England over the HIF schemes	Grant fund agreements over the HIF funding to deliver 2 highway infrastructure schemes. These include a range of requirements and project milestones. Close liaison with Homes England is taking place via monthly project update meetings and quarterly monitoring returns. This ensures Homes England is updated on both projects, is aware of issues as they arise and any corrective actions can be taken- for	Jenny Clifford	13/01/2021	06/05/2021	Satisfactory (2)

Corporate Risk Management Report - Appendix 6

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
		example seeking the revision of project milestones to reflect the latest project programme.				
In progress	Partnership working	Close working with delivery partners to attempt to mitigate risks.	Adrian Welsh	12/05/2020	06/05/2021	Satisfactory (2)
In progress	Partnership working with infrastructure providers and statutory bodies	Reduce risk of delays and communication.	Adrian Welsh	10/06/2019	06/05/2021	Satisfactory (2)
In progress	target funding opportunities	To seek to bring forward delivery	Adrian Welsh	10/06/2019	06/05/2021	Satisfactory (2)

Current Status: High (16) **Current Risk Severity: 4 - High** **Current Risk Likelihood: 4 - High**

Service Manager: Adrian Welsh

Review Note: We are working closely with Homes England on both HIF scheme and looking to mitigate project risks as and when they occur. The Cullompton Relief Road has now been granted planning permission. Cabinet will be considering at its 13 May 2021 meeting the potential for a Levelling Up Fund bid to help bring forward the Cullompton Relief Road scheme. The SOBC for Cullompton Railway Station has been submitted to the DfT and has been well received. Further announcements from DfT expected imminently.

Corporate Risk Management Report - Appendix 6

Risk: Overall Funding Availability Changes to Revenue Support Grant, Business Rates, New Homes Bonus and other funding streams in order to finance ongoing expenditure needs.

Service: Financial Services

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Engaging in commercial activities	To provide additional revenue streams	Paul Deal	28/09/2017	20/05/2021	Satisfactory (2)
In progress	Medium term planning	Latest gap approximately £3M A range of options are being considered but Covid, business rates and uncertainty over fair funding review make the situation extremely challenging	Paul Deal	28/09/2017	20/05/2021	Satisfactory (2)
In progress	We continue to work with managers to reduce costs and explore new income streams	To close the budget gap and maintain services	Paul Deal	07/02/2019	20/05/2021	Satisfactory (2)
Current Status: High (15)		Current Risk Severity: 5 - Very High		Current Risk Likelihood: 3 - Medium		

Service Manager: Paul Deal

Review Note: Latest forecast budget gap £3M shortfall based on prudent assumptions, that forecast could be impacted by the covid pandemic and changes in National funding.

Corporate Risk Management Report - Appendix 6

Risk: Reduced Funding - Budget Cuts We are subject to continuing budget reductions. If we concentrate on short term cost savings, it may increase long term impact of decisions

Service: Financial Services

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Business Plans	Service Business Plans are reviewed each financial year with suggestions for revised performance targets based on budget to be agreed by Cabinet Member and PDG.	Andrew Jarrett	28/05/2013	20/05/2021	Satisfactory (2)
In progress	Identify Efficiencies	Taking proactive steps to increase income and reduce expenditure through efficiencies, vacancies that arise and delivering services in a different way.	Andrew Jarrett	28/05/2013	20/05/2021	Satisfactory (2)
Completed and evaluated	Reserves	Cabinet have taken the decision to recommend a minimum general reserve balance of 25% of Net annual budget.	Andrew Jarrett	28/05/2013	20/05/2021	Fully effective (1)
Completed and evaluated	Set Budget	Each year as part of the budget setting process, members are consulted via PDGs in time to evaluate savings proposals, ahead of the November draft budget.	Andrew Jarrett	28/05/2013	20/05/2021	Fully effective (1)
Current Status: Medium (12)		Current Risk Severity: 4 - High		Current Risk Likelihood: 3 - Medium		

Service Manager: Paul Deal

Review Note: Balanced budget set for 21/22, work continues on closing the forecast budget deficit for 22/23 onwards.

Service managers have been asked to consider how savings or spend to save projects in their areas may help to reduce this deficit.

Corporate Risk Management Report - Appendix 6

Risk: Reputational damage - social media impact of reputational damage through social media is a significant risk that warrants inclusion on the Authority's risk register.

Service: Communications

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Monitoring social media	Two members of the communications team monitor the main corporate social media accounts on a rota basis. Alerts are also set up so the team receives notification of comments and can respond as appropriate. This is monitored in office hours only and the team does not provide 24 hour monitoring or a call out function. The Comms Team also works with other local authorities and takes part in social media training with other local authorities as the opportunities arise budgets permitting.	Jane Lewis	05/06/2019	30/06/2021	Satisfactory (2)

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Jane Lewis

Review Note: A new SM governance group has been formed. SM will also be included in LMS and a database of those who access will be kept. IT have been contacted to put SM access on the leavers list too.

Corporate Risk Management Report - Appendix 6

Risk: Right to Buy - Re-investing Receipts in New Affordable Rented Homes : Failure to deliver an appropriate housing programme to provide new social rent Council housing may result in existing housing stock not being replaced at an adequate rate to offset RTB sales. This may also result in payment of interest to MHCLG on any unspent, ring-fenced 1-4-1 RTB receipts and have longer term impact on the overall financial health of the HRA over a 30-year plan period.

Service: Housing Services

Mitigating Action records

No Mitigating Action records found.

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: None

Review Note: We have submitted to MHCLG a detailed programme for delivering additional social rent homes over 21/22. The final scope of this programme will depend on on-going negotiations with MHCLG on potential extension to RTB receipts due to be spent in 20/21 (due to Covid etc) as well as 21/22 receipts already assigned in the programme. Going forward, the plan will be informed by a new Housing Strategy. The desired outcome being shaped is to have in place rolling 3-year RTB receipt/housing stock programme set at a minimum 100% stock replacement rate (based on average rates of RTB sales, reviewed annually). This will allow for receipts to be allocated to an identified and approved future development/redevelopment scheme or buy-back opportunity at date of receipt for utilisation over the required 3-year utilisation period, thereby mitigating the risks.

Corporate Risk Management Report - Appendix 6

Risk: S106 Agreement Inability of the legacy systems to provide a full overview of the 'trigger points' for all of the s106 agreements

Service: Planning

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	S106 improvement project	A S106 improvement project is taking place to build a new system that will be able to effectively manage the process and provide better visibility over the information on S106 agreements and monies held/spent/expected.	Jenny Clifford	04/10/2019	07/04/2021	Satisfactory (2)

Current Status: High (15)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Service Manager: Jenny Clifford

Review Note: Review of processes around S106 agreements continues to advance, but slower than initially intended due to resource availability and impact of COVID-19.

Governance arrangements have been agreed.

The enquiries part of project management system is now live, monies reconciled against the financial system and data migration has been taking place in batches. Reporting on funds by Parish and catchment for public open space is available with air quality shortly. Further stages of the project will be completed through to late 2021

The Infrastructure Funding Statement published December 20 reports on S106 monies collected and spent for 19/20 and will be updated annually for the previous financial year. It also identifies and prioritises the infrastructure the Council intends to fund through S106 agreement/ Community Infrastructure Levy (report to Cabinet 3rd December 2020).

Corporate Risk Management Report - Appendix 6

Risk: SPV - 3 Rivers - Failure of the Company This will depend on Economic factors and the Company's success in the marketplace commercially.

For MDDC the impacts will be:

3 Rivers are unable to service and repay the loan from MDDC

Not receiving the forecast additional income

Not supporting corporate objectives.

Service: Financial Services

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Cabinet	Monthly meetings with Cabinet ambassadors and monthly update to Cabinet on progress with the recommendations action plan and projects.	Catherine Yandle	09/11/2020	20/05/2021	Fully effective(1)
Completed and evaluated	Regular monitoring	The Board of 3 Rivers deliver a half yearly report to the Cabinet which provides an update on their delivery against their business plan. We charge interest to them at a commercial rate in order to maintain an "arms-length" relationship and the interest provides some mitigation to the outstanding principal.	Andrew Jarrett	30/05/2019	20/05/2021	Fully effective(1)

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Paul Deal

Review Note: No further impairments to the loans anticipated based on the newly approved business plan.

Corporate Risk Management Report - Appendix 6

Risk: SPV 3 Rivers Reputational Impact That 3 Rivers' reputation is damaged by the actions of the council, threatening the long-term success of the company and potentially threatening the operational activity of the company through increased costs, reduced revenues, staff retention, or future claims against the council.

Service: Governance

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Work with Members	Sustained work with elected members to ensure that the necessary balance is struck between constructive challenge and debate, without bringing the company or its activity into disrepute. Awareness raising relating to the roles of the council's scrutiny committee in assuring governance outcomes, the audit committee providing assurance on risk and mitigation, and the cabinet in its decision-making as shareholder. Use of external advice when necessary to provided added assurance.	Stephen Walford	11/11/2020	20/05/2021	Satisfactory (2)

Current Status: High (15)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Service Manager: Stephen Walford

Review Note: The most recent audit notes that members need to strike a balance between governance and oversight that assures, and continued intervention that will commercially hinder. With governance matters now addressed, this risk sits predominantly with the actions of members who must work to balance the need for process checking, challenge and assurance, with the desire to use the company as a tool for political disagreement. As much as it might be (a point of political disagreement), the audit position is clear that such interventions are not beneficial to the company in commercial terms, and therefore unlikely to be in the long-term interests of the council in seeking to achieve its strategic objectives.

With monthly updates at Cabinet continuing, alongside regular auditing, members have structurally embedded a range of mechanisms to give confidence in the governance, oversight and assurance process. The reputational risk from members bringing the company into disrepute is therefore very much in individual members' hands.

Corporate Risk Management Report - Appendix 6

Risk: SPV Governance Arrangements - 3 Rivers Not being able to demonstrate robust challenge and decision-making.

Service: Governance

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	External Review	Several recommendations have been made. All have been approved between Cabinet, Audit and Scrutiny. Action Plan is in place and progress is steady.	Catherine Yandle	06/07/2020	28/06/2021	Satisfactory (2)
Completed and evaluated	Included on AGS	This issue has been included on the Annual Governance Statement Action Plan so we do not lose sight of the issue throughout the year.	Catherine Yandle	15/07/2019	28/06/2021	Fully effective(1)
In progress	Openness and Transparency	Regular reports to Cabinet in open session where possible. Need to balance commercial interests with Nolan principles.	Catherine Yandle	20/05/2019	28/06/2021	Satisfactory (2)
Current Status: Medium (10)		Current Risk Severity: 5 - Very High		Current Risk Likelihood: 2 - Low		

Service Manager: Catherine Yandle

Review Note: The Action Plan is due for completion by the end of June 2021

Corporate Risk Management Report - Appendix 6

Risk: Tiverton Pannier Market Failure to maximise the economic potential of Tiverton Pannier Market

Service: Growth, Economy and Development

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Continue to retain and prioritise market budget	To ensure most efficient use of resources	Adrian Welsh	10/06/2019	06/05/2021	Satisfactory (2)
In progress	continue to work with traders on promotion	To increase footfall.	Adrian Welsh	10/06/2019	06/05/2021	Satisfactory (2)
In progress	Implement and review market strategy	Implementation of strategy will increase market's financial success and help fulfill its function as a key driver for the town.	Adrian Welsh	10/06/2019	06/05/2021	Satisfactory (2)
In progress	Masterplan Implementation	To realise benefits from the Masterplan to increase visibility of market and increase footfall.	Adrian Welsh	10/06/2019	06/05/2021	Satisfactory (2)
Current Status: Medium (12)		Current Risk Severity: 4 - High		Current Risk Likelihood: 3 - Medium		

Service Manager: Adrian Welsh

Review Note: Plans to maximise economic potential of the pannier market are being reviewed to reflect the current challenges and future opportunities arising from changing retail habits as a result of the pandemic. The newly appointed Market Manager will play a pivotal role in delivering these plans.

Printed by: Catherine Yandle

SPAR.net

Print Date: 30 June 2021 11:13

This page is intentionally left blank

AUDIT COMMITTEE 27 JULY 2021

ANNUAL GOVERNANCE STATEMENT

Cabinet Member Cllr Bob Deed
Responsible Officer Catherine Yandle, Operations Manager for Performance, Governance and Health & Safety

Reason for Report: To present the Committee with the draft Annual Governance Statement and Action Plan (Appendix A) and accompanying Corporate Governance Framework (Appendix B) for 2020/21.

RECOMMENDATION(S): That the Committee approves the Annual Governance Statement and the Leader of the Council and the Chief Executive sign the Statement, as per the statutory guidance, alongside the Financial Statements once the audit is completed.

Relationship to Corporate Plan: Having good governance arrangements and an effective internal control environment is a fundamental element of being a well-managed council.

Financial Implications: None

Legal Implications: None

Risk Assessment: Failure to produce an Annual Governance Statement would result in the Council breaching the Accounts and Audit Regulations 2015.

Equality Impact Assessment: No equality issues identified for this report.

Impact on Climate Change: No impacts identified for this report.

1.0 Introduction

- 1.1 Mid Devon District Council is required to prepare an Annual Governance Statement as per the requirements laid out in the Delivering Good Governance in Local Government: Framework (2016) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting.
- 1.2 In addition Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once a year of the effectiveness of its system of internal control, and to include a statement reporting on the review with any published Statement of Accounts. Regulation 6(1)(b) of the Accounts and Audit Regulations 2015 require that for a local authority in England the statement is an Annual Governance Statement (AGS).
- 1.3 The Good Governance Framework sets out seven principles of Corporate Governance which are underpinned by supporting principles and requirements. Authorities are expected to comply with the requirements of

the Framework and thus meet the principles of good Corporate Governance, which are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

2.0 What is an Annual Governance Statement?

2.1 The AGS should be an open and honest self-assessment of an authority's performance across all of its activities, with a clear statement of the actions being taken or that are required to address areas of concern. The AGS has been prepared in accordance with the CIPFA guidance entitled '*Delivering Good Governance in Local Government*'.

2.2 The AGS includes the following:

- An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control)
- A description of the key elements of the systems and processes that comprise the governance arrangements
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements
- An outline of the proposed actions to be taken to deal with significant governance issues, including an action plan.

2.3 Again this year there is an additional section H regarding the Council's Covid 19 response in so far as it affects governance.

3.0 Conclusion

3.1 Following the review of the sources of assurance and evidence to support the AGS, it is the opinion of the Operations Manager for Performance, Governance and Health & Safety that the Council's control environment was adequate in the 2020/21 financial year.

3.2 The areas where improvements are required are highlighted in the Action Plan accompanying the AGS. The action plan includes reference to the lead officers for each action and the target date for completion. The Committee will receive an update on the progress made against this action plan at their meetings throughout 2021/22.

- 3.3 It is a statutory requirement that the AGS is signed off by the Chief Executive (as most senior officer) and the Leader of the Council (as most senior member), along with the Report and Accounts once they have been approved by the Audit Committee.
- 3.4 The AGS is subject to review by the Council's external auditor and any comments from them are not reflected in this document, none have been received to date.

Contact for more Information: Catherine Yandle Operations Manager for Performance, Governance and Health & Safety
cyandle@middevon.gov.uk

Circulation of the Report: Management Team and Cllr Bob Deed

List of Background Papers: None

This page is intentionally left blank

Annual Governance Statement (2020/21)

This gives the results of our yearly assessment of how well we are managing and controlling risks, achieving our aims and meeting the responsibilities we have by law.

We are responsible for making sure that we:

- carry out our business in line with the law and proper standards;
- protect public money and account for it properly; and
- use public money economically, efficiently and effectively.

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control, and to include a statement reporting on the review with any published Statement of Accounts. Regulation 6(1) (b) of the Accounts and Audit Regulations 2015 require that for a local authority in England the statement is an Annual Governance Statement.

In England, the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement (AGS) must be “prepared in accordance with proper practices in relation to accounts”. Therefore for a local authority in England this requires the statement to be in accordance with Delivering Good Governance in Local Government: Framework (2016) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting for 2020/21. In preparing and publishing this Statement, we therefore meet these statutory requirements.

The framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Mid Devon District Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. It ensures they are managed efficiently, effectively and economically.

Annual Governance Statement (2020/21)

The review of internal controls provides assurance that the Statement of Accounts gives a true and fair view of the Authority's financial position at the reporting date and its financial performance during the year.

The assurance opinions derived from the work of Internal Audit are among the significant items that inform the AGS. The Head of Internal Audit's Opinion statement for 2020/21 stated:

Overall, based on work performed during 2020/21 and our experience from previous years audit, the Head of Internal Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

The governance framework has been in place for the whole of the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts. MDDC continually seeks to improve its governance arrangements and evidence of continued "best practice" is found within the governance review below. Arrangements are reviewed on a continual basis and where weaknesses have been found they are addressed as is demonstrated below in the Action Plan.

The Policy Development Groups are asked to feedback areas of concern to Cabinet, the Scrutiny Committee can and does challenge Cabinet decisions and the Audit Committee can and does challenge management over areas of concern identified in audit reports throughout the year.

During the year progress against the previous year's AGS Action Plan is taken to every Audit Committee so that the action points can be monitored, most of the action points from the 2019/20 AGS Action Plan have been completed at this time, any which were only partially addressed are included below in the Action Plan for 2020/21.

Overall the Authority has a robust Governance Framework and is not afraid to subject itself and its decisions to scrutiny or Peer review, this enables the Council to have assurance that its governance arrangements are sound but also treated as a live and evolving framework which can respond to the environment it finds itself in.

Covid 19

The Authority has of course been significantly affected by the Coronavirus pandemic, the main impacts were not felt until March 2020 although planning to deal with the effects of the pandemic had started before then. A separate section at the end (H) specifically addresses the Authority's Coronavirus response and any resultant governance changes and new risk areas.

Annual Governance Statement (2020/21)

Conclusion

Following a review of the sources of assurance and evidence to support the AGS, it is the opinion of the Group Manager for Performance, Governance and Health & Safety that the Council’s control environment was adequate in the 2020/21 financial year.

😊 = Assurance Received 😞 = Some additional work required

Approved by the Leader of the Council

Bob Deed


Date

Approved by the Chief Executive

Stephen Walford

Date


Annual Governance Statement (2020/21)

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p>Behaving with integrity</p> <ul style="list-style-type: none"> • We operate an appraisal scheme for all staff to identify development and skills needs and assess performance. • We provide new Members and staff with induction training on appointment. • We have Codes of Conduct for Members and Staff • Declarations of interest made at meetings are published with minutes and on our website. • We have registers of interests and gifts & hospitality for Members and Staff. • Our Whistleblowing policy was reviewed in March 2021. • We have a clear complaints procedure on our website and an up-to-date Customer Care Policy. • We take the Health and Safety of our 	<p>This is now being monitored via the Learning Management System on-line</p> <p>New Councillors Induction Programme</p> <p>Staff Induction Policy</p> <p>Constitution</p> <p>Your Councillors - MIDDEVON.GOV.UK</p> <p>Complaints Procedure</p> <p>Customer Care Policy</p>	<p></p> <p>Gifts & Hospitality and Declarations are audited regularly by Internal Audit</p> <p>Adherence to legislation is confirmed in each audit review undertaken</p> <p>The Code of Conduct for Councillors and Co-opted Members was recommended to Full Council for Approval in April 2017 New LGA model code of conduct to be considered in 2021</p> <p>Members Code of Conduct training is carried out by the Monitoring Officer</p> <p>Procedures embedded. Risk assessments in place. 1:2:1s / team meetings used to address this.</p> <p>Increased ethics awareness training in the staff induction process.</p> <p>The adequacy of the anti-fraud and corruption policy and procedures were confirmed by DAP's Audit and Counter</p>

5

Annual Governance Statement (2020/21)


<p>Respecting the rule of law</p> <ul style="list-style-type: none"> • The Constitution is under continuous review any significant changes re taken through the Standards Committee. • We ensure we comply with Statutory Provisions. • Compliance with CIPFA's <i>Statement on the Role of the Chief Financial Officer in Local Government</i> (CIPFA, 2015) • We have effective and up-to-date anti-fraud and corruption policies and procedures • Legal advice is given either as a stand-alone piece of advice or in relation to a case on which Legal Services are instructed to advise. • We recognised the importance of having effective arrangements in place for the Monitoring Officer function by updating and strengthening the role of the Monitoring Officer in the Council and recruiting a suitably qualified person for the post. 	<p>Constitution</p> <p>The role of the Chief Financial Officer in local government</p>	
--	--	--

Principle B: Ensuring openness and comprehensive stakeholder engagement		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p>Openness</p> <ul style="list-style-type: none"> • We publish agendas and minutes for all our meetings on our website. • We publish key decisions on the website • We have a FOI publication scheme • We have a calendar of dates for submitting, publishing and distributing timely reports. • Procurements are competed through Pro Contract, and details of all our contracts are held on the system. • Engaging comprehensively with institutional stakeholders • We meet with our local colleges of FE and key local employers to discuss how the Council can support their work <p>Engaging with individual citizens and</p>	<p>Browse Meetings, MIDDEVON.GOV.UK</p> <p>Forthcoming Decisions</p> <p>Publication Scheme - MIDDEVON.GOV.UK</p> <p>Community Engagement Strategy and Media and Social Media Policy were recommended for approval by Community PDG on 23 March 2021</p>	<p></p> <p>We publish recordings of all our meetings on the website (with the exception of Part 2 business and in certain other limited circumstances on an exceptional basis).</p> <p>We are committed to working in partnership and will consult other agencies as and when necessary.</p> <p>The DAP audit report on procurement provided a Reasonable Assurance.</p>

Annual Governance Statement (2020/21)


<p>service users effectively</p> <ul style="list-style-type: none"> • We publish details of consultations and petitions on our website • We have policies for communication and Social Media • We have an active Tenant involvement group – Tenants Together which produces regular newsletters • Mid Devon Gypsy and Traveller Forum established 	<p>Consultation & Involvement</p> <p>Communication strategy</p> <p>Housing News 4U</p>	
--	--	--

Annual Governance Statement (2020/21)


Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p>Defining outcomes</p> <ul style="list-style-type: none"> We have a new focus for the Corporate Plan 2020-2024: Sustainability We have an agreed Corporate Plan for 2020-2024 <p>Sustainable economic, social and environmental benefits</p> <ul style="list-style-type: none"> We have a capital asset management group which aims to maximise the return on our capital assets Optimising sustainability and taking a long term view We treat everyone fairly and equally. Climate Change Declaration made at Full Council on 26 June 2019 	<p>The new Corporate Plan for 2020-2024 was recommended to Council for adoption by Cabinet and was duly adopted on 26 February 2020</p> <p>Asset Management & Capital Plan</p> <p>10 year design plan for open spaces</p> <p>Medium Term Financial strategy</p> <p>Equality and Diversity</p> <p>The Climate Change Strategy and Action Plan were approved by Cabinet on 1 October 2020</p>	<p></p> <p>Regular reports on progress against the Corporate Plan including a set of agreed standard measures</p> <p>Corporate plan priorities and targets are cascaded throughout the Council</p> <p>There were 3 meetings of the Equality forum during 2020/21</p> <p>Assurance on Climate Change work was provided in the DAP report in February 2021, which provided a Reasonable Assurance.</p>

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p>Determining interventions</p> <ul style="list-style-type: none"> Our governance structure is based on the strong leader and Cabinet with Policy Development Groups (PDGs) and Scrutiny Committee providing robust challenge. The call in process for Scrutiny and reviews of performance by PDGs. 3 Rivers shall prepare a Business Plan to include such content as the Council may require from time to time and notify to 3 Rivers in writing. The Business Plan shall cover a period of 5 years and shall be updated annually <p>Planning interventions</p> <ul style="list-style-type: none"> Calendar of dates for developing and submitting plans and reports that are adhered to. We publish details of consultations and petitions on our website. 	<p>These Executive arrangements were reviewed in 2020/21 with a decision made by Council in March 2021 to continue the current arrangements.</p> <p>Committee Report Procedure</p> <p>Consultation & Involvement</p>	<p>😊</p> <p>Regular reports on progress against the Corporate Plan including a set of agreed standard measures to Councillors and staff</p> <p>The process for aligning service budgets, plans and objectives has been reviewed and is more effective</p> <p>Financial information is now regularly included in performance and risk reports</p> <p>Internal Audit progress reports showing areas reviewed, assurance opinion and key actions arising. Recommendations are tracked to completion to confirm control weaknesses are resolved.</p> <p>External Auditors report on the Statement of Accounts, including an opinion on Value for Money for the Council.</p>


Annual Governance Statement (2020/21)

<ul style="list-style-type: none"> • Key Performance Indicators have been established and approved for each service element and included in the service plan and are reported upon regularly to Committees. <p>Optimising achievement of intended outcomes</p> <ul style="list-style-type: none"> • budgeting medium term • financial strategy • process is all-inclusive, taking into account the full cost of operations over the medium and longer term • Risk management and performance monitoring are key measures to support interventions. • The Audit Committee is supported by independent internal audit assurance reports provided by Internal Audit (DAP), and the External Auditors' annual opinion on the statement of accounts. 	<p>Medium Term Financial Plan</p> <p>Audit Committee meetings are held in a public forum.</p> <p>The plans of work for both Internal and External Audit are considered and approved by the Committee.</p> <p>The Committee will receive regular update reports from both sets of Auditors and will hold management to account for any correcting action that may be required.</p>	<p style="text-align: center;"></p> <p>The governance Action Plan for 3 Rivers Developments has been largely completed; 32 of the 33 recommendations.</p> <p>Action to implement these and internal audit recommendations was validated by a DAP report in March 2021.</p>
<p>Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>		



Annual Governance Statement (2020/21)

How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p>Developing the entity's capacity</p> <ul style="list-style-type: none"> We are committed to improving staff welfare which should reduce our sickness absence which is a direct cost to the Council. All Managers have been put through a Management Training Programme <p>Developing the capability of the entity's leadership and other individuals</p> <ul style="list-style-type: none"> We provide all staff with job descriptions setting out their duties clearly and document the personal qualities and attributes required for each post. We operate an appraisal scheme for all staff to identify development and skills needs and assess performance. We operate a protocol to govern the relationship between Members and officers which ensures access to appropriate information. 	<p>Constitution</p>	<p style="text-align: center;"></p> <p>A programme of training and briefing sessions for elected Members has been agreed to ensure Members remain up to date with current issues, are clear about their roles, and have sufficient information to make informed decisions.</p> <p>Members have signed up to the Developing Your Leadership Potential Programme being run as part of a shared Member development service with other Devon and Somerset Authorities.</p> <p>The qualifications, skills, behaviours and personal attributes required by staff in their roles are identified and documented, and reviewed regularly.</p> <p>The new Workforce Data Report is presented to Leadership Team monthly and monitors key information about staff including turnover and vacancies by Directorate</p> <p>New staff members are required to complete a comprehensive suite of</p>

Annual Governance Statement (2020/21)

<ul style="list-style-type: none"> • We treat everyone fairly and equally. • We take the Health and Safety of our Staff extremely seriously. • We provide new Members with induction training on appointment. • We evaluate the training needs of Members and run briefings on key topics to ensure they have the knowledge and information to make effective decisions. • The Corporate Peer Challenge report in 2017 identified the extent to which we have radically-improved and confirms that we are in a strong position to address future challenges. • The Head of Paid Service has an annual appraisal and is set performance targets by the Cabinet 	<p><u>Equality and Diversity</u></p> <p>New Councillors Induction Programme</p> <p><u>Member Development Policy</u></p>	<p>courses related to this and other related areas such as manual handling.</p> <p></p> <p>The current economic situation is likely to continue to cause a reduction in the number of staff employed by the Authority. We have identified that this presents a potential risk to our ability to retain the skills and experience needed. The new “Evolve” project is wrapping up these themes by 30 June 2021.</p>
---	---	---

Annual Governance Statement (2020/21)

Principle F: Managing risks and performance through robust internal control and strong public financial management		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p>Managing risk</p> <ul style="list-style-type: none"> • All reports which go to Committee include a risk assessment as part of the required components on our report template. • Our Risk & Opportunity Management Strategy was reviewed and approved by Audit Committee on 19 March 2019. • Risks on our risk register are allocated to individual managers who are named on reports. • The Audit Committee actively monitors risks and controls at their meetings. • DAP provides risk based internal audits where it provides assurance of control effectiveness against risks to delivery of business objectives. 	<p>Report Template</p> <p>Risk & Opportunity Management Strategy</p>	<p style="text-align: center;"></p> <p>The Leader's annual report to Scrutiny is mapped against the Corporate Plan priorities to make the link easier to see.</p> <p>The internal annual audit report and opinion supports this as does training provided by Devon Audit Partnership to the Audit Committee.</p> <p>Assurance has been provided through audit assignment reports, AC progress reports and Annual report at overall 'Reasonable Assurance'</p> <p>Housemark - the Housing Service subscribes to this. This may assume greater importance should the Government implement changes mooted in the Social Housing Green Paper last year.</p> <p style="text-align: center;"></p>

Annual Governance Statement (2020/21)

<p>Managing performance</p> <ul style="list-style-type: none"> • Our Performance has been mapped to the Corporate Plan; all our Aims have performance measures. • Benchmarking information is included where available; a Council –wide subscription to LG Inform Plus is improving the use of benchmarking and is regularly promoted at Group Manager Team meetings. • Calendar of dates for submitting, publishing and distributing timely reports that are adhered to. • All agenda and minutes of Scrutiny committee are published on our websites, including recordings of the meetings. • 3 Rivers shall ensure that the Managing Director shall attend meetings or parts of meeting(s) up to a maximum of four times per year as the Council may require on not less than 5 Business Days' notice and shall answer questions put by the Council and provide information regarding its activities as reasonably requested. 	<p>Performance is monitored through PDG and Scrutiny processes.</p> <p>Meetings, agendas, and minutes - MIDDEVON.GOV.UK</p> <p>Risk & Opportunity Management Strategy</p>	
--	--	--

16

Annual Governance Statement (2020/21)

<p>Information Security Policies in place.</p> <ul style="list-style-type: none"> • We have mandatory Data Protection and Information Security training for all staff, Members and contractors (with access to our computer network) • We have a Data Quality Policy in place. • We check performance information as part of every audit we do. <p>Strong public financial management</p> <ul style="list-style-type: none"> • We publish a Medium Term Financial Strategy covering 5 years each year. • We publish Monitoring Reports from July to February each year • The budget book is published on the website 	<p>medium term financial strategy</p> <p>Budgets - MIDDEVON.GOV.UK</p>	
---	--	--


Annual Governance Statement (2020/21)

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p>Implementing good practice in transparency</p> <ul style="list-style-type: none"> We publish our Statement of Accounts on our website. <p>Implementing good practices in reporting</p> <ul style="list-style-type: none"> We report regularly on our performance to PDGs, Cabinet, Audit and Scrutiny Committees We publish our Annual Governance Statement and Action Plan on our website and take Progress reports on the Action Plan to every audit Committee meeting. <p>Assurance and effective accountability</p> <ul style="list-style-type: none"> Our Internal Audit Manager complies with the CIPFA Statement on the Role of the Head of Internal audit <p>We completed our annual self-assessment against the Public Sector</p>	<p>Statement of Accounts</p> <p>Annual Governance Statement</p> <p>The Role of the Head of Internal Audit CIPFA</p>	


Annual Governance Statement (2020/21)

Internal Audit Standards		
--------------------------	--	--

Annual Governance Statement (2020/21)

H: Operational and Governance matters due to the Covid 19 Pandemic		
Impact on Governance	What we have done	Assurance Received and Issues Identified
<p>Significant organisational disruption with new emergency responsibilities, increased staff absence and also staff working from home</p> <p>Impact on business as usual was considerable during the early stages of the pandemic but services were largely delivered for most of the year.</p> <p>Our Leisure centres were closed on and off from 20 March 2020 they cannot fully reopen until we reach stage 4 of the Roadmap.</p> <p>Public Health have been under resource pressure having assisted with local test and trace and supporting safe reopening for businesses alongside their existing regulatory work.</p> <p>New areas of activity as part of the national response to coronavirus and any governance issues arising</p> <p>Implementation of new policies and processes</p>	<p>We have held regular Incident Management Meetings since 6 March 2020, these are currently fortnightly</p> <p>Staff numbers are currently around 55% working on site, 30% working from home, very few remain furloughed</p> <p>Chief Executive is making operational decisions to respond effectively to emergency situation.</p> <p>Daily briefings to Members were initiated by the Chief Executive on 12/03/20 and these continued until the end of April. (Since then reverting to regular, but lower, frequencies depending on requirements).</p> <p>Leaders and Chiefs from across Devon working collaboratively to ensure shared visibility and commonality of approach wherever possible.</p> <p>Redeployment of staff to assist with the business grant schemes</p> <p>Working with CHAT, Navigate and local</p>	<p style="text-align: center;"></p> <p>We were able to claim for furloughed staff from HMRC</p> <p>Data sharing agreements and privacy notices have been updated as necessary to reflect different ways of working and new initiatives</p> <p>Significant work was done to balance the budgets for 2020/21 and 2021/22 successfully</p> <p>An Internal Audit report on Safe Staff Operations during Covid 19 stated “The Council has shown a real concern for staff during this period and made significant effort to support them. We have found that the Council has provided good support to its staff since the start of the emergency whilst balancing the need to deliver its core services.”</p> <p>Hybrid meetings are likely to continue for the long term with a mix of on site and</p>

Annual Governance Statement (2020/21)

<p>Emergency assistance New collaborative arrangements Grant payments and associated fraud risks</p> <p>The funding and logistical consequences of delivering the local government response</p> <p>Changes to decision making arrangements and the conduct of meetings Funding and cash flow challenges</p> <p>Assessment of the longer term disruption and consequences arising from the coronavirus pandemic</p> <p>Existing projects and programmes have been put on hold New priorities and objectives introduced New risks identified or existing risks escalated</p>	<p>supermarkets to support vulnerable residents</p> <p>Several Committee meetings were cancelled but they re-commenced virtually from 23 April once legislation was changed to permit remote attendance</p> <p>Issued £xxm of government grants, ensuring effective due diligence was undertaken to reduce the risk of fraud and error related to the grant money</p> <p>Cashflows have been successfully managed</p> <p>Recovery and enforcement work was postponed but is now more like business as usual</p> <p>Risk assessments created for the different business areas to reduce the Covid-19 risk to staff and the public from the business operations.</p>	<p>remote attendance. This may be seen as affecting the democratic process as debate may be reduced but business can and is being conducted. Feedback from members of the public has been favourable</p> <p></p> <p>Significant loss of income from Leisure centres and other fees and charges including parking charges</p> <p>Funding has been received but does not cover the full extent of the losses</p> <p>There have been some frustrations in obtaining grant funding and guidance from Central government which has slowed down payments of grant funding to businesses</p> <p>There was some frustration with IT equipment and telephony, particularly at the start of the pandemic, which is not surprising considering ways of working had to change overnight, but this is being addressed as part of the hybrid working project going forward</p>
--	---	---

This page is intentionally left blank

Annual Governance Statement (2020/21)

Annual Governance Statement 2020-21 Action Plan				
Issues Identified	Action to be taken	By whom and progress	When	Status
1. External legal and financial reviews have been undertaken on 3 Rivers at the request of the Leader. A number of recommendations have come from this work regarding improving governance arrangements. These were all approved by Cabinet at their meetings of 11 June and, after consultation with Scrutiny and Audit committees, 9 July. An action plan is in place to address the recommendations.	Progress will be monitored by Cabinet and in this action plan.	Chief Executive The governance Action Plan for 3 Rivers Developments has been largely completed; 32 of the 33 recommendations and now that the revised shareholder agreement has been agreed, we can move to the final recommendation which is to seek external assurance that all identified actions have been completed.		
2. The current economic situation is likely to continue to see a reduction in the number of staff employed by the Authority. We have identified that this presents a potential risk to our ability to retain the skills and experience needed. Measures are being implemented to combat this risk.	Skills Audit to be completed by collecting information as part of the appraisal process and utilisation of the LMS system to record qualifications and experience. The new “Evolve” project is wrapping up these themes.	Director of Business Transformation and Corporate Affairs	30 June 2021	

Annual Governance Statement (2020/21)

<p>3. There was some frustration with IT equipment and telephony, particularly at the start of the pandemic, which is not surprising considering ways of working had to change overnight.</p>	<p>This is being addressed as part of the hybrid working project going forward.</p>	<p>Director of Business Transformation and Corporate Affairs</p> <p>Temporary working arrangements will continue for the foreseeable future.</p> <p>Formal arrangements, including the necessary infrastructure changes, is a priority corporate project</p>	<p>30 September 2022</p>	
---	---	--	--------------------------	--

Green is completed

Amber is in Progress

Red is not completed

White is not due for completion yet

CORPORATE GOVERNANCE FRAMEWORK

Purpose of the Governance Framework

The governance framework comprises the systems and processes and culture and values by which the Council is directed and controlled; also the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Annual Documents

- Annual Governance Statement
- Annual Outturn Performance and Finance Reports
- Business Plans
- Committee Report Procedure
- Corporate Plan Performance Report
- Corporate Risk Register
- Delegations from/to Directors
- Equality Information
- Internal Audit Plan
- Medium Term Financial Plan
- Members Allowances Scheme
- Pay Policy
- PSIAS checklist
- Single Equalities Scheme
- Statement of Accounts
- Treasury Management Strategy Statement and Annual Investment Strategy

Periodic Documents

- Anti-Fraud and Corruption Policy and Strategy
- Business Continuity Plans
- Communications Strategy
- Community Engagement Framework
- Constitution
- Corporate Plan 2020-2024
- Data Quality Policy
- Declarations of Independence
- Financial Regulations
- Health and Safety Policies
- Information Governance Framework
- Information Security Policy
- Internet Transparency Pages
- Member/Officer Relations Protocol
- Members' Code of Conduct
- Money Laundering Policy
- Officer Employment Procedure Rules
- Officers' Code of Conduct
- Performance Management Framework
- Record of Decisions
- Register of interests
- Risk & Opportunity Management Policy
- Staff Charter
- Statement of Community Involvement
- Whistle Blowing Policy
- Workforce Data Report

Contributory Processes

- Audit Committee
- Budget Monitoring Process
- Corporate Asset Strategy Group
- Corporate H&S
- Corporate Intranet
- Council Tax Leaflet/Information
- Customer Feedback Process
- Data Protection Officer
- Director of Finance, Assets and Resources (S151)
- Consultative Forums
- Equalities Forum
- External Audit
- Finance and Resources
- Grant administration, and certification to government
- Gypsy and Traveller Forum
- Head of Paid Service
- H&S Committee
- Impact (staff consultation group)
- Independent Remuneration Panel
- Internal Audit
- Job Descriptions
- Job Evaluation Process
- Law & Governance
- Member Training Scheme
- Monitoring Officer
- Net Zero Advisory Group
- Partnership arrangements
- Planning Policy Advisory Group
- ProContract for procurement
- Report Template
- Schedule of Council Meetings
- Scrutiny Framework
- Standards Committee
- Staff Induction
- Staff Surveys
- Tenants Together

This page is intentionally left blank

AUDIT COMMITTEE 27 July 2021

Statement of Accounts 2020/21

Leader	Cllr Bob Deed
Cabinet Member	Cllr Andrew Moore
Responsible Officer	Andrew Jarrett, Deputy Chief Executive (S151)
Reason for Report:	To present the <u>draft</u> version of the annual Statement of Accounts to Members published on the website and presented for external audit in May.
RECOMMENDATION:	That the draft Statement of Accounts be reviewed to conclude whether they reflect a true and fair view of the financial position of the Council as at 31 March 2021.
Relationship to Corporate Plan:	The financial resources of the Council impact directly on its ability to deliver the Corporate Plan. The Statement of Accounts indicates how the Council's resources have been used to support the delivery of budgetary decisions.
Financial Implications:	Good financial management and administration underpins the entire document.
Legal Implications:	It is a statutory requirement to follow the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) when producing the Statement of Accounts.
Risk Assessment:	The Section 151 Officer is responsible for the administration of the financial affairs of the Council. Adhering to the Code mitigates the risk of receiving a qualified set of accounts. The Finance Team has also reviewed its overall calculations/workings against the CIPFA published Disclosure Checklist for 2020/21 and entered into detailed discussions with the appointed Audit Manager prior to and during the completion of the accounts.
Equalities Impact Assessment:	No equality issues identified with this report.
Impact on Climate Change:	No impacts identified for this report.

1.0 Introduction

- 1.1 The Statement of Accounts for 2020/21 have been produced in full compliance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and all other relevant accounting legislation. There were no material changes for 2020/21.

2.0 The Statement of Accounts

- 2.1 The Unaudited Statement of Accounts 2020/21 were signed off by the Council's S151 Officer in May 2021 – within the statutory deadline and before the start of the external audit review. The draft accounts have been available on-line since the 28 May 2021.
- 2.2 The main highlights of the Statement of Accounts are to be found in the Narrative Report to the accounts beginning on page 5. 2020/21 has been a very challenging year due to the implications of Covid-19, both in terms of operational service delivery and the associated financial consequences. However, with only a small overspend whilst increasing some of our reserves, it should be considered to have been a successful year.
- 2.3 The detailed management accounts were included in the outturn report presented to the Cabinet on the 6 July 2021. This report provides a summary of the year-end position for the General Fund, the Housing Revenue Account, and the Capital Programme. It provides commentary on any variances against budget in excess of £20k. It also outlines how Covid-19 has impacted on the Council's finances.
- 2.4 The report also indicates the financial pressure that the Council faces due to Central Government's continuing austerity programme and the ongoing uncertainty surrounding our main funding sources. As a direct result this Council has focused on reducing expenditure and increasing income in a number of services and continues to maintain a "prudent" level of balances. It is also beginning to explore and accept some more commercial opportunities to either increase revenue or cut cost in order to protect frontline service provision.
- 2.5 In order to provide a summary financial position of how the Council ended 2020/21 a summary of the Useable Reserves is detailed below.

Balances held as at 31 March 2021

Useable Reserves	B/fwd 31/03/20 £k	In Year Movement (Surplus)/Deficit £k	C/fwd 31/03/21 £k
General Fund Balance	(2,252)	65	(2,187)
General Fund Earmarked Reserves	(13,688)	(6,559)	(20,247)
Housing Revenue Account Balance	(2,000)	0	(2,000)
HRA Earmarked Reserves	(18,310)	(2,464)	(20,774)
Capital Receipts Reserve	(5,157)	(340)	(5,498)
Capital Grants Unapplied	(1,646)	(978)	(2,625)

Total Useable Reserves	(43,053)	(10,277)	(53,329)
-------------------------------	-----------------	-----------------	-----------------

- 2.6 The main reason for the increase is the holding of S31 Grant received from Government to smooth the financial impact of the Collection Fund over the 3-year period in which the deficit will unwind.
- 2.7 As can be seen from the above balances, the Council remains in a strong position to deal with the funding challenges it faces. A strong culture of financial awareness is now embedded throughout the Council. This is enhanced with regular budget monitoring reports produced for Leadership Team meetings, meetings of the Cabinet and the Policy Development Groups.
- 2.8 This Council continues to take proactive steps to strategically plan for further reductions in Central Government financial support. The Cabinet have ongoing dialogue with Leadership Team, who in turn have discussions with Corporate Managers and service managers to discuss funding reduction scenarios in order to balance our ongoing expenditure needs associated with the current Corporate Plan.

3.0 Appraisal of Going Concern Concept at 31 March 2021

- 3.1 As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2020/21 (hereafter referred to as the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code, the Council's Statement of Accounts is prepared assuming that the Council will continue to operate for the foreseeable future and that it is able to do so within the current and anticipated resources available.
- 3.2 If an authority were in financial difficulty, as has been the case for several authorities over the last 12 months, alternative arrangements have been made by Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.
- 3.3 A net overspend for 2020/21 of £0.065m was reported to Cabinet in July 2021. However, Services requested a number of carry forward requests to assist with their commitments in 2021/22 and beyond.
- 3.4 Taking the carry forward requests into consideration, at 31 March the financial statements show a General Fund reserve standing at £2.186m, which equates to circa 20% of our net General Fund budget for 2020/21. These resources should be viewed against my estimated requirement to retain a minimum of £2.000m to meet unforeseen financial risks. General Reserves therefore remain almost 10% higher than required for this purpose. In addition there are also General Fund Earmarked Reserves amounting to £20.247m. (£13.688m 31 March 2020). This marked increase is largely to smooth the impact of the collection fund deficit over the 3-year period outlined by the Government.

- 3.5 The Council approved a balanced budget for 2021/22 that maintains the services provided without utilising any of the General Fund Reserves for on-going expenditure. The budget included meeting known inflationary pressures and unavoidable service cost pressures, all within the referendum limits for Council Tax increases. This shows steady progress in reducing the overall funding shortfall.
- 3.6 The Medium Term Financial Plan shows that even if no action were taken to balance the 2022/23 General Fund budget there would almost be sufficient General Reserves to balance that year's budget with only a minor realignment of Earmarked Reserves required. Although much of this money is earmarked for certain projects the Authority could, if required, change its priorities to ensure the long term viability of the organisation.
- 3.7 Clearly the Council will take action to identify further income generation or cost savings proposals linked to our Corporate Plan to balance the remaining shortfall and therefore is confident that it will remain a going concern at least until 2024/25. Progress on these will be brought to Cabinet for approval at the appropriate times.
- 3.8 The Council has reduced its external debt to £35.234m (£37.104m in 2019/20). The external loans have mixed maturity dates to ensure a balanced portfolio, with a further repayment of £1.870m planned to be repaid in 2021/22.
- 3.9 However, on the other hand the Council has increased the overall lending to 3 Rivers Developments Ltd by a net £1.102m to £10.163m in total. This consisted of a further £1.318m of loans against developments, and £0.424m on working capital. The company repaid £0.640m of loans and £0.496m in interest and contributed £0.125m to cover their draw on Council resources (officer time and office accommodation) during the year. A review of the impairment provision was undertaken which concluded that no further, or indeed reduction, in impairment was required. The latest Business Plan was approved by Cabinet in February 2021, which indicates the company expect to breakeven in 2023.
- 3.10 The balance sheet at 31 March shows that we have net current assets of £23.787m and the Council can meet its cash outgoings over the next twelve months. The Current Ratio¹ is favourable at 2.34. Short term liabilities at 31 March amounted to £17.681m whereas our short-term investments of £17.500m and cash equivalents of £10.860m exceed our liabilities.
- 3.11 The authority's net assets amounted to £123.924m (£130.460m in 2019/20). This includes the pension scheme liability of £75.401m (£58.765m in 2019/20). The year-on-year increase reflects the assumed increase in Salary and Pension costs. Although there were strong returns achieved on the investments, this is outweighed by the increased liability over the longer term. Excluding the pension liability, the current net worth is £199.325m (£189.225m in 2019/20).

¹ (current assets / current liabilities) – Greater than 1 is the target.

- 3.12 Covid19 – the impact of this global pandemic has been significant on the Councils costs and income streams. We have had to incur associated short term costs associated with enabling staff to work remotely, and directly supporting local businesses and communities. Our biggest financial issue has been the severe reductions in fees, from leisure and car parking in particular. However, the emergency payments from Government have mitigated these costs and the income compensation scheme has helped offset the lost income.
- 3.13 There is likely to be a degree of ongoing financial impact due to national restrictions and likely ongoing changes in working arrangements. A sum of £300k has been set aside to assist with the mitigation if required. The largest issue will be the unwinding of the collection fund deficits across the next 3 financial years. S31 Grant has been provided to smooth this impact, but whether this is sufficient is yet to be seen. The Council holds its own smoothing reserve for Business Rates should it prove necessary.
- 3.14 Regular financial monitoring will be provided to the Council to monitor the ongoing impact of Covid-19 and any funding we receive to mitigate some of the predicted losses. The fact that we still hold a General Fund Balance of £2.187m and Earmarked Reserves of £20.247m shows that the Council has sufficient balances to “weather” the current financial storm – but will clearly need to reflect on the financial challenges experienced in 2020/21 and how this may impact us in future years.
- 3.15 Major uncertainties around the future of the Local Government remain until such time as the outcome of the Fair Funding Review and the review of the Business Rates Retention scheme are known. Adding to this is the Government’s commitment to continuing its current austerity programme which is likely to extend for the foreseeable future to offset the significant financial implication of Covid-19 and the possible fall out from the changes in legislation and the economy following Brexit. These all place complex and inter-related difficulties in estimating the financial resources that will be available to the Council over the next 3 – 5 years.
- 3.16 Due to these uncertainties the Council has worked hard over the past few years to; reduce operational costs; increase income (including commercial acquisitions); explored more shared arrangements and increased its level of available reserves to mitigate. This therefore provides a financial “buffer” against some of these circumstances, which by their very nature are hard to predict and quantify.
- 3.17 We have already started our process of budget setting for 2022/23 in order to be able to explore all the options provided by Corporate Managers and the Leadership Team to deliver savings and maximise income, at the same time as reducing costs wherever possible.
- 3.18 Despite these challenges, there are no future obligations or circumstances that we can foresee that could cause the Authority to change its view of long

term stability and of the going concern of the Authority. It is therefore concluded that Mid Devon District Council is a going concern at 31 March 2021.

4.0 The Council's Governance Arrangements

- 4.1 The Annual Governance Statement has been reviewed taking into account external and internal audit reviews and feedback from the Senior Leadership Team. It includes a review of the effectiveness of the Council's governance arrangements and concludes that the existing arrangements remain fit for purposes and help provide reasonable assurance of their effectiveness.

5.0 The Audit

- 5.1 Our external auditors, Grant Thornton, began their audit on 21 June 2021. Although the bulk of the audit will be complete within the timeframe up to the date of this committee, their final audit opinion will not be available until the September committee as the review of the Devon Pension Fund will not be complete. Grant Thornton will be able to give a verbal update on progress and any findings to date at the committee.
- 5.2 In addition Grant Thornton will be reviewing our arrangements to secure economy, efficiency and effectiveness in our use of resources. This assessment has changed this year to encompass:
- more timely reporting of significant issues to local bodies;
 - more meaningful and more accessible annual reporting on VFM arrangements issues in key areas;
 - a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness; and
 - clearer recommendations to help local bodies improve their arrangements.
- 5.3 Rather than form an opinion, the auditor will provide an annual commentary on arrangements. The commentary will enable auditors to explain the work they have undertaken during the year, and to highlight any significant weaknesses that they have identified and brought to the body's attention, along with their recommendations for improvement.

6.0 Conclusion

- 6.1 Members are asked to review the Statement of Accounts to conclude whether they reflect a true and fair view of the financial position of the Council as at 31 March 2021.

Contact for more information: Andrew Jarrett
01884 234242
ajarrett@middevon.gov.uk

Background Papers: Audited Statement of Accounts 2020/21

Circulation of the Report: Cllr Andrew Moore

This page is intentionally left blank



Contents

1.	Introduction by the Leader of the Council.....	1
2.	Narrative Report & Financial Performance.....	5
3.	Statement of Accounting Policies.....	19
4.	The Statement of Responsibilities for the Statement of Accounts.....	34
5.	Chief Financial Officer's Statement.....	35
6.	Independent Auditor's report to the Members of Mid Devon District Council.....	36
7.	Index of Primary Statements and Notes to the Accounts.....	41
8.	Movement in Reserves Statement.....	44
9.	Comprehensive Income and Expenditure Statement.....	46
10.	Balance Sheet.....	47
11.	Cash Flow Statement.....	48
12.	Notes to the accounts.....	52
13.	Housing (HRA) Income and Expenditure Account.....	117
14.	Collection Fund.....	130
15.	Group Accounts.....	134
16.	Glossary of Terms.....	144

Introduction by the Leader of the Council:



I am pleased to introduce the Council's annual accounts for 2020/21 which reflects the Council's financial position at a time where both the Country and the District are edging out of the national Covid-19 lockdown measures.

The figures presented reflect another successful year, showing that we have delivered a wide range of Council services at very close to our annual budget forecast. The fact that this has been achieved after the loss of circa £4m in Government funding since the Austerity programme began is all the more impressive. Whilst reflecting on the overall budget achievement we will always look back to 2020/21 as a year dominated by the challenges of Covid-19. For the Council, 2020/21 witnessed falling revenues from key services, such as, car parking and leisure of around £3.1m. In addition we also had to meet the new costs of setting up, virtually overnight, shielding hubs to protect our most vulnerable members of the District and had to design a Business Rates relief system, which has so far paid our nearly £39m to nearly 12,000 local businesses. This work is still ongoing and has been a huge financial help and essential package of support to many of our residents.

Although 2020/21 has seen the Council's key focus concentrated on assisting and protecting all of its residents and service users it has also managed to move forward on its carbon reduction pledge. We now have a draft action plan, we are part of a Devonwide Net-Zero Task Force, we have appointed a Climate and Sustainability Specialist and we have already identified at least £1.5m of carbon reduction initiatives in our 2021/22 budget.

The Council continues to see its main towns as being critical to "building back better" and therefore key to any recovery agenda. To this end we are moving forward with our master planning exercises, continue with the Cullompton High Street Action Zone scheme and are actively making new funding bids to the Contain Outbreak Management Fund (COMF) and Levelling Up schemes. More should be announced on this over the next few months.

Moving forwards we will continue to invest in our existing service provision to the benefit of the whole District. These plans already include more leisure centre improvements, new and retrofit works across much of our corporate estate to reduce our carbon footprint and we also plan to deliver a step change in social housing delivery, starting in 2021.

The future is clearly one of challenge, but also one of opportunity. We will embrace these opportunities as we strive to build Mid Devon back better.....

Robert Deed
Leader of the Council

Views from the Chief Executive:



Looking back at the last year, the financial accounts tell a story of emergency, of fortitude, of support and of stabilisation. I said in my remarks to last year's accounts that we hoped the worst was behind us, and yet we now know that this was regrettably far from being the case.

There have been numerous individual and collective acts of heroism as this organisation and its dedicated team of workers sought to keep our essential services going and provide support to those most in need at times of crisis. At various points during the year we had to close different parts of the businesses according to the Coronavirus Act and the regular updating of restrictions on movement or activity. From a financial perspective, this proved a real danger to councils – particularly those that rely on income streams to balance cost pressures elsewhere, and so, after some initial emergency funding from Government to deal with costs associated with the Pandemic, we then saw the Government's formula amended to recognise the loss of income, to ultimately be superseded by the introduction of the income compensation scheme.

There will be many things to remember from 2020/21, and these accounts reflect the extraordinary highs and lows throughout the year as our financial monitoring and expectations varied wildly from month to month. However, our ability to deal with these and weather the considerable financial storm was helped no end by the prudence and responsibility shown in previous years; the reality at times was that financial health was a distant second to the health of our staff, our members and of our citizens. So it is therefore testament to not only our excellent finance team, but to everyone who played their part in managing this organisation during this past year and the years prior, that we are able to report a set of outturn figures that demonstrate a sound footing and a solid base from which to mount the recovery.

We should not forget the clapping and recognition of our key workers, nor the efforts by Council officers redeployed to delivery emergency aid, staff the shielding hub or support their colleagues across the Council in more ways than I could hope to describe. But perhaps we should be using this newfound organisational agility to better support our community and our workforce; channelling this confidence to find ways to reduce our fixed accommodations costs or attract new talent through new ways of working, or by accelerating the conversion of our customer interactions to digital. There remains a pressing need to invest in the technological backbone of the organisation to ensure that remote working is enabled without compromise, and there remains a determined spirit to retain the collaborative culture that was a thread running through everything we did last year.

Yes, challenges lie ahead; economic headwinds are coming, socio-economic inequality and equality of opportunity weigh heavy as priorities of justness as we try to establish how we 'level up', and our ambition to continue our decarbonisation journey lies unabated. However, I know that whatever the challenges, we are well-placed to tackle the future as we seek to complete our recovery, and build back greener, stronger, better in Mid Devon.

Stephen Walford, Chief Executive

Financial Commentary by Deputy Chief Executive (S151)



2020/21 has been dominated by the Covid-19 Pandemic both in terms of life in general and in terms of the Council's finances. Business Rates relief payments of over £38.7m have been made to over 11,700 local businesses who have been effected by the lockdown restrictions. Conversely, service fee income collected has dramatically reduced, particularly within Leisure as our centres were closed for the majority of the year, and from our car parks due to the retail closures and work from home guidance. This has had a significant impact on the Council's cash flow and is likely to affect the medium term financial forecast as Covid-19 is likely to have a lasting impact on our lives.

However, through excellent budgetary control by service management, the Council has delivered very close to budget without depleting reserves. This included furloughing over 100 key staff along with the redeployment of 27 staff to help those most vulnerable through the Community Shielding Hub and assisting with and making our leisure centres available for the Track and Trace scheme and Vaccine Centres. The receipt of additional Covid-19 related funding support from Government that included £1.2m of general grant funding, over £2m through the Income Compensation Scheme and over £0.5m of new burdens grant funding helped to meet these additional costs.

2020/21 Financial Highlights

Despite the severe impact on the local economy, collection rates for Council Tax, Business Rates and Rents from Housing clients and our property portfolio all remained robust. The Revenues Department has employed a new Hardship Support Officer to help those residents and businesses struggling to make their payments.

The Council successfully secured additional £330k grant funding to enable energy performance upgrades in its buildings. A new large solar photovoltaic array at the Carlu Close depot adds to the many panels installed on Council properties generating renewable electricity to cut power bills and reduce our climate impact. The Council committed £1.5m in the 2021/22 budget for measures to cut its carbon footprint - between 2018/19 and 2019/20 we cut approximately 618 tCO₂e (tonnes of Carbon Dioxide equivalent) from our carbon footprint and continue to invest in this mission. A new Climate and Sustainability post has been employed to assist with the Council's strategies, deliver on its commitment to improve environmental performance and achieve its aim of Net Zero emissions by 2030.

£98k was spent on the Cullompton High Street out of the successful £1.103m Heritage Action Zone bid to assist sustainable regeneration, and £446k was spent out of the £18.2m of Housing Infrastructure Grant to enable new housing sites across the District. £130k has been received to support the development of Culm Garden Village, along with £74k of Welcome Back funding to help boost tourism, improve green spaces and provide more outdoor seating areas, markets and food stall pop-ups, all to encourage the post Covid-19 economic recovery. We were also

successful in our lobbying of Government to enable greater flexibility in the Right-to-Buy monies, meaning more will be retained locally and will help deliver more affordable housing.

We also moved forward with our ongoing improvements of our three leisure centres by continuing the refurbishment programme whilst the centres were closed due to Lockdown. In addition, we have undertaken a major modernisation and refurbishment programme of our multi-storey car park in Tiverton, and our Property Services and Economic Development teams are working up plans to help with the reopening of our town centres as the Covid-19 restrictions are eased. This work also includes producing a number of funding bids for new Government schemes, e.g. Levelling Up and the Community Renewal Fund.

Our overall treasury performance suffered during the year as the Base Rate was cut to 0.10% in March 2020. However, during the year we still generated investment income of £124k giving a return of 0.25%, made a return of 4.13% on our CCLA investment of £5m and were paid £496k in interest from 3 Rivers Developments Ltd.

The financial future is still a challenging one, with a Medium Term Financial Plan deficit of nearly £3m by 2024/25 compounded by the uncertainty generated by further delays in the Government's reviews of Fair Funding, New Homes Bonus and Business Rates Retention. However, by ensuring a sensible level of reserves and with ongoing careful financial stewardship, we will ensure that the Council is in a strong position to react to any/all future challenges.

Andrew Jarrett
Deputy Chief Executive (S151)

1 Narrative Report and Financial Performance 2020/21

1.1 Introduction

The Council's Narrative Report sets out the overall financial position and details the financial transactions relating to the District Council's activities for the year ended 31 March 2021. The financial statements have been prepared in accordance with the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom for 2020/21".

1.2 The Core Financial Statements

Stated below is a list of the major areas of the Accounts with a brief description that outlines the purpose of each component.

1.3 Movement in Reserves Statement

This statement analyses the in-year changes in both usable and unusable reserves.

1.4 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) is a summary of the resources generated and consumed by the Council in the year.

1.5 The Balance Sheet

This is a snapshot of the Council's financial position at 31 March. It shows all balances and reserves at the Council's disposal, its long-term indebtedness and the non-current assets and net current assets employed in its operation.

1.6 Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

1.7 The Housing Revenue Account (HRA) Income and Expenditure Account

This account reflects the statutory obligation to account separately for the Council's provision of housing. The HRA Income and Expenditure Account shows in more detail the income and expenditure on HRA services included in the whole Authority CIES.

1.8 Collection Fund

This account reflects the statutory requirement for the Council to maintain a separate Collection Fund which shows its transactions in relation to Non-Domestic Rates and Council Tax, and illustrates how these have been distributed to Devon County Council, Devon and Cornwall Police and

Crime Commissioner, Devon and Somerset Fire Authority, Central Government and the Council itself. The Balance Sheet and the Cash Flow Statement only reflect Mid Devon District Council's share of any Collection Fund surplus or deficit.

1.9 Group Accounts

The Council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. This is the fourth year that the Council's wholly owned subsidiary, 3 Rivers Developments Ltd has been in operation. The company accounts have again been consolidated with the Council's accounts in the Group Accounts section.

1.10 Review of the Year

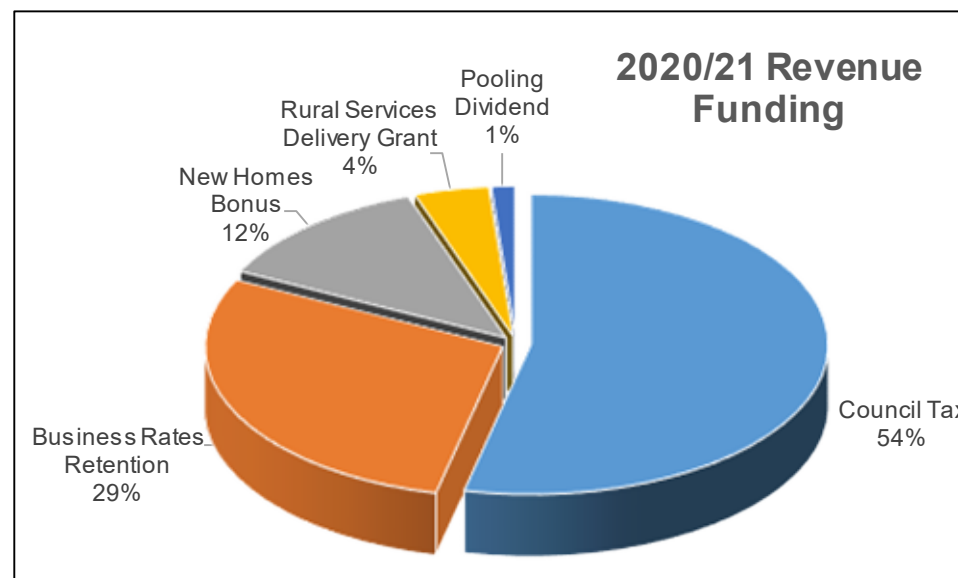
The purpose of the Narrative Report to the Accounts is to provide a commentary on the main financial highlights contained within the Report and to identify any significant events that may affect the reader's interpretation of the Accounts.

2 Financial Performance

2.1 Introduction

The Council's budgeted funding streams for 2020/21 are detailed below and contrasted with 2019/20. In setting the budget for 2020/21 the Council increased Council Tax by £5 or 2.46% for a Band D property. This meant that the Band D Council Tax rate became £208.84.

2020/21 Funding	2019/20 £k	2020/21 £k
Council Tax	5,900	6,177
Business Rates Retention	2,468	3,313
New Homes Bonus	1,244	1,418
Rural Services Delivery Grant	467	467
Pooling Dividend	100	150
Total Funding	10,179	11,525



2.2 Outturn Summary

The table below shows that overall Service expenditure was very close to budget. However, there are some material variances at individual service level, for example Car Parking and Leisure where income was significantly lower than budget due to the national lockdowns and restrictions imposed. The Council took steps wherever possible to minimise the impact of this, redirecting staff where possible or furloughing if not. Other savings were made on costs such as utilities where the buildings were closed, not filling vacancies as they arose or by reducing service provision such as Grounds Maintenance.

GENERAL FUND REVENUE ACCOUNT OUTTURN SUMMARY 2020/21					
	Budget 2020/21 £	Actual 2020/21 £	Variance 2020/21 £	Net contributions To / (From) Earmarked Reserves 2020/21 £	Net General Fund Impact 2020/21 £
Community Development	138,290	165,300	27,010	-	27,010
Corporate Management	1,648,161	1,648,332	171	-	171
Car Parks	(632,962)	(117,826)	515,136	-	515,136
Customer Services	751,285	644,636	(106,649)	21,670	(84,979)
Environmental Services	836,070	725,035	(111,035)	83,564	(27,471)
Finance & Performance	744,000	838,649	94,649	(280)	94,369
Grounds Maintenance	567,810	474,906	(92,904)	(15,565)	(108,469)
General Fund Housing	315,520	58,134	(257,386)	212,253	(45,133)
Human Resources	513,490	409,164	(104,326)	37,000	(67,326)
I.T.Services	983,650	966,712	(16,938)	3,455	(13,483)
Legal & Democratic Services	1,052,350	968,498	(83,852)	74,080	(9,772)
Planning & Regeneration	1,240,550	670,770	(569,780)	585,835	16,055
Property Services	734,240	410,552	(323,688)	296,751	(26,937)
Revenues & Benefits	499,200	45,159	(454,041)	59,935	(394,106)
Recreation and Sport	434,750	1,961,013	1,526,263	250,884	1,777,147
Waste Services	1,989,480	1,901,495	(87,985)	(80,288)	(168,273)
ALL GENERAL FUND SERVICES	11,815,884	11,770,528	(45,356)	1,529,295	1,483,938
Net recharge to HRA	(1,481,630)	(1,440,130)	41,500	-	41,500
Statutory Adjustments (Capital Charges)	1,052,154	702,824	(349,330)	224,602	(124,728)
NET COST OF SERVICES	11,386,408	11,033,222	(353,186)	1,753,897	1,400,710

GENERAL FUND REVENUE ACCOUNT OUTTURN SUMMARY 2020/21 (Continued)					
	Budget 2020/21 £	Actual 2020/21 £	Variance 2020/21 £	Net contributions To / (From) Earmarked Reserves 2020/21 £	Net General Fund Impact 2020/21 £
Finance Lease Interest Payable	48,340	109,926	61,586	-	61,586
Interest Charged Between GF & HRA	(49,000)	(43,528)	5,472	-	5,472
Interest Receivable / Payable on Other Activities	439,878	95,568	(344,310)	-	(344,310)
Interest Receivable on Investments	(568,322)	(764,906)	(196,584)	-	(196,584)
Transfers into Earmarked Reserves	2,597,050	6,972,759	4,375,709	2,037,700	6,413,409
Transfers from Earmarked Reserves	(1,369,370)	(2,844,015)	(1,474,645)	(38,976)	(1,513,621)
Net Contribution to/(from) New Homes Bonus Reserve	(960,540)	(981,467)	(20,927)	-	(20,927)
Contribution to Collection Fund Smoothing Reserves	-	3,411,251	3,411,251	304,040	3,715,291
Revenue contribution to fund 2020/21 Capital Programme	-	1,176,524	1,176,524	(1,176,524)	-
TOTAL EXPENDITURE	11,524,444	18,165,333	6,640,889	2,880,137	9,521,026
FUNDED BY:-					
<u>Business Rates</u>					
National Non-Domestic Rates	(3,312,727)	(1,583,404)	1,729,323	-	1,729,323
S31 Grant associated with COVID19 Reliefs	-	(4,868,479)	(4,868,479)	3,171,340	(1,697,139)
National Non-Domestic Rates (Surplus)/Deficit	-	(191,808)	(191,808)	-	(191,808)
Business Rates Benefit from Devon Pool	(150,000)	(167,727)	(17,727)	-	(17,727)
<u>Council Tax</u>					
Council Tax - (Band D at £208.84)	(6,064,827)	(6,064,827)	-	-	-
Collection Fund Surplus	(112,000)	(128,165)	(16,165)	239,911	223,746
<u>Unringfenced Grants</u>					
New Homes Bonus Grant	(1,418,190)	(1,418,189)	1	-	1
Rural Services Delivery Grant	(466,700)	(466,695)	5	-	5
Other Grants	-	(8,103)	(8,103)	-	(8,103)
<u>COVID19 Related Funding</u>					
Covid-19 Grant	-	(1,183,857)	(1,183,857)	-	(1,183,857)
Covid-19 Income Compensation Scheme	-	(2,019,144)	(2,019,144)	-	(2,019,144)
TOTAL FUNDING	(11,524,444)	(18,100,397)	(6,575,953)	3,411,251	(3,164,702)
NET INCOME AND EXPENDITURE	-	64,937	64,937	6,291,388	6,356,324

The Council received £18,100k of funding, some £6,576k above budget. This significant increase relates to additional Covid-19 funding, comprising of £1,184k of General Grant, £2,019k of Income Compensation and £4,868k of Section 31 Grant to compensate for the Non-Domestic Rates Relief awarded by the Government, partially offset by the £1,729k reduction in Non-Domestic Rates collected. £3,171k is carried forward to offset the impact of the collection deficit that has been spread over three financial years. This was offset by the dividend from the Devon Business Rates Pool.

Overall, the Council's actual expenditure in 2020/21 was £18,165k, against funding of £18,100k which results in a reported net overspend of £65k.

Further information on spending on services, other operating costs and income is shown within the Notes to the Accounts Section.

2.3 Revenue Expenditure – General Fund Financial Performance

During the year regular monthly financial monitoring information has been produced and reported to Senior Management and Members. Each monitoring report declared forecasts of varying amounts dependent on the information known at each point in time during the year. The month 9 monitoring report tabled at the 4 February 2021 Cabinet meeting forecast an estimated outturn deficit of £89k on the General Fund (this detailed report can be found on the Council's website). This compares to the final outturn deficit of £65k.

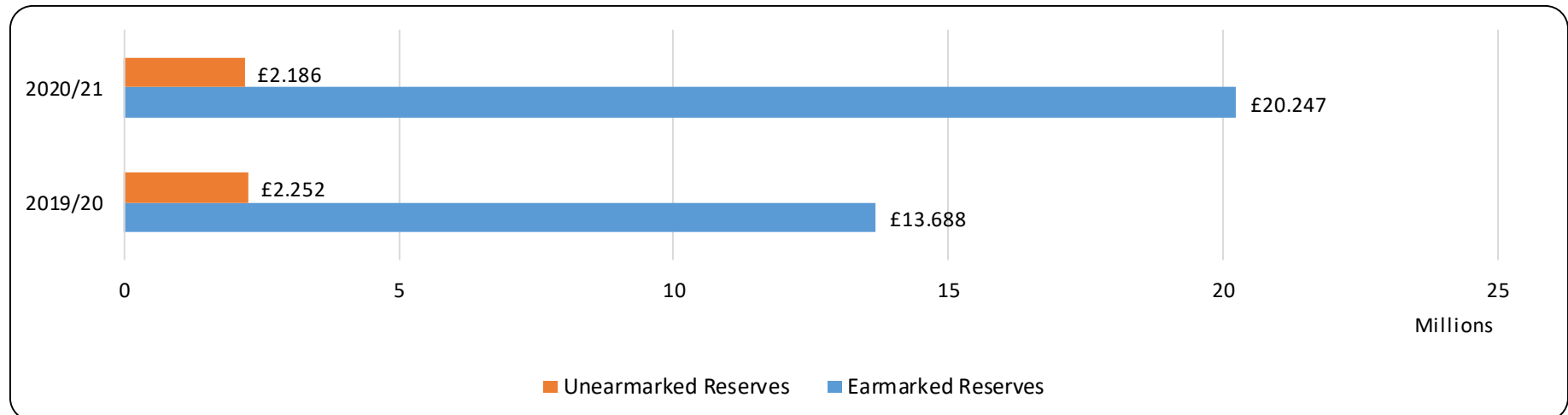
Therefore, the General Fund Reserves have slightly decreased from £2,252k at the start of the year to £2,186k at 31 March 2021. This conforms to the Cabinet decision taken on 16 January 2020 which agreed that the minimum General Fund balance held should be £2,000k.

The overall General Fund position delivered in 2020/21 reflects the continued efforts of both Officers and Members to provide high quality services at an affordable cost. It demonstrates the Council's ongoing commitment to reducing operational cost to mitigate against further cuts in Central Government funding which may transpire following the outcomes of the Fair Funding Review, Business Rates Review and New Homes Bonus Review, now planned for implementation in 2023/24.

2.4 General Fund Net Service Expenditure £k



2.5 General Fund Account Reserves £m



2.6 Revenue Expenditure - Housing Revenue Account (HRA)

The Council is a major provider of social housing, working closely with housing associations and other social landlords to provide affordable housing for tenants in the District. The Housing Revenue Account (HRA) only accounts for the costs and income related to provision of Council-owned accommodation. The Local Government Act 1989 requires this expenditure to be ring-fenced and it cannot be subsidised by the General Fund. The following table provides a summary of performance against budget for the year.

HRA Outturn 2020/21	Budget £k	Outturn £k	Variance £k	%
Gross Income	(13,074)	(13,135)	(61)	0.5%
Service Expenditure	6,433	6,218	(215)	-3.3%
Other Operating Costs and Income	211	128	(83)	-39.3%
Earmarked Reserve Transfers	4,297	4,651	354	8.2%
Capital Financing and Debt Repayment	2,079	2,029	(50)	-2.4%
Technical Accounting Adjustments	53	15	(39)	-73.5%
Net Variance	0	(94)	(94)	

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £13,074k for the year. The HRA has reported a net surplus of £94k for 2020/21, which is 0.7% of gross income.

The surplus is retained within the HRA and relates mainly to savings made within Staffing and Planned Maintenance and Tenancy operations. The surplus will increase the Renewable Energy Fund and the Affordable Rent Surplus so that the HRA reserve will remain at £2,000k. The HRA Earmarked Reserves will then total £20,774k (of which £19,567k revenue and £1,207k capital). These reserves are committed in a number of areas including long term major works to dwellings, new house building, the HRA's debt premium deficit, renewable energy projects and sewage treatment plant upgrades.

2.7 Revenue Expenditure – Non Financial Performance

When reviewing the performance of the Council in 2020/21, we need not only to see how we perform against budget, we must also assess how we performed against the operational/strategic targets set within the context of the Corporate Plan during the year. The final Performance and Risk Report for 2020/21 will be presented to Audit Committee on 27 July 2021. The details are available on our website.

2.8 Capital Expenditure

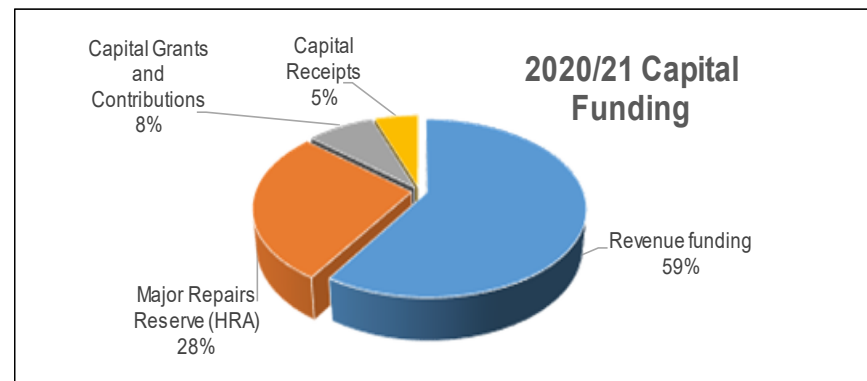
In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, leisure equipment and other projects which are capital in nature. Capital expenditure in the year totalled £7,054k (£12,197k 2019/20). Capital expenditure comprised £4,417k in General Fund schemes and £2,637k on HRA capital works, as summarised in the table below.

General Fund Capital Schemes	£k	HRA Capital Schemes	£k
Loans to 3 Rivers for Development schemes	2,287	Major repairs to Housing Stock	1,937
Car park improvements	937	2 Right-To-Buy buyback House Purchases	256
Disabled Facilities Grants – Private Sector	371	Disabled Facilities Grants - Council Houses	242
Cullompton Relief Road	325	Renewable Energy Fund Spend	136
Tiverton EUE Junction Phase 2	121	Other Housing schemes	66
Play Area Refurbishment	109		
Wessex Reinvestment Grants	100		
Phoenix House Maintenance	86		
Tiverton Cemetery extension	49		
Carlu Close – Solar Panels	32		
General Fund Capital Schemes - Total	4,417	HRA Capital Schemes - Total	2,637
General Fund and HRA Capital Schemes - Total		7,054	

The General Fund capital spend related to a wide range of projects which included additional loans to 3 Rivers Developments Ltd to enable the development to the rear of the Town hall site and other regeneration projects (£2,287k). The Council has spent £109k on refurbishing play areas in Tiverton and Cheriton Bishop. We continue to spend our Disabled Facilities Grant and this year the cost has been £371k, which is covered by the grant. £937k was spent upgrading the Multi-storey car park in Tiverton, and an additional £446k was spent on major infrastructure works on the Cullompton town centre relief road and a junction on the A361 as part of the Tiverton Eastern Urban Extension. HRA capital works are largely related to maintaining housing standards, including replacing kitchens, bathrooms, windows, doors, heating systems and other related works. These amounted to £2,378k. In addition, HRA capital expenditure also includes housing development schemes which cost £259k.

Capital expenditure is funded from a variety of sources as shown below:

Sources of Capital Funding	2019/20 £k	2020/21 £k
Revenue funding	7,886	4,161
Major Repairs Reserve (HRA)	1,984	1,937
Capital Grants and Contributions	1,864	580
Capital Receipts	463	376
Total	12,197	7,054



2.9 The Movement in Reserves Statement

This statement is the key to establishing the aggregate financial position of the Council, as it produces a summary of all the “cash backed” reserves that the Council holds. It shows that the Council’s usable reserves have increased by £10,276k to £53,329k in 2020/21. This is largely related to the additional S31 Grant funding received to smooth the impact of the Business Rates deficit over the next three years.

2.10 The Comprehensive Income and Expenditure Statement (CIES)

The financial highlights for the Comprehensive Income and Expenditure Statement are given below:

The Comprehensive Income and Expenditure Statement (CIES) shows an overall deficit of £6,537k. However, this position also includes the consolidation of the Council’s HRA. In addition, there are a number of technical accounting adjustments made to the final accounts which need to be “reversed out” in order to reflect the final cash position. These entries are included in the Adjustments between Accounting Basis and Funding Basis under Regulations. Once all of these adjustments are accounted for, the overall outturn is a £65k deficit on the General Fund and a £94k surplus on the HRA.

2.11 Balance Sheet

The financial highlights for the Balance Sheet are shown below:

- The Property, Plant and Equipment valuation, after adjustment for additions, disposals, and finance leases increased by £4,172k during 2020/21.
- The overall Pension Scheme deficit increased by £16,636k.

2.12 Cash Flow Statement

The Council had a net cash inflow during 2020/21 of £7,017k.

2.13 Housing Revenue Account (HRA) Income and Expenditure Account

The financial highlights for the HRA Income and Expenditure Account are given below:

- The HRA achieved a £94k surplus in 2020/21 and this has been added to the HRA Earmarked Reserves.

2.14 Major Repairs Reserve (MRR)

The Housing Revenue Account also holds a MRR, which is ring fenced for capital expenditure on HRA properties. This reserve effectively carries forward any unspent major repairs allowance.

	2019/20 £k	2020/21 £k
Brought Forward	-	548
Transfer to MRR	2,532	2,596
Utilisation	(1,984)	(1,938)
Carried Forward Balance	548	1,207

During 2020/21, the Council credited £2,596k to the MRR. After utilisation of £1,938k a balance of £1,207k was carried forward at 31 March 2021.

2.15 The Collection Fund

The financial highlights for the Collection Fund are given below:

- There was a £1,109k deficit on the Council Tax Collection Fund in 2020/21. This results in an overall deficit on the fund of £673k at 31 March 2021, of which 13.64% is due to Mid Devon District Council, amounting to £92k.
- The Council Tax collection rate achieved in the year was 97.0% (97.8% in 2019/20).
- The Council set a Band D equivalent Council Tax rate of £208.84 in 2020/21.
- There was a £9,135k deficit on the Business Rates Collection Fund in 2020/21. This results in an overall deficit on the fund of £8,925k at 31 March 2021, of which 40% is due to Mid Devon District Council, amounting to £3,570k.
- The Business Rates collection rate achieved in the year was 96.8% (98.8% in 2019/20).

The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 came into force on 1 December 2020. The regulations implement the announcement made by the Secretary of State on 2 July 2020 that “the repayment of collection fund deficits arising in 2020/21, will be spread over the next three years rather than the usual period of a year, giving councils breathing space in setting budgets for next year.”

2.16 Pension Fund

The financial highlights of the pension fund are:

- Pension assets have increased to £78,412k (£60,635k in 2019/20)
- Pension liabilities have increased to £153,813k (£119,400k in 2019/20)
- The net deficit on the fund is £75,401k (£58,765k in 2019/20)

The requirement to recognise the net pension liability on the Balance Sheet arises from International Accounting Standard 19 (IAS19) “Employee Benefits”. IAS19 requires all Councils and other businesses to disclose pension assets and liabilities within the Balance Sheet. Further analysis of the pension movements can be found in the notes following the core financial statements.

2.17 Valuation of Property Portfolio

The Council instructed the District Valuer to undertake a full valuation of 1/5th of its asset portfolio and review the remaining assets in order to establish a “true and fair” view for the 31 March 2021 Balance Sheet.

2.18 Treasury Activities

The table below gives an overview of the Council’s treasury holdings at the financial year end:

2019/20 £k	Investment Categories	2020/21 £k
2	Cash floats	3
3,841	Bank deposits	10,857
-	Short term deposits	-
3,843	Total	10,860

In addition to the above cash equivalents, the Council also held £17,500k (£20,000k 2019/20) of short term investments as at the 31 March 2021.

The Council generated investment interest of £124k (£238k 2019/20), which gave an average rate of return of 0.25% (0.90% 2019/20). This does not include the CCLA dividends which totalled £206k.

2.19 Borrowing

At the end of 2020/21, the Council had four Public Works Loan Board loans with total principal outstanding of £37,104k. No new loans were taken out during 2020/21. The Council has paid off £1,833k of the outstanding principal during the year and interest of £1,118k. The interest rates on these loans range from 1.70% to 2.94% pa and give a weighted average of 2.91%.

2.20 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.

Risks are managed at all levels within the Council. The most serious and/or cross-cutting risks are escalated to the Corporate Risk Register. The Corporate Risk Register is subject to regular review by the Leadership Team and the risks regularly reported to all Policy Development Groups (PDGs), Audit Committee, Cabinet, and Scrutiny. Each risk has an owner and is supported by mitigating actions designed to reduce uncertainty and the Council’s exposure to risk.

The key areas of corporate risk at March 2021 centred on:

- Budgetary implications arising from the Covid-19 Pandemic and the economic recovery
- Cost of complying with the Authority's own climate change declaration approved by full Council 26 June 2019
- Transformation of service delivery and embedding the new ways of working
- Ensuring the Council maximises the opportunities available through the Housing Infrastructure Grant, Levelling Up Fund and Community Renewal Fund schemes.

2.21 Covid-19 Pandemic

The Covid-19 Pandemic has had, and will continue to have, a notable impact on the public's and businesses' behaviour and consequently has had a considerable impact on the Council. The Government's national lockdowns and restrictions has meant that many businesses have been forced to close – significantly impacting on the local economy, which in turn impacts on the Council's income. Furthermore, the Council has incurred additional expense ensuring that the homeless are safe during this period and that the most vulnerable in our community are cared for through our shielding hub.

Financial Impact

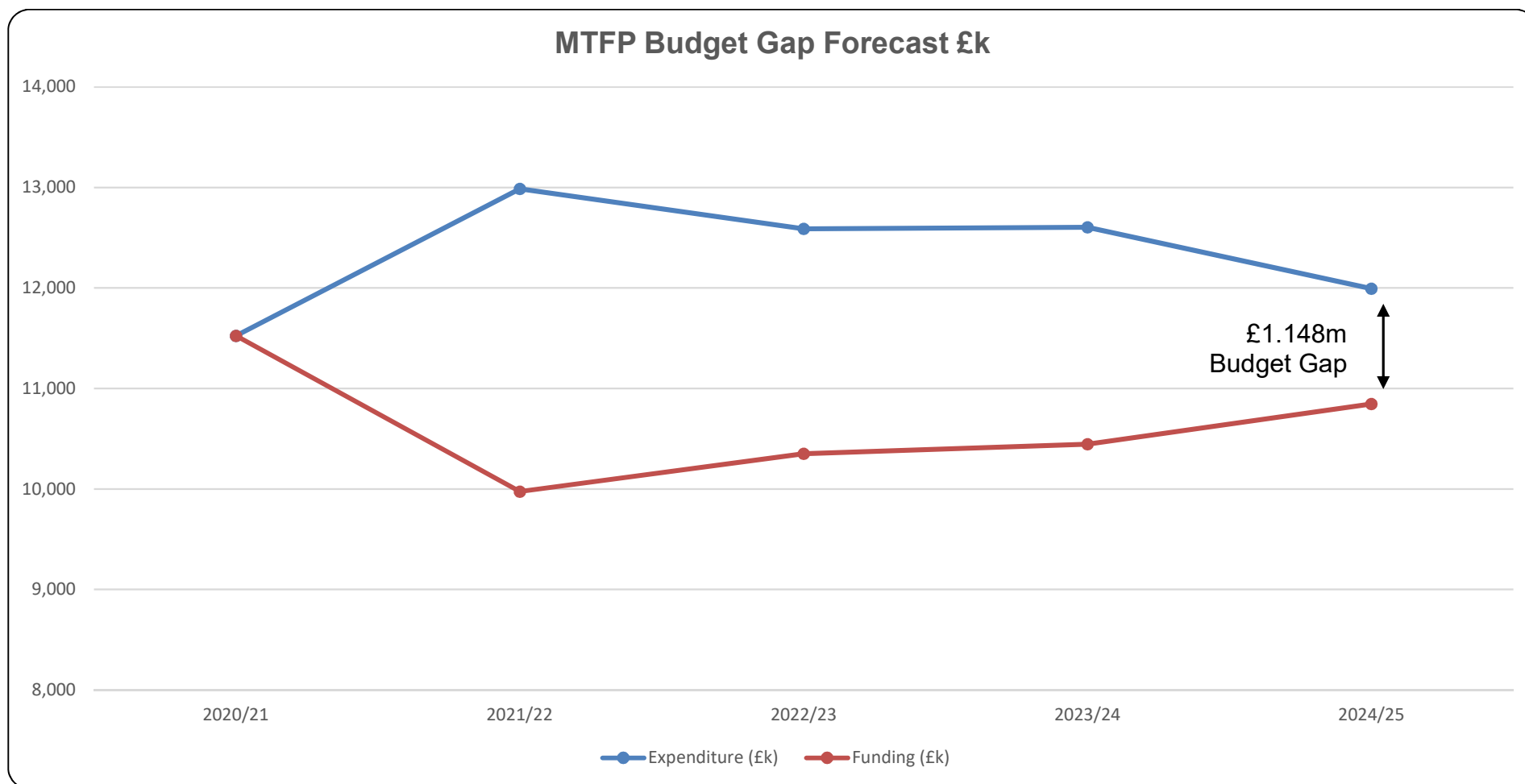
These additional costs and reductions in income have had a dramatic impact on the financial outturn for 2020/21. The Council experienced substantial losses across many of its largest income streams, most notably Car Parks and Leisure Centres which were closed for large parts of the year. This, along with reduced investment income, substantial relief payments to businesses and increased benefit claimants has had a stark cash flow impact on the Council's treasury position creating further pressure on the Council's finances. However, collection levels of Council Tax, Business Rates and Housing Rent have remained better than forecast. Similarly, planning applications and building control notices remained buoyant, while the Garden Waste service increased its customer base and income generated.

Helping to offset this impact, the Council has received £1,184k emergency Covid-19 funding and is projecting a further £2,019k for the Sales, Fees and Charges Compensation Scheme. The Council has prudently sought to build up the General Fund balance in recent years to ensure the Council is financially resilient. The Council is therefore in a position to draw upon its General Fund reserve balance should it need to but clearly this could have longer term solvency implications.

Throughout 2020/21, the Council adopted a pro-active approach to ensure that it responded to the emerging needs of residents and businesses. Regular financial monitoring will continue to ensure the Council takes all necessary remedial action, where practicable, with a continued focus on delivering key services against the backdrop of considerably reduced available resources.

2.22 Medium Term Forecast Expenditure and Funding

The Medium Term Financial Plan (MTFP) update report to Cabinet in October 2020, shows that delivering our existing range and level of services, without any remedial action, would result in the Council's expenditure exceeding the available resources by approximately £1,148k in 2024/25.



Over this period, a programme of reactive property maintenance, including but not restricted to our leisure buildings, causes service costs to peak in 2022/23. Funding, meanwhile, is expected to dip after 2020/21, largely due to the reduction in New Homes Bonus which will phase out by 2023/24. With the increasing demands on services this puts increased pressure on our ability to generate Business Rates as one of the few remaining funding streams. These expectations will also undoubtedly be affected by the ongoing Covid-19 crisis whose ultimate long-term impacts are yet to be fully seen and understood.

Moving forward, the Council will reset its MTFP in recognition of the longer term impact of the pandemic and the Council's strategic objectives. The Covid-19 Pandemic has led to many businesses assessing the "new normal" which will have a knock-on implication for Council services. This will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority.

2.23 The Financial Future of Mid Devon District Council

2020/21 was yet another successful year for the Council which saw our core services, Housing Revenue Account all delivered close to or within budget. This was also importantly linked to achieving the vast majority of our performance targets. This was an excellent result when set against the impact of a global Pandemic and the backdrop of a Central Government instigated austerity programme that has seen our overall funding reduced by circa £4,300k since 2010/11.

We continue to work collaboratively with neighbouring Councils in areas as diverse as; Building Control; Spatial Planning; Economic Delivery; Internal Audit; vehicle procurement etc. These partnerships have importantly delivered financial savings but have also built up additional operational capacity.

The future of Local Government funding remains very uncertain. Further delays to the reviews of Fair Funding, Business Rates and New Homes Bonus have been announced. Therefore, we are still awaiting Central Government's output from the review work it has undertaken on the overall package of Local Government financing (which will include Business Rates localisation and New Homes Bonus). This uncertainty makes medium term financial planning far more challenging, coupled with the ongoing effects associated with the Covid-19 Pandemic and how the District then plans for the recovery phase. However, proactive financial stewardship has seen the Council make provision in order to provide a short term buffer, by way of a Business Rates Smoothing Reserve, to manage the outcome of the long awaited Fair Funding Review and Business Rates Baseline Reset consultations.

The Council knows that the financial future will continue to be very uncertain and challenging. Senior management have therefore strived to ensure we are in a very strong financial position which will enable us to move forward and react to all of these challenges that will undoubtedly come our way.

Andrew Jarrett
Deputy Chief Executive (S151)

3 Statement of Accounting Policies

3.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year ending 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS). There have been no material changes to the accounting policies for 2020/21. Therefore there are no significant changes to the production of the accounts as a result of changes to the Code for 2020/21.

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. These statements have been compiled on the basis of the Council remaining a going concern and all amounts have been rounded to the nearest £1,000.

3.2 Accruals and Prepayments of Income and Expenditure

Activity is accounted for in the year in which 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.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services provided (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

A de minimis of £10k is normally applied to any adjustments made.

3.3 Overheads and Support Services

The actual costs of overheads and support services are charged to those users that benefit from the supply or service as required by the CIPFA Code of Practice on Local Authority Accounting 2020/21.

3.4 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 sick leave, bonuses and non-monetary benefits (e.g. cars for current employees), and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end, which employees carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the accounting year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis and form part of the Corporate Management line in the Comprehensive Income and Expenditure Statement (CIES) when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

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

Post-Employment Benefits

Employees of the Authority are members of The Local Government Pension Scheme, administered by Devon County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees working for the Authority.

3.5 The Local Government Pensions Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Devon County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.

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 CIES to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Corporate Management.
- Net interest on the net defined benefit liability, i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and pension payments.

Remeasurements comprising:

- The return on plan assets - excluding amounts included in net interest on the net defined benefit liability - 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 LGPS - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

3.6 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as either short term or long term creditors, depending upon their nature. When conditions are satisfied, the grant or contribution is credited to the relevant service 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. When it has been applied it is posted to the Capital Adjustment Account.

3.7 Revenue Expenditure Funded from Capital under Statute (REFCUS)

REFCUS represents expenditure that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset controlled by the Council. Service revenue accounts have been charged on the basis of the benefit that the service received as a result of the expenditure, net of any capital grants received during the year. As the asset created is not owned by the Authority at the end of the accounting period, the expenditure, net of any capital grants received during the year, is immediately written off in full in the year of creation. Where the Council has determined to meet the cost of the REFCUS from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account.

3.8 Value Added Tax (VAT)

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs (HMRC) and all VAT paid is recoverable from it, except where the Council is unable to recover VAT. VAT receivable from HMRC is excluded from income.

3.9 Minimum Revenue Provision

The Prudential Code requires that all capital expenditure is financed by a credit to the Capital Adjustment Account. If funding is not immediately available then a capital financing requirement (CFR) arises. Essentially the CFR has to be mitigated over time on a prudent basis by making a “minimum revenue provision”. This is a charge to the General Fund made from the “Adjustments between Accounting Basis and Funding Basis under Regulations” and the Capital Adjustment account.

The basis of estimation adopted by the Authority comprises three elements:

- There is a minimum revenue provision of 4% on assets acquired prior to 1 April 2008.
- Finance leases have their capital financing applied on a straight line basis over the life of the lease contract.
- New assets, acquired after 1 April 2008, that are not finance leases, have their capital financing calculated on a straight line basis over the life of the asset.

3.10 Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- 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.

3.11 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 if 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. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the 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.

3.12 Property, Plant and Equipment

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year, are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. The Council has a discretionary de minimis level for recognising Property, Plant and Equipment of £20,000.

Measurement

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. In some cases, gains may be credited to the CIES 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 CIES.

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

Componentisation

This policy states that where a large asset is made up of a number of components that have differing economic lives, they should be depreciated component by component. Taking account of materiality, the Council has decided to only account for a component that makes up in excess of 20% of the total asset value subject to a minimum value of £250k.

The only exception to this is where major components of council dwellings are separated out from the whole asset for the purposes of setting a more accurate depreciation figure. These major components have been identified as roofs, kitchens, bathrooms, windows and boilers.

Impairment

Assets are assessed at year-end as to whether there is any indication that an asset may be impaired. 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 CIES.

The Council had the District Valuer estimate current values of approximately 1/5th of the property portfolio at 31 March 2021.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged in full in the year of acquisition. An exception is made for assets without a determinable finite life (i.e. freehold land and certain Community Assets), Heritage assets and assets that are not yet available for use (i.e. assets under construction) where no depreciation is charged.

Depreciation is calculated on the following bases:

- Council dwellings - depreciation has been calculated based upon the expected lives of key components of our housing units

Roofs	50 years
Kitchens	20 years
Bathrooms	30 years
Windows	30 years
Boilers	10 years
Structure	60 years
- Other buildings – straight-line allocation over the life of the property as estimated by the Valuer
- Vehicles, plant and equipment – straight-line allocation over the life of the asset as estimated by suitably qualified and experienced officers.
- Infrastructure – straight-line allocation over the life of the property as estimated by the Valuer

Examples of time scales are given below:

Plant	Expected asset life of 10 years
Vehicles	Expected asset life of 5 to 7 years
ICT Equipment	Expected asset life of 3 to 5 years
Specialist equipment	Expected asset life of 3 to 10 years
Pool filters at LMLC	Expected asset life of 20 years
CVSC Boilers & Solar Panels on Council Buildings (Phoenix House, Leisure Buildings and Moorhayes Community Centre)	Expected asset life of 25 years

Where an asset has major components with different estimated useful lives, these are depreciated separately. Currently the Council has identified no such assets.

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.

3.13 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 in the CIES. Gains or losses on sale are posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not 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 value of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for sale) is written off to the Other Operating Expenditure in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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 in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals and other assets, net of statutory deductions and allowances, is payable to the Government. Part of the retained balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow, and part is required

to be set aside in a ring fenced reserve for future Council house building. Receipts are appropriated to the Reserve from the Adjustments between Accounting Basis and Funding Basis under Regulations.

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

3.14 Heritage Assets

A tangible heritage asset is defined as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities, which is held and maintained principally for its contribution to knowledge and culture.

Where such assets are identified, the asset is included in the accounts as a tangible heritage asset and shown separately from vehicles, plant and equipment. If the asset was donated or acquired for less than fair value the asset is brought into the balance sheet at its fair value. The Authority values heritage assets on the basis of insurance valuations.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity.

Any impairment is recognised and measured in accordance with the Authority's general policies on impairment.

Where an impairment loss has been determined, and a revised valuation obtained, the impairment loss is charged to the Surplus or Deficit on the Provision of Services. The charge is then reversed out and charged to the Capital Adjustment account.

Art Collection

The Authority's art collection includes paintings (oil on canvas, oil on board), statues and busts and some furniture, most of which are contained within the Town Hall at Tiverton. Although there is no requirement for valuations to be carried out, the assets which were donated in years past were valued for insurance purposes by Chilcotts professional Fine Art Valuers and Auctioneers in March 2012 and then revalued in 2016/17. There is no prescribed minimum period between valuations.

The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Purchases would be initially recognised at cost and donations recognised at valuations provided by the external valuers, with reference to the most relevant and recent information from sales at auctions and other commercial markets.

Acquisition, Preservation and Management

The Authority does not have a defined policy to acquire further heritage assets. Those owned by the Authority have been bequeathed or donated to the Authority. The Authority's Estates team maintain a record of the assets, working with relevant professional advisers to ensure their continued preservation.

3.15 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant or equipment from the lessor to the lessee. We also consider that leases for land for a period of at least 125 years are pragmatically a substantial period of the asset life and use discretion to treat these as finance leases, whether as lessor or 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 upon the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the Lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied in writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant and equipment - applied to write down the lease liability; and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (in this case ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal.

Lease rentals are apportioned between:

- A charge for the acquisition of the interest in the property - applied to write-down the lease debtor (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement. For this set of accounts the Council has no lessor finance leases.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

3.16 Investments including Cash on Deposit with Banking Institutions

Where investments are held at the balance sheet date they are treated as long term if, at the initial contract date, their term is more than twelve months. If, at the initial contract date, their term is more than three months but less than twelve months they are regarded as short term investments. Those investments which have three months or less to maturity at their initial contract date are treated as cash and cash equivalents. Any cash and bank balances whose term, at their initial contract date, is less than three months are categorised as cash and cash equivalents.

3.17 Council Tax and Non-domestic Rates

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting Council Tax and NDR 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 NDR. 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 NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the CIES is the Authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

3.18 Inventories

Inventories are included in the Balance Sheet at cost. This is a departure from the CIPFA Code of Practice, which requires inventories to be shown at the lower of cost and net realisable value. However, the effect of this alternative treatment is not considered to be material.

3.19 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 mature in three months or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

3.20 Financial Instruments

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. There are three main classes of financial assets measured at:

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an Authority holds financial instruments at fair value through other comprehensive income].

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the 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 Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Authority 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 Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

The Authority recognises gains and losses on its Pooled Investment (CCLA) through Surplus / Deficit on Provision of Services on the face of the Income Statement. This is a new requirement under IFRS 9. There is a “statutory reversal” which means that the impact of this change in valuation does not hit the “bottom line” or taxpayers. The impact is reversed out and placed in an unusable reserve. This is shown in Note 43.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

We no longer value our CCLA investments as FVOCI following a change in regulations (IFRS 9).

3.21 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, based on the best estimate at the balance sheet date of the amount required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required, or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

3.22 Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

3.23 Interests in Companies and Other Entities

The Authority has material interests in its wholly-owned subsidiary 3 Rivers Developments Ltd, and due to the materiality of the interest the Authority is required to prepare Group Accounts which can be found within these accounts.

In the Authority’s own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

3.24 General Fund Reserve

Council has approved a policy whereby the level of the General Fund balance should not fall below £2,000k of the net General Fund budget. The balance at 31 March 2021 was £2,186k.

3.25 Housing Revenue Account (HRA)

Council has approved a policy of the HRA maintaining a reserve balance of £2,000k and this has been maintained throughout 2020/21.

4 The Statement of Responsibilities for the Statement of Accounts

4.1 The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Deputy Chief Executive (S151).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

4.2 The Deputy Chief Executive (S151)'s Responsibilities

The Deputy Chief Executive (S151) is responsible for the preparation of the Authority's Statement of Accounts in accordance with the 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 Deputy Chief Executive (S151) has:

- Selected suitable accounting policies and then applied them consistently
- Made judgments and estimates that were reasonable and prudent
- Complied with the Local Authority Code.

The Deputy Chief Executive (S151) has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

4.3 Opinion

In my opinion the Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and its income and expenditure for the year ended 31 March 2021.

Andrew Jarrett

28 May 2021

Signature

Date

**Andrew Jarrett CPFA
Deputy Chief Executive (S151)
Mid Devon District Council**

5 Chief Financial Officer's Certificate

I certify that the accounts set out in the following pages, give a true and fair view of the financial position of the Council at 31 March 2021.

The date on which the draft Statement of Accounts was authorised for issue by the Deputy Chief Executive (S151) was 28 May 2021.

This is also the date up to which events after the Balance Sheet date have been considered.

Approved by the Deputy Chief Executive (S151)

.....
Andrew Jarrett CPFA

.....
Dated

Approved by the Chairman of the Audit Committee

.....

.....
Dated

Approved by the Leader of the Council

.....

.....
Dated

6 Independent Auditor's Report to the Members of Mid Devon District Council

Report on the Audit of the Financial Statements

This page is left intentionally blank

This page is left intentionally blank

This page is left intentionally blank

This page is left intentionally blank

This page is left intentionally blank

Index

Item	Note	Page No
Accounting Standards that Have Been Issued But Have Not Yet Been Adopted	1	52
Accumulating Compensating Absences Adjustment Account	49	105
Acquired and/or Discontinued Activities	17	70
Adjustments between Accounting Basis and Funding Basis under Regulations – GF	5	56
Adjustments between Accounting Basis and Funding Basis under Regulations – HRA	60	119
Assets Held for Sale	34	95
Assumptions Made About the Future and Other Major Sources of Estimation	4	53
Bad Debt Provision – HRA	70	127
Balance Sheet		47
Borrowing - Short Term and Long Term	28	88
Calculation of Council Tax Base	78	132
Capital Adjustment Account	45	101
Capital Expenditure – HRA	65	125
Capital Expenditure and Financing	24	86
Capital Grants Unapplied		56
Capital Receipts – HRA	67	126
Capital Receipts Reserve		44
Capital Reserves		44
Cash and Cash Equivalents	38	98
Cash Flow Statement		48
Cash Flow Statement – Adjustment for Items in the Net Surplus/Deficit that are Investing or Financing Activities	51	107
Cash Flow Statement – Financing Activities	54	109
Cash Flow Statement – Investing Activities	53	109
Cash Flow Statement – Non-Cash Items	50	106
Cash Flow Statement – Operating Activities on the Balance Sheet	52	108
Collection Fund Adjustment Account – Council Tax & NNDR	48	104
Collection Fund Income and Expenditure Account – Council Tax		130
Collection Fund Income and Expenditure Account – Non Domestic Rates		131
Commitments under Capital Contracts	26	88
Comprehensive Income and Expenditure Statement		46
Contingent Liabilities	56	112

Critical Judgements in Applying Accounting Policies	2	52
Debtors for Local Taxation	37	97
Deferred Capital Receipts Reserve	46	103
Depreciation & Impairment of Non Current Assets – GF	18	70
Depreciation & Impairment of Non Current Assets – HRA	73	128
Earmarked Reserves - GF	6	61
Earmarked Reserves - HRA	6	62
Expenditure and Funding Analysis		49
Expenditure and Income Analysed by Nature		51
External Audit Costs	14	69
Financial Instruments	30	90
Financing and Investment Income and Expenditure	9	64
General Fund Reserves		44
General Notes to the Collection Funds	76	132
Grant Income	55	110
Group Accounts		134
Heritage Assets	25	87
Housing Revenue Account (HRA) Income and Expenditure Account		117
Housing Stock	61	123
HRA Arrears	69	127
HRA Dwelling Rents	72	128
HRA Dwelling Valuation	63	124
HRA Non-Current Asset Values	64	124
HRA Reserves		44
Income from Business Rates	77	132
Insurance	20	71
Interest Payable and Similar Charges – HRA	74	129
Inventories	35	95
Leases	57	112
Long Term Creditors (amounts due in more than 12 months)	40	99
Long Term Debtors (amounts due in more than 12 months)	32	93
Long Term Investments	31	93
Major Repairs Reserve	66	126
Material Items of Income and Expenditure	3	53

Members' Allowances and Expenses	16	70
Minimum Revenue Provision	19	71
Movement in Reserves Statement		44
Movement on the HRA Statement		118
Non Current Asset Valuation	27	88
Non-Adjusting Post Balance Sheet Events	59	116
Number of Dwellings by Type	62	123
Officers' Emoluments	12	66
Operating Leases	11	65
Other Operating Expenditure	8	63
Pension Liability: Current Year Costs - HRA	68	127
Pensions	21	72
Pensions Reserve	47	103
Precepting Authorities	79	133
Property, Plant and Equipment	22	80
Provisions	41	99
Related Party Transactions	15	69
Rents Paid in Advance – HRA	71	128
Revaluation Losses and Revaluation Reversals	58	115
Revaluation Reserve	44	100
Revenue Expenditure Funded From Capital Under Statute (REFCUS)	23	85
Self Financing Settlement Payment – HRA	75	129
Short Term Creditors (amounts due in more than 12 months)	39	98
Short Term Debtors (amounts due in less than 12 months)	36	96
Short Term Investments	33	94
Taxation and Non-Specific Grant Income	10	64
Termination Benefits	13	68
Total Usable Reserves		44
Transfers to/from Capital Grants Unapplied	7	63
Trusts for which the Council is the Sole Trustee	29	89
Unusable Reserves	43	100
Usable Reserves	42	100

Movement in Reserves Statement

This statement shows the movement in the year 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 reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2020/21	Notes	USABLE RESERVES										
		REVENUE RESERVES					CAPITAL RESERVES					
		General Fund Balance	Earmarked General Fund Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020		(2,252)	(13,688)	(15,940)	(2,000)	(18,310)	(20,310)	(5,157)	(1,646)	(43,053)	(87,408)	(130,461)
Movement in Reserves during year												
(Surplus) or deficit on the provision of services		(1,817)	-	(1,817)	(8,090)	-	(8,090)	-	-	(9,907)	-	(9,907)
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	16,444	16,444
Total Comprehensive Income and Expenditure		(1,817)	-	(1,817)	(8,090)	-	(8,090)	-	-	(9,907)	16,444	6,537
Adjustments between accounting basis and funding basis under regulations	5	(4,677)	-	(4,677)	6,284	(659)	5,625	(340)	(978)	(370)	370	-
Net Increase/Decrease before Transfers to Earmarked Reserves		(6,494)	-	(6,494)	(1,805)	(659)	(2,464)	(340)	(978)	(10,277)	16,814	6,537
Transfers (to) / from Earmarked Reserves	6	6,559	(6,559)	-	1,805	(1,805)	-	-	-	-	-	-
(Increase)/Decrease in year		65	(6,559)	(6,494)	-	(2,464)	(2,464)	(340)	(978)	(10,277)	16,814	6,537
Balance at 31 March 2021 Carried forward		(2,187)	(20,247)	(22,434)	(2,000)	(20,774)	(22,774)	(5,498)	(2,625)	(53,329)	(70,595)	(123,924)
Held for Revenue Purposes		(2,187)	(20,247)	(22,434)	(2,000)	(19,567)	(21,567)	-	-	(44,001)	-	-
Held for Capital Purposes		-	-	-	-	(1,207)	(1,207)	(5,498)	(2,625)	(9,330)	-	-

Movement in Reserves Statement (Continued)

2019/20	Notes	USABLE RESERVES										Total Authority Reserves
		REVENUE RESERVES						CAPITAL RESERVES				
		General Fund Balance	Earmarked General Fund Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019		(2,501)	(14,353)	(16,855)	(2,000)	(16,323)	(18,323)	(3,620)	(2,146)	(40,944)	(90,246)	(131,190)
Movement in Reserves during year												
(Surplus) or deficit on the provision of services		7,109	-	7,109	(474)	-	(474)	-	-	6,635	-	6,635
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	(5,906)	(5,906)
Total Comprehensive Income and Expenditure		7,109	-	7,109	(474)	-	(474)	-	-	6,635	(5,906)	729
Adjustments between accounting basis and funding basis under regulations	5	(6,194)	-	(6,194)	(965)	(548)	(1,513)	(1,538)	501	(8,744)	8,744	-
Net Increase/Decrease before Transfers to Earmarked Reserves		915	-	915	(1,439)	(548)	(1,987)	(1,538)	501	(2,109)	2,838	729
Transfers (to) / from Earmarked Reserves	6	(665)	665	-	1,439	(1,439)	-	-	-	-	-	-
(Increase)/Decrease in year		250	665	915	-	(1,987)	(1,987)	(1,538)	501	(2,109)	2,838	729
Balance at 31 March 2020 Carried forward		(2,252)	(13,688)	(15,940)	(2,000)	(18,310)	(20,310)	(5,157)	(1,646)	(43,053)	(87,408)	(130,461)
Held for Revenue Purposes		(2,252)	(13,688)	(15,940)	(2,000)	(17,762)	(19,762)	-	-	(35,702)	-	-
Held for Capital Purposes		-	-	-	-	(548)	(548)	(5,157)	(1,646)	(7,351)	-	-

Comprehensive Income and Expenditure Statement

This section is a summary of our spending on services.

Gross Expenditure £'000	2019/20 Gross Income £'000	Net Expenditure £'000	Service Area	Notes	Gross Expenditure £'000	2020/21 Gross Income £'000	Net Expenditure £'000
332	(85)	247	Community Development		1,022	(31)	991
3,207	-	3,207	Corporate Management		1,327	-	1,327
708	(797)	(89)	Car Parks		690	(382)	308
1	(1)	-	Customer Services		29	(37)	(8)
3,034	(849)	2,185	Environmental Services		2,489	(939)	1,550
32	(8)	24	Finance And Performance		-	(6)	(6)
41	(46)	(5)	Grounds Maintenance		81	(70)	11
713	(624)	89	General Fund Housing		829	(659)	170
13,425	(13,053)	372	Housing Revenue Account		4,609	(13,366)	(8,757)
75	(7)	68	Human Resources		8	(7)	1
133	(4)	129	I.T. Services		32	(16)	16
1,443	(403)	1,040	Legal & Democratic Services		943	(71)	872
4,006	(1,546)	2,460	Planning And Regeneration		3,474	(2,279)	1,195
1,227	(776)	451	Property Services		1,037	(1,077)	(40)
15,026	(13,962)	1,064	Revenues And Benefits		14,536	(14,042)	494
4,807	(2,754)	2,053	Recreation And Sport		4,061	(985)	3,076
5,535	(2,631)	2,904	Waste Services		5,292	(2,650)	2,642
53,745	(37,546)	16,200	Costs of Services		40,459	(36,617)	3,843
		1,528	Other Operating Expenditure	8			1,778
		2,142	Financing and Investment Income and Expenditure	9			1,784
		(13,235)	Taxation and Non-Specific Grant Income	10			(17,311)
		6,635	(Surplus) or Deficit on Provision of Services				(9,907)
		-	(Surplus) or deficit on revaluation of available for sale financial assets				-
		(4,335)	Remeasurements of the net defined benefit liability	21			15,888
		(1,571)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	44			556
		(5,906)	Other Comprehensive Income and Expenditure				16,444
		729	Total Comprehensive Income and Expenditure				6,537

Balance Sheet

This section shows our financial position at the end of the financial year.

2019/20 £'000	Balance Sheet	Notes	2020/21 £'000
194,429	Property, Plant & Equipment	22	198,601
330	Heritage Assets	25	330
4,759	Long-term Investments	31	4,725
7,688	Long-term Debtors	32	10,110
207,206	Non-Current Assets		213,766
20,000	Short-term Investments	33	17,500
(0)	Assets held for sale	34	525
276	Inventories	35	315
5,982	Short-term Debtors	36	12,268
3,843	Cash and Cash Equivalents	38	10,860
30,101	Current Assets		41,468
(6,854)	Short-term Creditors	39	(14,942)
(565)	Provisions	41	(869)
(1,833)	Short-term Borrowing	28	(1,870)
(9,252)	Current Liabilities		(17,681)
(1,663)	Long-term Creditors	40	(2,994)
(37,104)	Long-term Borrowing	28	(35,234)
(58,765)	Other Long Term Liabilities	47	(75,401)
(62)	Capital Grants Receipts in Advance	40	-
(97,595)	Long Term Liabilities		(113,629)
130,460	Net Assets		123,924
43,053	Usable Reserves	42	53,329
87,408	Unusable reserves	43	70,595
130,461	Total Reserves		123,924

Andrew Jarrett

28 May 2021

Signature

Date

Cash Flow Statement

This section shows what cash we spend and receive.

2019/20			2020/21
£'000	Cash Flow	Notes	£'000
(6,635)	Net surplus or (deficit) on the provision of services		9,907
12,533	Adjustments to net surplus or deficit on the provision of services for non-cash movements	50	(4,336)
(1,937)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	51	(616)
-	Adjustments for operating activities processed through the Balance Sheet	52	5,889
3,961	Net cash flows from Operating Activities		10,844
(876)	Investing Activities	53	(1,704)
(1,903)	Financing Activities	54	(2,123)
1,182	Net increase or (decrease) in cash and cash equivalents		7,017
2,661	Cash and cash equivalents at the beginning of the reporting period		3,843
3,843	Cash and cash equivalents at the end of the reporting period	38	10,860

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the Authority has been used. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes. Therefore, the top half shows expenditure on the same basis as in our CIES and the bottom half shows how this impacts on our Reserves. The adjustments to the Cost of Services are detailed on the next page.

2019/20			Service Area	2020/21		
Net Expenditure Chargeable to the GF and HRA Balances	Adjustments	Net Expenditure in the CIES		Net Expenditure Chargeable to the GF and HRA Balances	Adjustments	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
144	103	247	Community Development	165	826	991
2,534	673	3,207	Corporate Management	1,648	(322)	1,327
(518)	429	(89)	Car Parks	(118)	426	308
698	(698)	-	Customer Services	645	(653)	(8)
1,002	1,183	2,185	Environmental Services	725	825	1,550
685	(660)	24	Finance And Performance	839	(845)	(6)
530	(534)	(5)	Grounds Maintenance	475	(464)	11
9	80	89	General Fund Housing	58	112	170
(7,908)	8,280	372	Housing Revenue Account	(6,917)	(1,840)	(8,757)
471	(403)	68	Human Resources	409	(408)	1
970	(841)	129	I.T. Services	967	(950)	16
1,037	3	1,040	Legal & Democratic Services	968	(96)	872
1,452	1,008	2,460	Planning And Regeneration	671	524	1,195
494	(43)	451	Property Services	411	(450)	(40)
540	523	1,064	Revenues And Benefits	45	449	494
660	1,394	2,053	Recreation And Sport	1,961	1,115	3,076
1,817	1,086	2,904	Waste Services	1,901	740	2,642
4,617	11,582	16,200	Cost of Services	4,853	(1,011)	3,843
(4,385)	(5,180)	(9,565)	Other Income and Expenditure	(4,788)	(8,961)	(13,749)
232	6,402	6,635	(Surplus) or Deficit on Provision of Services	65	(9,972)	(9,907)
(35,178)	Opening General Fund and HRA Balances as at 1 April			(36,250)		
(1,304)	Transfers (to)/from Earmarked Reserves			(9,023)		
-	Transfer from Capital Grants Unapplied to Earmarked Reserve			-		
232	(Surplus) or Deficit on Provision of Services			65		
(36,250)	Closing General Fund and HRA Balances as at 31 March			(45,208)		

Adjustments Showing within the Expenditure and Funding Analysis

2019/20							Service Area	2020/21						
Past Service Cost	Current Service Cost	Salary Accruals	Recharges	Capital Charges	Other Adjustments	Total Adjustments		Past Service Cost	Current Service Cost	Salary Accruals	Recharges	Capital Charges	Other Adjustments	Total Adjustments
£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
2	4	0	54	43	-	103	Community Development	-	(1)	(0)	144	683	-	826
314	514	5	(160)	-	-	673	Corporate Management	-	(178)	6	(149)	-	-	(322)
-	-	-	230	200	-	429	Car Parks	-	-	-	218	208	-	426
24	40	(4)	(758)	-	-	(698)	Customer Services	-	(18)	10	(645)	-	-	(653)
30	49	4	734	366	-	1,183	Environmental Services	-	(23)	13	689	146	-	825
18	29	(0)	(707)	-	-	(660)	Finance And Performance	-	(14)	8	(839)	-	-	(845)
12	20	(1)	(586)	20	-	(534)	Grounds Maintenance	-	(8)	2	(488)	30	-	(464)
7	11	2	43	17	-	80	General Fund Housing	-	(7)	5	114	-	-	112
163	268	-	-	6,684	1,165	8,279	Housing Revenue Account	-	(114)	-	-	(1,968)	242	(1,840)
9	15	1	(428)	-	-	(403)	Human Resources	-	(8)	5	(406)	-	-	(408)
19	31	3	(977)	82	-	(841)	I.T. Services	-	(13)	5	(1,014)	71	-	(950)
17	27	2	(42)	-	-	3	Legal & Democratic Services	-	(15)	6	(86)	-	-	(96)
61	99	5	488	356	-	1,008	Planning And Regeneration	-	(48)	35	536	-	-	524
22	36	0	(764)	663	-	(43)	Property Services	-	(18)	8	(759)	319	-	(450)
23	38	3	459	-	-	523	Revenues And Benefits	-	(19)	7	460	-	-	449
67	109	-	490	728	-	1,394	Recreation And Sport	-	(51)	1	457	708	-	1,115
77	126	6	388	489	-	1,086	Waste Services	-	(65)	33	327	446	-	740
865	1,416	25	(1,534)	9,646	1,165	11,582	Net Cost of Services	-	(599)	143	(1,440)	643	242	(1,011)

Expenditure and Income Analysed by Nature

Paragraph 3.4.2.99 of the Code requires that we report the Authority's expenditure and income analysed by the nature of the expenditure or income. Thus, the following shows the amounts that make up the surplus or deficit on the Provision of Services on the CIES, but categorised by nature instead of service segment.

		2019/20	2020/21
Expenditure and Income	Notes	£'000	£'000
Expenditure			
Employee benefits		18,520	15,819
Other services		27,034	24,126
Depreciation, amortisation and impairment	18	9,003	643
Interest payments	9	2,668	2,577
Precepts and levies	8	1,715	1,837
Total Expenditure		58,940	45,002
Income			
Fees, charges and other service income		(37,462)	(36,518)
Interest and investment income	9	(525)	(793)
Income from council tax, NNDR, RSG and other government grants including NHB	10	(13,235)	(17,311)
Gain on the disposal of assets	8	(1,083)	(287)
Total Income		(52,305)	(54,909)
(Surplus) or deficit on the provision of services		6,635	(9,907)

Notes to the Accounts

Please be aware that there may be minor rounding differences in some of these notes.

1 Accounting Standards that have been issued but have not yet been adopted

Paragraph 3.3.4.3 of the Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2021 for 2020/21).

In compiling the 2020/21 accounts there are no material effects in relation to these standards.

In response to the Covid-19 pandemic, CIPFA/LASAAC deferred the implementation of IFRS 16 Leases in the public sector until the 2022/23 financial year, with an effective date of 1 April 2022. This will require lessees to recognise assets subject to leases as right-of-use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low-value and short-term leases).

2 Critical Judgements in Applying Accounting Policies

- Page 174
- a) Estimates for accrued expenditure/income - based on service managers' and accountants' calculations at year end.
 - b) Bad debt provision - based on historic trends and adjusted for any material movements during 2020/21. This includes an estimation of the impact that the Covid-19 lockdown will have on rates of debt recovery.
 - c) Asset lives for the calculation of depreciation charges - based on service managers' experience of previously used assets.
 - d) The Council has also placed reliance on technical estimates supplied by third parties for the following:
 - Property valuations made by the District Valuer
 - Pension valuations supplied by Barnett Waddingham - Actuary engaged by Devon County Council.
- The Council has received very detailed reports from both of these sources outlining overall valuations and all of the key assumptions made in arriving at these final figures. These reports will be examined by Grant Thornton during their audit of the Council's Accounts.
- e) Estimating the total amount of housing benefit overpayments at the year end based on the balance at the end of month 11.
 - f) Delays to the reviews of the future funding mechanisms for Local Government have caused a high degree of uncertainty. The impact of this on the finances of this Authority will be material with an expectation that the current various income streams will be altered, reduced and even ceased in some cases. This has been compounded by the Covid-19 pandemic which required various national lockdowns and restrictions to be imposed. Authorities have received some necessary reactive funding and have been reimbursed for the majority of the lost income normally collected through Fees and Charges. This funding, along with the need to close facilities and reduce levels of service provision and some reliance on short term reserves, have been sufficient to protect the assets of the Authority from impairment.

3 Material Items of Income and Expenditure

The Authority has a 100% interest in its subsidiary 3 Rivers Developments Ltd which builds quality homes in the Mid Devon area. The Authority has provided loan funding to enable the activities of the company. The ability of the company to repay these loans is regularly reviewed to examine whether an expected credit loss arises as defined in IFRS 9.

As a result, the working capital loan which is expected to be repaid from profits arising on developments, was impaired by £173k (loan value at 31 March 2021 - £828k) during 2019/20. A further review during 2020/21 concluded no further impairment was necessary.

Also within 2019/20, a further impairment was made in respect of the Riverside development in Tiverton of £617k to reflect cost overruns affecting the project (loan value at 31 March 2021 - £5,036k). Again, a further review during 2020/21 concluded no further impairment was necessary.

4 Assumptions Made about the Future and Other Major Sources of Estimation

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 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 is a significant risk of material adjustment in the forthcoming financial year are as follows:

Note	Item	Uncertainties	Effect if Actual results Differ
22	Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent upon assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings and plant based on a gross value of £36,236k (excl. Council Houses) would increase by £224k for every year that useful lives had to be reduced.

Note	Item	Uncertainties	Effect if Actual results Differ
21	Pensions Liability	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. The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this is not considered to be material.	The effects on the closing defined benefit obligation of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the closing defined benefit obligation to £150,759k and a 1 year increase in life expectancy assumptions would increase the closing defined benefit obligation to £160,947k. However the assumptions interact in complex ways.
41	Non Domestic Rates Appeals Provision	Estimates have been made for the provision for refunding ratepayers who will 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 already appealed.	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation.
	Arrears	At 31 March 2021, the Authority had a gross sundry debtors balance of £1,406k, although only £311k is over 30 days old. A review of significant balances suggested that a provision for doubtful debts of 27% or £385k was appropriate (£139k of which relates to DARS). Allowance has been made in this provision for the economic effects of Covid-19. However, given the uncertainty surrounding the current economic climate, it is not known whether such an allowance will be sufficient. However, this is not considered to be material.	If we were to provide for 1% more of the arrears, the provision value would increase by approximately £14k.

Note	Item	Uncertainties	Effect if Actual results Differ
	Fair Value Asset Valuation	The Authority engages the District Valuer, a qualified RICS surveyor, to provide valuations of land and property assets at the year end. The values of assets are adjusted to their current values by reviewing the sales of similar assets in the region, applying indexation and considering impairment of individual assets. The District Valuer works closely with the finance staff on all valuation matters.	<p>Significant changes in the assumptions of future income streams/growth, occupancy levels, ongoing property maintenance and other factors would result in a significantly higher or lower fair value measurement for these assets.</p> <p>In particular, the Pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value.</p> <p>In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19 we highlight the importance of the valuation date.</p>
	Impairments	All non current assets need to be reviewed for possible impairment. A review with service managers is undertaken each year to consider the possible impairment of assets. The District Valuer also considers possible impairment when undertaking his valuations.	If a significant impairment of an asset were not to be adjusted then the non current assets could be materially overstated in the financial statements.
	Accruals	Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. A de minimis level of £10k is normally applied to adjust for timing differences between accounting years.	Although a review of cash paid and cash received after the year end is performed, if significant unrecorded liabilities were not identified then material misstatement of our liabilities in the balance sheet of the accounts would occur.

5 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 arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

General Fund Balance

The General Fund is the statutory fund into which all of the receipts of an authority are required to be paid and out of which all liabilities are to be met, except for the Housing Revenue Account (HRA) see below and where statutory rules provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. However the General Fund balance is not available to fund the HRA services (see below).

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for Local Authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

Major Repairs Reserve

The Authority is required to maintain a Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance may be restricted by grant terms as to the capital expenditure against which it can be applied and /or the financial year in which this can take place.

Adjustments between Accounting Basis and Funding Basis under Regulations

2020/21	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Adjustments involving the Capital Adjustment Account						
Charges for depreciation and impairment of non current assets	(1,854)	(2,601)	-	-	-	4,455
Revaluation (losses)/gains on Property, Plant and Equipment	(757)	4,568	-	-	-	(3,812)
Amortisation of intangible assets	-	-	-	-	-	-
Impairment of current assets	-	-	-	-	-	-
Capital grants and contributions applied	446	-	-	-	-	(446)
Income in relation to donated assets	-	-	-	-	-	-
Useable Capital Receipts applied in year	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(916)	-	-	-	-	916
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(149)	(521)	-	-	-	670
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	703	959	-	-	-	(1,661)
Capital expenditure charged against the General Fund and HRA balances	1,177	361	-	-	-	(1,537)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,449	-	-	-	(1,449)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	471	(471)
Adjustments involving the Capital Receipts Reserve						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	97	860	(957)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	376	-	-	(376)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(13)	13	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(227)	-	227	-	-	-
Right to Buy Discounts repaid	-	-	-	-	-	-
Balance carried forward	(31)	3,613	(340)	-	(978)	(2,262)

2020/21 - Continued	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
Balance brought forward	(31)	3,613	(340)	-	(978)	(2,262)
Adjustments involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	-	2,596	-	(2,596)	-	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	-	1,938	-	(1,938)
Interest credited to the Major Repairs Reserve	-	-	-	-	-	-
Adjustments involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(34)	-	-	-	-	34
Adjustment involving the Pensions Reserve						
Actuarial past service gain adjustment	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,397)	114	-	-	-	5,283
Employer's pension contributions and direct payments to pensioners payable in the year	4,535	-	-	-	-	(4,535)
Adjustment involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(151)	-	-	-	-	151
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statements is different from NDR income calculated for the year in accordance with statutory requirements	(3,454)	-	-	-	-	3,454
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(143)	(39)	-	-	-	182
Total Adjustments	(4,677)	6,284	(340)	(659)	(978)	370

2019/20	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Adjustments involving the Capital Adjustment Account						
Charges for depreciation and impairment of non current assets	(1,937)	(2,532)	-	-	-	4,469
Revaluation (losses)/gains on Property, Plant and Equipment	(382)	(4,152)	-	-	-	4,534
Amortisation of intangible assets	-	-	-	-	-	-
Impairment of current assets	(667)	-	-	-	-	667
Capital grants and contributions applied	132	734	-	-	-	(866)
Income in relation to donated assets	-	-	-	-	-	-
Useable Capital receipts applied in year	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(1,239)	-	-	-	-	1,239
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(111)	(1,740)	-	-	-	1,851
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	419	955	-	-	-	(1,374)
Capital expenditure charged against the General Fund and HRA balances	776	859	-	-	-	(1,635)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	498	-	-	-	(498)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	999	(999)
Adjustments involving the Capital Receipts Reserve						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	75	2,859	(2,934)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	463	-	-	(463)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(38)	38	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(895)	-	895	-	-	-
Right to Buy Discounts repaid	-	-	-	-	-	-
Balance carried forward	(3,331)	(3,055)	(1,538)	-	501	7,423

2019/20 - Continued	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward	(3,331)	(3,055)	(1,538)	-	501	7,423
Adjustments involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	-	2,532	-	(2,532)	-	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	-	1,984	-	(1,984)
Interest credited to the Major Repairs Reserve	-	-	-	-	-	-
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(177)	-	-	-	-	177
Adjustment involving the Pensions Reserve						
Actuarial past service gain adjustment	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,997)	(431)	-	-	-	6,428
Employer's pension contributions and direct payments to pensioners payable in the year.	2,707	-	-	-	-	(2,707)
Adjustment involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(20)	-	-	-	-	20
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statements is different from NNDR income calculated for the year in accordance with statutory requirements	649	-	-	-	-	(649)
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(25)	(11)	-	-	-	36
Total Adjustments	(6,194)	(965)	(1,538)	(548)	501	8,744

6 Movements in Earmarked Reserve

The tables below show the amounts set aside from the General Fund and HRA balances in capital or revenue earmarked reserves to provide financing for future expenditure plans. It also shows the movement in each major earmarked reserve where amounts have either been posted to the reserve or back to meet General Fund and HRA expenditure in 2020/21. Reserves indicated with an asterisk (*) are held for capital purposes.

General Fund Revenue Earmarked Reserves	Balance at 1/4/2019 £'000	Movement £'000	Balance at 31/3/2020 £'000	Movement £'000	Balance at 31/3/2021 £'000
NDR smoothing Reserve	1,172	(452)	721	3,325	4,046
New Homes Bonus Reserve	2,754	745	3,499	(438)	3,061
Waste Infrastructure Reserve	-	1,250	1,250	778	2,028
Maintenance & Amenity Reserve (S106 Funds)	2,444	(630)	1,815	(59)	1,755
Property Maintenance Reserves	1,014	492	1,506	239	1,745
Vehicle, Plant & Equipment Sinking Funds	2,276	(1,571)	705	364	1,068
Garden Village Reserve	671	7	678	(26)	652
ICT Equipment Sinking Fund	190	190	379	167	546
Statutory Development Plan Reserve	520	(44)	477	30	506
Economic Development Reserves	138	60	198	165	363
Homelessness Support Reserve	225	83	307	53	360
ICT Reserves	56	(33)	23	307	330
Post Covid Income Recovery Reserve	-	-	-	300	300
Climate Change Reserve	-	-	-	299	299
RCCO* Earmarked Reserves	415	(114)	301	(46)	255
PSH Grant Reserves	1,060	(755)	305	(52)	253
Planning Improvement Programme Reserve	-	-	-	250	250
Council Tax Smoothing Reserve	-	-	-	240	240
General Revenue Earmarked Reserve	-	-	-	224	224
Cullompton Rail Station Reserve	40	-	40	121	161
Recycling Plant Sinking Fund	80	11	91	20	111
Community Housing Reserve	115	(3)	111	(3)	108
Other General Fund Reserves <£100k	1,183	100	1,283	301	1,584
Total Revenue Earmarked Reserves	14,354	(665)	13,688	6,559	20,247

*RCCO – Revenue contributions to capital outlay.

The table on the prior page shows the General Fund Earmarked Reserves balances held at 31 March 2021. The Other General Fund Reserves <£100k relate to a large number of smaller reserves that are for specific projects that will be delivered in 2021/22 and future years e.g. the Rough Sleeping Initiative (£92k), Flood Defences Bampton (£67k) and Planning, testing of the new national model for design codes (£50k). The £3,061k held in the New Homes Bonus Reserve is non-ringfenced. Primarily it will be used to help invest and maintain the Authority's General Fund assets. It may also be used to support short term service provision and Economic Development projects. The Maintenance and Amenity Reserve is a collection of Section 106 contributions being used to fund costs of additional play parks and amenity provision included in various planning agreements across the District. The Property Maintenance Reserves are to support the programme of maintenance on our General Fund assets. The Vehicle, Plant and Equipment Sinking Funds are for the future replacement of major assets. The Waste Infrastructure Reserve is intended to be used to purchase land for a unified waste/grounds maintenance depot. A full breakdown of the Earmarked Reserves is provided in the Outturn Report presented at the July Cabinet meeting.

Housing Revenue Account Revenue Earmarked Reserves	Balance at 1/4/2019 £'000	Movement £'000	Balance at 31/3/2020 £'000	Movement £'000	Balance at 31/3/2021 £'000
Housing Maintenance Fund	13,573	625	14,198	923	15,121
HRA - PWLB Loan Premium Deficit	2,151	659	2,811	706	3,516
Renewable Energy Fund	569	106	674	27	701
HRA Affordable Rent surplus	-	49	49	150	199
Sewage Treatment Works	30	-	30	-	30
Total Revenue Earmarked Reserves	16,323	1,439	17,762	1,805	19,567

The table above shows the Housing Revenue Account (HRA) Earmarked Reserves balances held at 31 March 2021. These reserves are ring-fenced for the HRA which means they cannot be used for other purposes. The Housing Maintenance Fund is the main reserve which holds any surpluses that are generated by the operation of the HRA. In 2020-21 the fund has increased by £923k. The PWLB Loan Premium Deficit is a reserve which accounts for timing differences in regard to the self-financing loan the Council undertook in 2012.

7 Transfers to/from Capital Grants Unapplied

This note details the receipt and utilisation of various capital grants over the last two years.

Total Funds Unapplied	Balance at 1/4/2019 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31/3/2020 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31/3/2021 £'000
Repaid PSH Grants	73	-	-	73	84	-	158
Affordable Housing Contributions	678	25	(18)	686	408	-	1,094
Planning Delivery Grant	198	-	(198)	-	-	-	-
Devon County Council Funding	20	-	-	20	-	-	20
MHCLG Disabled Facilities Grant	1,177	473	(783)	867	957	(471)	1,353
Total Capital Grants Unapplied	2,146	498	(999)	1,646	1,449	(471)	2,625

Other Operating Expenditure

Other Operating Expenditure	2019/20 £'000	2020/21 £'000
Parish Council precepts payable	1,715	1,837
Payments to the Government housing capital receipts pool	895	227
(Gains)/Losses on the disposal of non current assets	(1,082)	(287)
Total	1,528	1,778

9 Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2019/20 £'000	2020/21 £'000
Interest payable and similar charges	1,228	1,230
Net interest on the net defined benefit liability	1,440	1,347
Interest receivable and similar income	(702)	(827)
(Gains)/Losses recognised under IFRS 9 Financial Instruments*	177	34
Total	2,142	1,784

* The Council has invested £5,000k in the Church Charities and Local Authority (CCLA) Local Authorities' Mutual Investment Trust (LAMIT) Property Fund, which is carried in the Balance Sheet at its fair value of £4,725k, this is an overall loss of £275k since the investment in 2015/16. The in-year loss of £34k is shown in the table above. It is anticipated that this investment, which is intended to be held for the long term, will provide a return equal or superior to those achieved by the Council's other current investments. The fair value is based upon public price quotations in an active market for this financial instrument and without this investment counting as capital expenditure.

10 Taxation and Non-Specific Grant Income

Taxation and Non Specific Grant Income	2019/20 £'000	2020/21 £'000
Council Tax income (including Parish Council Precepts receivable)	(7,596)	(7,879)
Non Domestic Rates	(3,122)	(3,358)
Non-ringfenced Government grants	(1,749)	(5,096)
Capital grants and contributions	(768)	(978)
Total	(13,235)	(17,311)

11 Operating Leases

Authority as a Lessee

The Authority holds a number of vehicles, land and buildings under the terms of operating leases.

Payments under Operating Leases

The Authority has made payments of £140k under operating leases in 2020/21 (£146k in 2019/20) comprising of the following elements:

Authority as Lessee	2019/20 £'000	2020/21 £'000
Land & Buildings	140	140
Vehicles, Plant & Equipment	6	-
Total	146	140

For future liabilities for Finance and Operating Leases see note 57.

Authority as a Lessor

The gross value of assets held for use in operating leases as at 31 March 2021 was £11,314k (£11,372k at 31 March 2020)

Authority as Lessor	2019/20			2020/21		
	Gross Value £'000	Net Book Value £'000	Rental Income £'000	Gross Value £'000	Net Book Value £'000	Rental Income £'000
HRA Shops	1,201	1,201	(108)	1,215	1,215	(107)
General Fund Shops	3,456	3,456	(370)	3,361	3,361	(374)
Other GF Land & Buildings	5,287	5,287	(124)	5,306	5,306	(109)
Industrial Units	1,428	1,428	(102)	1,432	1,432	(97)
Total	11,372	11,372	(704)	11,314	11,314	(687)

The Council also received £404k from the rental of Garages and £12,325k from Council Houses (£12,100k 2019/20). For more information see the Housing Revenue Account notes.

12 Officers' Emoluments

This table includes **all** statutory and non-statutory posts whose overall remuneration exceeds £50k excluding pension contributions and non taxable allowances.

Remuneration Band	2019/20		2020/21	
	Number of Employees	Left During Year	Number of Employees	Left During Year
£50,000 - £54,999	3	-	3	-
£55,000 - £59,999	3	1	4	-
£60,000 - £64,999	1	1	1	1
£65,000 - £69,999	1	-	2	-
£70,000 - £74,999	1	1	-	-
£75,000 - £79,999	1	-	-	-
£80,000 - £84,999	-	-	3	1
£85,000 - £89,999	1	-	-	-
£90,000 - £94,999	-	-	-	-
£95,000 - £99,999	-	-	-	-
£100,000 - £104,999	-	-	-	-
£105,000 - £109,999	-	-	-	-
£110,000 - £114,999	1	-	1	-

The above table includes two employees who received termination payments in 2020/21. These employees are included in the Termination Benefit note. Nine employees in the above table are not Senior Officers so have not been included in the Senior Officers table, all other employees are included.

Senior Officers Earning in Excess of £50,000

The statutory instrument regarding Officer Emoluments requires the individual naming of any Officers with an annual salary of £150,000 or more and the post title of any officer's earning £50,000 or more who occupy statutory roles or are responsible for managing the strategic direction of services. The Council had no officers earning at or in excess of £150,000 in 2020/21.

Post Title	Financial Year	Salary (Including Allowances) £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including pension contributions £
Chief Executive	2020/21	114,131	114,131	18,946	133,077
	2019/20	111,281	111,281	16,358	127,640
Deputy Chief Executive (S151). Note 3	2020/21	82,616	82,616	13,825	96,441
	2019/20	86,200	86,200	11,936	98,136
Director of Corporate Affairs & Business Transformation	2020/21	80,910	80,910	13,431	94,342
	2019/20	77,394	77,394	11,377	88,771
Director of Operations. Note 4	2020/21	-	-	-	-
	2019/20	60,605	60,605	8,580	69,185
Head of Planning & Regeneration	2020/21	69,629	69,629	11,558	81,187
	2019/20	67,765	67,765	9,962	77,727
Head of Legal and Monitoring Officer	2020/21	66,925	66,925	11,110	78,035
	2019/20	58,482	58,482	8,597	67,079

Notes:

1. The amounts included in the two previous tables are shown gross of any related tax which would be levied.
2. The primary pension rate of 16.6% has been used for the 2020/21 pension contributions figures.
3. In 2019/20 the Deputy Chief Executive (S151) received an extra payment that was not pensionable.
4. The Director of Operations left the Authority on 2 January 2020.

13 Termination Benefits

2020/21				
Exit Package Cost Band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £'000
£0 - £19,999	-	11	11	34
£20,000 - £39,999	-	1	1	33
£40,000 - £59,999	1	-	1	46
£60,000 - £79,999	-	1	1	69
Total	1	13	14	182

During 2020/21 a number of settlement agreements were made. These were associated with service restructures and changes in order to reduce future employee costs. This helps match ongoing expenditure against the well documented cuts in Central Government funding.

2019/20				
Exit Package Cost Band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £'000
£0 - £19,999	-	13	13	23
£20,000 - £39,999	-	2	2	73
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
Total	-	15	15	96

14 External Audit Costs

Fees paid and estimated for the Council's appointed external auditor, Grant Thornton, were as follows:

External Audit Costs	2019/20 £'000	2020/21 £'000
Fees payable with regard to the annual audit fee	44	37
Fees payable for the certification of claims and returns	14	20
Additional Fee relating to previous year's audit	5	7
Additional Fee relating to current year's audit	-	21
Total	63	85

The fees shown include estimates for additional fees relating to the current year 2020/21 and additional fees relating to the previous year's audit. These fees are forecast at present as they are subject to external ratification. The basis for these fees are the audit plan provided by Grant Thornton.

Page 191

15 Related Party Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers of the accounts to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides some of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with Government departments are set out in a note to the Cash Flow Statement and Note 55 relating to all grant income.

Elected Members of the Council have direct control over the Council's financial and operating policies. The Council's constitution requires Member's to declare their interests in related parties in a register of interests, which is available for public inspection via our website. In addition, Member's are asked to declare separately any transactions with the Authority.

Officers of the Council are bound by the Council's Code of Conduct. Leadership Team and Corporate Managers are required to declare any related party transactions with the Council (see below note on 3 Rivers Developments Ltd).

The Council is part of a designated pool for the retention of business rates, which allows Local Authorities to be treated as if they were a single entity for the purpose of calculating tariffs, top-ups, levies and safety net payments.

3 Rivers Developments Ltd - one Senior Officer was appointed as a Director of the company for part of the financial year. This Officer was replaced by an independent Director during a governance restructure. In addition, one Councillor of Mid Devon District Council is appointed as a Director of 3 Rivers Developments Ltd. In 2020/21 loans of £1,102k (£6,448k 2019/20) were made to 3 Rivers Developments Ltd and will be repaid on a commercial basis.

16 Members' Allowances and Expenses

Members Allowances and Expenses	2019/20 £'000	2020/21 £'000
Allowances	302	306
Expenses	22	7
Total	324	313

17 Acquired and/or Discontinued Activities

The Council did not acquire any new activities or discontinue any existing ones during 2020/21.

18 Depreciation and Impairment of Non Current Assets

House values have increased during 2020/21. This has been reflected in the values applied to Council Houses and this is the primary reason for a net reversal of prior year impairment of £3,812k. Council Houses are valued at a Vacant Possession value and then have a discount factor applied to adjust the value to Existing Use Value - Social Housing (EUV-SH). The discount factor of 35% has been used in 2020/21. See Notes 27 and 57 for further details.

Depreciation and Impairment of Non Current Assets	2019/20 £'000	2020/21 £'000
Depreciation	4,469	4,455
Net reversal of impairment of non current assets	4,534	(3,812)
Total	9,003	643

19 Minimum Revenue Provision

The Council is required by statute to set aside a Minimum Revenue Provision for the repayment of its Capital Financing Requirement.

Minimum Revenue Provision	2019/20	2020/21
	£'000	£'000
Housing Revenue Account - Minimum Revenue Provision		
HRA self-financing settlement	911	911
Housing developments after 1/4/13	43	43
Finance leases	-	4
	954	958
General Fund - Minimum Revenue Provision		
Assets acquired prior to 1/4/13	63	61
Assets acquired by PWLB loans after 1/4/13	155	155
Assets funded from internal borrowing	78	201
Finance leases	122	285
	419	703
Total	1,373	1,661

20 Insurance

All major risks have been identified and are insured with applicable excesses. There were no major claims outstanding as at 31 March 2021. A Reserve of £86k is held in respect of the Council's liability going back some years with Municipal Mutual Insurance Limited (MMI).

21 Pensions

All of the pension figures included in the 2020/21 Accounts are provided by the Pension Fund's Actuary (Barnett Waddingham) and are prepared in accordance with International Accounting Standard 19 (IAS 19) and their advice complies with Technical Actuarial Standard 100 (TAS100).

Participation in the Pension Scheme

As part of the terms and conditions of employment of its Officer's, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS) administered by Devon County Council - this is a defined benefit statutory scheme and is fully funded, meaning that the Council and its Employee's pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with the investment assets. Governance of the scheme is the responsibility of the Pensions Committee of Devon County Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Arrangements for the award of discretionary post-retirement benefits upon early retirement.

This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Impact of McCloud /Sargeant judgment

The Barnett Waddingham valuation provided includes an allowance to reflect the Court of Appeal judgment in respect of the McCloud and Sargeant cases which relates to age discrimination.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. 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.

Guaranteed Minimum Pension (GMP) Equalisation

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.

The actuary's valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the actuary has assumed that the Fund will be required to pay the entire inflationary increase. Therefore, the actuary's assumption is consistent with the consultation outcome and they do not believe that it is necessary to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Transactions relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by Employee's rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Note titled Adjustments between Accounting Basis and Funding Basis under Regulations (AABFBR). The following transactions have been made in the Income and Expenditure Account and the AABFBR:

Demographic/Statistical assumptions

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.

Pension Assets and Liabilities Recognised in the Balance Sheet

Pension Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme	
	2019/20	2020/21
	£'000	£'000
Present value of the defined benefit obligation	118,420	152,836
Fair value of plan assets	(60,635)	(78,412)
Present value of the unfunded obligation	980	977
Net liability from defined benefit obligation	58,765	75,401

Pensions - Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement - Cost of Services	Local Government Pension Scheme	
	2019/20	2020/21
	£'000	£'000
Service cost comprising:		
Current service cost	4,123	3,901
Past service costs	865	35
(Gain) / loss from settlements	-	-
Financing and Investment Income and Expenditure		
Net interest expense	1,392	1,300
Administrative expenses	48	47
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	6,428	5,283
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	7,001	(14,556)
Actuarial gains and losses arising on changes in demographic assumptions	(1,516)	(1,328)
Actuarial gains and losses arising on changes in financial assumptions.	(9,845)	31,772
Other actuarial gains and losses	25	-
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(4,335)	15,888
Movement in Reserves Statement		
Reversal of net charges made to the surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	6,428	5,283
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	2,707	4,535
Retirement benefits payable to pensioners	3,292	3,442

Reconciliation of the Movements in the Fair Value of Scheme Assets

Reconciliation of the Movements in the Fair Value of Scheme Assets	Local Government Pension	
	2019/20 £'000	2020/21 £'000
Opening fair value of scheme assets	66,010	60,635
Interest income	1,586	1,474
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in the net interest expense	(7,001)	14,556
- Other	(73)	(47)
Contributions from employer	2,707	4,535
Contributions from employees into the scheme	698	701
Benefits paid	(3,292)	(3,442)
Closing fair value of scheme assets	60,635	78,412

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	Funded Liabilities: Local Government Pension Scheme	
	2019/20	2020/21
	£'000	£'000
Opening balance at 1 April	125,389	119,400
Current service cost	4,123	3,901
Interest cost	2,978	2,774
Contributions from scheme participants	698	701
Remeasurement (gains) and losses:		
- Actuarial gains and losses arising on changes in demographic assumptions	(1,516)	(1,328)
- Actuarial gains and losses arising on changes in financial assumptions.	(12,414)	33,343
- Other	2,569	(1,571)
Past service cost	865	35
Benefits paid	(3,205)	(3,356)
Unfunded Pension Payments	(87)	(86)
Closing balance at 31 March	119,400	153,813

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using their Projected Unit Credit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme position for Mid Devon District Council has been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Local Government Pension Scheme being based upon the latest full valuation of the scheme as at 31 March 2019 and has then been updated for estimated fund returns, asset statement, market returns, and income and expenditure as at the 31 March 2021.

The significant assumptions used by the Actuary have been:

Mortality assumptions	Local Government Pension Scheme	
	2019/20	2020/21
Longevity at 65 for current pensioners		
- Men	22.9	22.6
- Women	24.1	23.9
Longevity at 65 for future pensioners		
- Men	24.3	24.0
- Women	25.5	25.4
Rate of inflation	1.9%	2.8%
Rate of increase in salaries	2.9%	3.8%
Rate of increase in pensions	1.9%	2.8%
Rate for discounting scheme liabilities	2.4%	2.0%

Local Government Pension Scheme assets comprised:

Local Government Pension Scheme assets comprised	Fair value of scheme assets	
	2019/20	2020/21
	£'000	£'000
Cash and cash equivalents	706	809
Equities:		
UK	8,069	8,684
Overseas	26,076	40,494
Sub-total equities	34,145	49,178
Bonds:		
- Gilts	2,586	2,667
- Other Bonds	3,177	3,516
Sub-total bonds	5,763	6,183
Other investments:		
- Infrastructure	2,613	3,177
- Property	5,712	6,298
- Target Return Portfolio	7,962	7,382
- Alternative Assets	3,734	5,385
- Private Equity	-	-
Sub-total other investment funds	20,021	22,242
Total assets	60,635	78,412

Estimation of Assets and Liabilities

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out on a previous page. The sensitivity analysis shown below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The estimations in the sensitivity analysis have followed the Accounting Policies for the scheme, i.e. on the actuarial basis using the projected unit credit method.

Impact on the Defined Benefit Obligation in the Scheme

Impact on the Defined Benefit Obligation in the Scheme	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	150,759	153,813	156,932
Projected service cost	6,076	6,294	6,519
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	154,130	153,813	153,498
Projected service cost	6,297	6,294	6,291
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	156,586	153,813	151,095
Projected service cost	6,517	6,294	6,078
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	160,947	153,813	147,008
Projected service cost	6,566	6,294	6,032

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep Employers' Contributions at as constant a rate as possible. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed on 31 March 2022. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

22 Property, Plant and Equipment (Movements in Balances)

2020/21	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, Plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2020	69	146,558	43,702	7,300	516	305	60	198,510
Additions	5	2,634	1,955	1,972	-	-	-	6,566
Revaluation increases/(decreases) recognised in the Revaluation reserve	-	(2,376)	(1,657)	(1,275)	-	(2)	485	(4,825)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	4,567	(245)	-	-	-	(1)	4,320
Derecognition - Disposals	-	(521)	(54)	(97)	-	-	-	(672)
Reclassification	(40)	-	(1,099)	2	-	-	(512)	(1,650)
At 31 March 2021	34	150,862	42,602	7,901	516	303	33	202,250

2020/21	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, Plant and Equipment
Accumulated Depreciation and Impairment	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2020	-	-	-	(3,920)	(115)	(47)	-	(4,082)
Depreciation charge	-	(2,390)	(1,219)	(826)	(10)	(11)	-	(4,455)
Depreciation written out to the Revaluation Reserve	-	2,390	1,219	1,275	-	2	-	4,886
Derecognition - Disposals	-	-	-	2	-	-	-	2
At 31 March 2021	-	-	-	(3,469)	(125)	(55)	-	(3,649)

2020/21	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, Plant and Equipment
Net Book Value	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2021	34	150,862	42,602	4,432	391	248	33	198,601
At 31 March 2020	69	146,558	43,702	3,380	401	259	60	194,429

2020/21	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, plant and Equipment
Nature of asset holding	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Owned	34	150,862	42,602	1,996	391	248	33	196,165
Subject to Finance Leases	-	-	-	2,436	-	-	-	2,436

(See note 57 for finance lease information)

Revaluations

The Council's assets are revalued on a five-year rolling basis. Valuations of Land and Buildings were carried out by the District Valuer and the Valuation Office. Valuations were carried out in accordance with methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Revaluations	Assets Under Construction £'000	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equip £'000	Community Assets £'000	Infrastructure Assets £'000	Surplus Assets £'000	Total Property, plant and Equipment £'000
Valued at Historical Cost	34	-	-	4,432	391	151	-	5,008
Valued at fair value in year								
2020/21		150,862	42,602	-	-	97	33	193,593
2019/20	-	146,558	43,702	-	-	100	60	190,420
2018/19	-	145,874	43,837	-	-	-	86	189,797
2017/18	-	145,221	44,457	-	-	-	86	189,764
2016/17	-	141,024	41,890	-	-	-	1,075	183,989

2019/20	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2019	4,795	145,874	43,837	6,582	516	292	86	201,983
Additions	39	4,006	74	1,435	-	-	-	5,554
Revaluation increases/(decreases) recognised in the Revaluation reserve	-	(2,362)	321	(714)	-	13	-	(2,741)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(4,160)	(374)	-	-	-	-	(4,534)
Derecognition - Disposals	(49)	(1,591)	(82)	(4)	-	-	(26)	(1,751)
Reclassification	(4,716)	4,790	(74)	-	-	-	-	-
At 31 March 2020	69	146,558	43,702	7,300	516	305	60	198,510

2019/20	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, plant and Equipment
Accumulated Depreciation and Impairment	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2019	-	-	-	(3,774)	(106)	(45)	-	(3,925)
Depreciation charge	-	(2,337)	(1,251)	(860)	(10)	(11)	(2)	(4,469)
Depreciation written out to the Revaluation Reserve	-	2,337	1,251	714	-	9	2	4,312
At 31 March 2020	-	-	-	(3,920)	(115)	(47)	-	(4,082)

2019/20	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, plant and Equipment
Net Book Value	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2020	69	146,558	43,702	3,380	401	259	60	194,429

2019/20	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, plant and Equipment
Nature of asset holding	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Owned	69	146,558	43,702	2,400	401	258	60	193,449
Subject to Finance Leases	-	-	-	980	-	-	-	980

(See note 57 for finance lease information)

23 Revenue Expenditure Funded From Capital Under Statute (REFCUS)

This is expenditure that does not result in, or remain matched with, assets controlled by the Council. Examples of this would include financial assistance towards capital investment incurred by other parties and works on properties not owned by the Authority.

	Balance at 1 April 2019	Expend	Transfer in Year	Amount Financed or Written Off	Balance at 31 March 2020	Expend	Transfer in Year	Amount Financed or Written Off	Balance at 31 March 2021
Description	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Affordable housing	-	18	-	(18)	-	-	-	-	-
Private Sector Housing Grants & DFG's	-	734	-	(734)	-	471	-	(471)	-
Cullompton Relief Road	-	471	-	(471)	-	325	-	(325)	-
Tiverton A361 Phase 2	-	16	-	(16)	-	121	-	(121)	-
Other REFCUS	-	-	-	-	-	-	-	-	-
Total	-	1,239	-	(1,239)	-	916	-	(916)	-

Capital Grants received to finance these projects amounted to £916k (2019/20 £596k).

24 Summary of Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital is to be financed in future years by charges to revenue as assets used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

Summary of Capital Expenditure and Financing	2019/20	2020/21
	£'000	£'000
Opening Capital Financing Requirement	50,845	56,112
Capital investment		
Property, Plant and Equipment	5,554	6,566
Other Capital Expenditure	50	-
Revenue Expenditure Funded from Capital under Statute	1,239	916
Loans to Third parties	6,146	678
Adjust Loans to Third Parties - Working Capital Loan Removed from CFR*	(354)	-
Adjust for Capital Expenditure Written Off to CIES*	(47)	-
Sources of Finance		
- Capital receipts applied	(463)	(376)
Use of Major Repairs Allowance to finance HRA new capital expenditure	(1,984)	(1,938)
- Government grants and contributions	(1,865)	(917)
Direct revenue contributions	(1,635)	(1,537)
Statutory provision for the financing of capital investment	(1,374)	(1,661)
Closing Capital Financing Requirement	56,112	57,845
Explanation of movements in year		
(Decrease)/Increase in underlying need to borrowing (unsupported by government financial assistance)	5,267	1,733
(Decrease)/Increase in Capital Financing Requirement	5,267	1,733

*The 2019/20 Capital Financing Requirement (CFR) includes the following adjustments:

- The removal of working capital loans to 3 Rivers Developments Ltd for £354k relating to 2018/19; and
- The removal of £47k related to a project aborted in 2019/20 that has been written off to the CIES.

25 Heritage Assets

How the Authority recognise and measures Heritage Assets is set out in the Authority's summary of Accounting Policies.

Heritage Assets Movements	2019/20 £'000	2020/21 £'000
Cost or Valuation		
At 1 April 2020	330	330
Additions	-	-
Donations	-	-
Disposals	-	-
Revaluation increases/(decreases)	-	-
At 31 March 2021	330	330

The Authority is the owner of some paintings, which are on loan to Tiverton Town Council and remain at the Town Hall, Tiverton. The paintings were valued by Bearnes Hampton and Littlewood Auctioneers and Valuers as at December 2016.

The civic regalia was valued by G W Pack Jewellers on 23 May 2013.

On the 1 June 2019, Tiverton Town Council donated a memorial stone to the Council. As there is no readily available information about sales prices for such items, the asset is included at nil value in the Balance Sheet.

The collection is relatively static and acquisitions and donations are rare. Purchases would be initially recognised at cost and donations recognised at valuations provided by the external valuers, with reference to the most relevant and recent information from sales at auctions and other commercial markets.

Heritage Assets of Particular Importance

The most significant items identified in the collection are as follows:

Heritage Assets of Particular Importance	2019/20 £'000	2020/21 £'000
An oil painting on canvas being a full length portrait of George III by Sir Joshua Reynolds (British, 1723 - 1792) in an ornate giltwood and plaster frame.	250	250

Preservation and Management

The Council's Property Management Team are responsible for the ongoing maintenance and security of these assets.

26 Commitments under Capital Contracts

This note details Capital contracts of an individual value great than £250k committed to at 31st March 2021.

Commitments under Capital Contracts	2019/20 £'000	2020/21 £'000
Various MRA works	1,638	1,600
Multi-Storey Car Park - Refurbishment Project	738	-
Total	2,376	1,600

27 Non-Current Asset Valuation

The Council instructed the District Valuer to complete a full property valuation exercise for 1/5 of its freehold properties and a review of all other freehold properties. Where applicable property assets are therefore included in the 2020/21 accounts at their 31 March 2021 valuation. The Valuation Office have made their valuation in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Page 20
Andrew Doak, a Senior Surveyor, with the Valuation Office, and MRICS qualified, undertook a valuation exercise to reassess the value of the housing stock as at 31 March 2021. These revised values have been incorporated into the Council's Balance Sheet. This valuation was undertaken based on a Beacon Basis, where a standard valuation was applied across the Council's housing stock against similar groups of property. The adjustment factor of 35% to adjust the value of Council House values to EUV-SH has been used as the discount factor for 2020/21.

Properties regarded by the Council as operational were valued on the basis of Open Market Value for their existing use or, where this could not be assessed because there was no market for the asset, the method Depreciated Replacement Cost has been applied. Properties regarded by the Council as non-operational have been valued on the basis of Open Market Value. The Valuation Office has undertaken a comprehensive impairment review of the Council's assets as at the 31 March 2021.

28 Short-Term and Long-Term Borrowing

As at the 31 March 2021 the Council had four long-term loans outstanding from the Public Works Loan Board (PWLb) with an outstanding balance of £37,104k.

- 1 - £33,563k to fund the Housing Revenue Account stock purchase - 25 year loan @ 2.94% maturing 28 March 2037;
- 2 - £53k to fund a recycling baler - 10 year loan @ 2.68% maturing 25 March 2024;
- 3 - £3,403k to fund the purchase of properties at Market Walk Tiverton and 32-34 Fore Street Tiverton - 25 year loan @ 2.61% maturing 27 March 2040;
- 4 - £85k to fund the purchase of leisure equipment at Exe Valley Leisure Centre - 5 year loan @ 1.7% maturing 29 March 2023.

The overall maturity profile for these loans is shown in the table below:-

Lender	Maturity date	Balance at 31/03/2020	Balance at 31/03/2021
		£'000	£'000
Public Works Loan Board	< 1 year	1,833	1,870
	2 - 5 years	7,706	7,868
	Over 5 years	29,398	27,366
Total loan value outstanding		38,937	37,104

29 Trusts for which the Council is the Sole Trustee

Mid Devon District Council is the sole trustee for the People's Park and Recreation Grounds charity. The purpose of the Trust is to provide recreational open space for the people of Tiverton. The net assets of the trust were £270k at 31 March 2021 and comprised land and buildings.

Peoples Park Land & Buildings	2019/20	2020/21
	£'000	£'000
Park Lodge - Land	95	95
Park Lodge - Building	175	175
Total	270	270

30 Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows:

2020/21	Liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Financial assets measured at fair value through Profit or Loss	Total
	£'000	£'000	£'000	£'000	£'000
Interest payable	1,118	-	-	-	1,118
Interest payable on finance leases	-	112	-	-	112
Interest payable and similar charges	1,118	112	-	-	1,230
Interest income	-	-	(620)	-	(620)
Interest and investment income	-	-	(620)	-	(620)
Fair Value adjustment	-	-	-	34	34
Net (gain)/loss for the year	1,118	112	(620)	34	644

2019/20	Liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Financial assets measured at fair value through Profit or Loss	Total
	£'000	£'000	£'000	£'000	£'000
Interest payable	1,170	-	-	-	1,170
Interest payable on finance leases	-	58	-	-	58
Interest payable and similar charges	1,170	58	-	-	1,228
Interest income	-	-	(489)	-	(489)
Interest and investment income	-	-	(489)	-	(489)
Fair Value adjustment	-	-	-	177	177
Net (gain)/loss for the year	1,170	58	(489)	177	916

Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at Amortised Cost. Their Fair Value can be assessed by calculating the Present Value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate the Fair Value. The Authority only deals in these kinds of instruments.
- The Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values calculated are as follows:

	2019/20		2020/21	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets	£'000	£'000	£'000	£'000
Financial Assets				
Long term investment	4,759	4,759	4,725	4,725
Short term investment	20,000	20,000	17,500	17,500
Cash and cash equivalents	3,843	3,843	10,860	10,860
Loans and trade receivables	10,264	10,264	12,790	12,790
Total	38,866	38,866	45,875	45,875
Financial Liabilities				
Long term borrowing	(38,937)	(49,085)	(37,104)	(44,437)
Finance leases	(980)	(980)	(2,436)	(2,436)
Trade payables	(814)	(814)	(1,061)	(1,061)
Total	(40,731)	(50,879)	(40,601)	(47,934)

Disclosure of Nature and Extent of Risks Arising from Financial Instruments

Liquidity Risk

This is the possibility that the Council might not have funds available to meet its commitments to make payments. The Council manages its liquidity position through stringent risk management procedures (the setting and approval of Prudential Indicators and the approval of Treasury and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

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.

Market Risk

This is the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. A Treasury Management Strategy is formally approved annually by the Council. This identifies all treasury risks and forms the basis of the day-to-day operating guidance applied by the Treasury Accountant when making decisions on placing any surplus funds (i.e. to whom, for how long, for how much, etc.). This Treasury Strategy can be found on the Council's website.

Credit Risk

Credit risk arises from deposits with banks and building societies as well as credit exposure to the Council's customers. The treasury policy at present allows the Council to invest with the main UK Banks and Building Societies, with a FITCH rating of F1 or higher, up to a maximum value of £5m with any one institution. Once again this evidences our prudent approach to lending of surplus funds. During 2020/21, approval was given by Full Council to maintain a flexible limit on balances held with the Council's bank (NatWest) to equal that of £5m plus the balance of any emergency grant funds being administered. At 31 March 2021, the total balance being held for the administration of Covid-19 grants to businesses amounted to £5,889k.

Fair Value Disclosure of PWLB Loans

The Fair Value of Public Works Loan Board (PWLB) loans of £44,437k represents what the Council would need to pay in order to settle the outstanding loans with PWLB. The difference between the carrying amount and the fair value measures the premium on early settlement to cover the lost interest, to the PWLB, on the remaining term of the loan.

Fair Value Disclosure of Long Term Investments (CCLA)

With the introduction of IFRS 9 the Authority has designated the equity at 31 March 2021 as fair value through Profit and Loss on the Comprehensive Income and Expenditure Statement.

Loans and Trade Receivables

Within the Loans and Trade Receivables figure are the loans between ourselves and our subsidiary company and other parties. The Fair Value of short-term financial assets which are held at Amortised Cost, including trade receivables, is assumed to approximate to the carrying amount.

31 Long Term Investments

Long Term Investments	2019/20 £'000	2020/21 £'000
CCLA Property Fund	4,759	4,725
Total	4,759	4,725

At the 31 March 2021, the Council held 1,634,480 units in the CCLA Local Authorities' Mutual Investment Trust Commercial Property Fund. During 2020/21, the income received amounted to £206k, a 4.13% return for the year. The carrying value of the investment in the Balance Sheet at 31 March 2021 based upon the Fair Value amounted to £4,725k.

32 Long Term Debtors (amounts due in more than 12 months)

Long Term Debtors (amounts due in more than 12 months)	2019/20 £'000	2020/21 £'000
Other entities and individuals	7,688	10,110
Total	7,688	10,110

Within the Long Term Debtors figure is the £8,231k the Council has lent on a long-term basis (more than 1 year) to 3 Rivers Developments Ltd, being loans of £9,021k less the impairments of £790k.

33 Short Term Investments

Bank/Building Society/Local Authority/PCC	Term		Fixed Interest Rate %	2019/20	2020/21
	From	To		£'000	£'000
Close Brothers	04/09/2019	02/09/2020	1.10%	1,000	
Santander	17/09/2019	17/09/2020	0.94%	2,000	
Santander	01/10/2019	01/04/2020	0.83%	1,500	
Santander	07/10/2019	07/04/2020	0.83%	1,500	
Rugby Borough Council	09/10/2019	07/10/2020	0.90%	1,000	
Goldman Sachs	29/10/2019	29/04/2020	0.95%	1,000	
Goldman Sachs	05/11/2019	05/05/2020	1.00%	1,000	
Highlands Council	27/11/2019	25/11/2020	0.92%	1,000	
Lloyds	30/12/2019	30/12/2020	1.10%	2,000	
Merseyside PCC	02/01/2020	30/04/2020	0.85%	1,000	
Nottingham City Council	02/03/2020	17/04/2020	0.80%	2,500	
Central Bedfordshire Council	03/03/2020	27/05/2020	0.95%	2,000	
Eastleigh Borough Council	13/03/2020	14/04/2020	1.10%	1,500	
Cheltenham Borough Council	20/03/2020	20/04/2020	0.95%	1,000	
Blackpool Borough Council	22/09/2020	06/04/2021	0.23%		2,000
Spelthorne Borough Council	27/07/2020	26/07/2021	0.42%		1,500
Broxbourne Borough Council	02/09/2020	01/09/2021	0.40%		2,000
Salford City Council	14/09/2020	14/06/2021	0.20%		2,000
Staffordshire Moorlands DC	16/10/2020	15/10/2021	0.22%		1,000
South Somerset	20/10/2020	20/07/2021	0.20%		3,000
Surrey Heath Borough Council	10/12/2020	10/06/2021	0.10%		2,000
Nottinghamshire PCC	21/12/2020	21/06/2021	0.12%		2,000
Ashford Borough Council	25/02/2021	25/11/2021	0.08%		2,000
Total				20,000	17,500

34 Assets Held for Sale

Assets newly classified as held for sale during the year:

Assets Held for Sale	2019/20 £'000	2020/21 £'000
Opening Balance	149	-
Revaluation increases/(decreases) recognised in the Revaluation reserve	-	(616)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(508)
Derecognition - Disposals	(149)	-
Reclassification	-	1,650
Net Book Value	-	525

The following assets have been reclassified as Assets Held for Sale during 2020/21:

- public conveniences at Station Road, Cullompton
- former nursery at Park Road, Tiverton
- Moorhayes Community Centre

Page 217

35 Inventories

Inventories	2019/20 £'000	2020/21 £'000
Raw materials	276	315
Total	276	315

36 Short Term Debtors (amounts due in less than 12 months)

Short Term Debtors (amounts due in less than 12 months)	2019/20 £'000	2020/21 £'000
Trade Receivables	1,392	1,987
Other Receivable Amounts	5,828	11,847
Less Impairment Allowances	(1,238)	(1,567)
Total	5,982	12,268

2020/21 "Other Receivable Amounts" includes:

- NDR - £4,398k, £344k relates to MDDC's share of local business's arrears and £4,054k relates to the Precepting Authorities (Central Government, DCC & Fire) share of the Business Rates deficit for 2020/21;
- Council Tax - £1,889k of which £1,196k primarily relates to the Precepting Authorities (DCC, Police & Fire) Council Tax deficit for 2020/21, £677k relates to MDDC's share of resident's arrears and £16k to S31 grant (in respect of compensation from Central Government); £1,261k loans and interest to 3 Rivers Developments Ltd; £1,068k grant income including £764k Covid-19 Income Compensation Scheme; £858k payments in advance for pension back-funding; £300k Devon County Council Waste Partnership; £480k rents from housing tenants.

37 Debtors for Local Taxation

The outstanding debt for local taxation (Council Tax and NDR) can be analysed by age in the tables below, the figures for which are included in Note 36.

Council Tax	2019/20 £'000	2020/21 £'000
Up to one year	294	384
Less impairment allowance	(39)	(95)
Up to one year	255	289
One to three years	148	227
Less impairment allowance	(61)	(130)
One to three years	87	97
Over 3 years	47	67
Less impairment allowance	(47)	(66)
Over 3 years	-	1
Total Debtors for Local Taxation - Council Tax	342	387

Non Domestic Rates	2019/20 £'000	2020/21 £'000
Up to one year	91	150
Less impairment allowance	(30)	(66)
Up to one year	61	84
One to three years	115	169
Less impairment allowance	(86)	(138)
One to three years	29	31
Over 3 years	23	25
Less impairment allowance	(23)	(24)
Over 3 years	-	1
Total Debtors for Local Taxation - Non Domestic Rates	90	116

38 Cash and Cash Equivalents

Cash and Cash Equivalents	2019/20 £'000	2020/21 £'000
Cash held by the Authority	2	3
Bank current accounts	3,841	10,857
Short-term deposits with financial institutions	-	-
Total	3,843	10,860

39 Short Term Creditors (amounts due in less than 12 months)

Short Term Creditors (amounts due in less than 12 months)	2019/20 £'000	2020/21 £'000
Other Payables	(4,681)	(12,956)
Trade Payables	(2,172)	(1,986)
Total	(6,854)	(14,942)

2020/21 "Other Payables" includes:

- NDR creditors -£10,551k, £4,662k primarily relates S31 Grant paid on account by Central Government to aid cash flow in 2020/21 which is now due to be returned. £5,889k relates to monies paid to the Council from Central Government as Covid-19 support to Local Businesses that the Council has been acting as 'agent' for and distributing to qualifying businesses. This represents the amounts still available at year-end and schemes are still 'live'; therefore in reality a large proportion of this will be distributed in 2021/22 with any balances ultimately due back to Central Government later in 2021/22; -£675k invoices raised in advance of the 2021/22 financial year; - £421k Housing Benefits Subsidy received on account in 2020/21 that is due back to the DWP; -£348k Finance Lease liability and -£143k grants received in advance.

40 Long Term Creditors (amounts due in more than 12 months)

Other Payables	2019/20 £'000	2020/21 £'000
Other Payables	(1,663)	(2,994)
Total	(1,663)	(2,994)

The finance lease liability has increased by £1,271k in 2020/21 – please see Note 57 for more detail.

Capital Grants Receipts in Advance

Homes England grant monies	2019/20 £'000	2020/21 £'000
Homes England grant receipts	(62)	-
Total	(62)	-

41 Provisions

Provisions	2019/20 £'000	2020/21 £'000
Various General Fund	(10)	(85)
Non Domestic Rates (NDR) Appeals	(555)	(784)
Total	(565)	(869)

Various General Fund

The Provision in 2019/20 related to Leisure Services, this Provision was applied in 2020/21. Two Provisions were created in 2020/21; £35k which relates to a planning appeal, and £50k relating to potential repayment of Covid-19 related compensation monies.

Non-Domestic Rates Appeals

The Local Government Finance Act 2012 introduced changes to the accounting arrangements for Non-Domestic Rates. These changes require the Council to put in a Provision for Appeals for refunding ratepayers who have appealed against the Rateable Value of their properties on the Rating List. The Council has to put in its best estimate of the expenditure required to settle the present obligation which totals £1,959k in respect of the Non-Domestic Rates Collection Fund. The Council's 40% share of this being £784k. The Council continues to take a prudent approach to evaluating the risk.

42 Usable Reserves

Movements in the Authority's Usable Reserves are detailed in the Movement in Reserves Statement.

43 Unusable Reserves

Unusable Reserves		2019/20	2020/21
	Note	£'000	£'000
Revaluation reserve	44	(16,359)	(15,383)
Capital Adjustment Account	45	(130,149)	(134,771)
Deferred Capital Receipts Reserve	46	(39)	(39)
Pensions Reserve	47	58,765	75,401
Collection Fund Adjustment Account	48	(54)	3,551
Accumulating Compensated Absences Adjustment Account	49	189	371
Financial Instruments Adjustment Account		241	275
Total		(87,406)	(70,595)

44 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 contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the Capital Adjustment Account.

Revaluation Reserve	2019/20 £'000	2020/21 £'000
At 1 April	(15,287)	(16,359)
Upward revaluation of assets	(1,994)	(960)
Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	423	1,515
Total of revaluations (surplus)/deficit	(1,571)	556
Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	(16,858)	(15,803)
Accumulated gains on assets sold	65	18
Difference between fair value depreciation and historical cost depreciation	434	402
At 31 March	(16,359)	(15,383)

45 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from 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 the 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 a Historical Cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction or enhancement.

The account contains revaluation gains and losses on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Capital Adjustment Account	2019/20 £'000	2020/21 £'000
At 1 April	(135,092)	(130,151)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for Depreciation and impairment of non current assets	4,469	4,455
Revaluation gains on Property, Plant and Equipment	4,534	(3,812)
Revenue expenditure funded from capital under statute	1,239	916
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,785	651
	(123,065)	(127,940)
Adjusting amounts written out of the Revaluation Reserve	(434)	(402)
Net written out amount of the cost of non current assets consumed in the year	(123,498)	(128,343)
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	(463)	(376)
Use of the Major Repairs Reserve to finance new capital expenditure	(1,984)	(1,938)
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	(866)	(446)
Application of grants to capital financing from the Capital Grants Unapplied Account	(999)	(471)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,373)	(1,661)
Capital expenditure charged against the General Fund and HRA balances	(1,635)	(1,537)
Impairment of financial instruments classified as capital transactions	667	-
At 31 March	(130,151)	(134,771)

46 Deferred Capital Receipts Reserve

	2019/20	2020/21
Deferred Capital Receipts Reserve	£'000	£'000
At 1 April	(39)	(39)
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
At 31 March	(39)	(39)

This deferred capital receipts reserve relates to the rent to mortgage scheme that operated some time ago. Under the scheme home owners were helped with the provision of a mortgage which was secured on the property by way of a legal charge registered at the Land Registry. In the future when the property is sold, Mid Devon District Council will receive the balance outstanding, although part of the proceeds will be payable to the Ministry of Housing, Communities and Local Government under the Pooling legislation.

47 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 as the benefits are earned by the employee's 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.

	2019/20	2020/21
Pensions Reserve	£'000	£'000
At 1 April	59,379	58,765
Remeasurement of net defined liability	(4,335)	15,888
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	6,428	5,283
Employer's pension contributions and direct payments to pensioners payable in the year	(2,707)	(4,535)
At 31 March	58,765	75,401

48 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of the Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account - Council Tax	2019/20 £'000	2020/21 £'000
At 1 April	(79)	(60)
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	20	151
At 31 March	(60)	92

The balance of £92k represents the Council's share (13.64%) of the overall Council Tax Collection Fund deficit of £673k at 31 March 2021 (£437k at 31 March 2020) (see the Collection Fund income and expenditure account).

The NDR Adjustment Account manages the differences arising from the recognition of the NDR income in the Comprehensive Income and Expenditure Statement as it falls due from NDR payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

NDR Adjustment Account	2019/20 £'000	2020/21 £'000
At 1 April	655	6
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from the NDR income calculated for the year in accordance with statutory requirements	(649)	3,454
At 31 March	6	3,460

The balance of £3,460k represents the Council's share (40%) of the overall NDR Collection Fund deficit of £8,925k at 31 March 2021 (£1,979k surplus at 31 March 2020), which is £3,570k; reduced by the element retained from Renewable Energy Schemes of £110k.

49 Accumulated Compensating Absences Adjustment Account

Accumulating Compensating Absences Adjustment Account		2019/20	2020/21
		£'000	£'000
At 1 April		153	189
Settlement or cancellation of accrual made at the end of the preceding year		(153)	(189)
Amounts accrued at the end of the current year		189	371
At 31 March		189	371

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

There has been a sharp increase in this year's accrual due to a large increase in Annual Leave balances across the Council. This reflects the additional demands placed on the Council as a result of Covid-19 as we react to the changing circumstances. Management decided that up to 10 days Annual Leave could be carried forward, instead of the normal 3 working days to reflect this. These 10 days must be taken by the end of August 2021.

Notes to Support the Cash flow Statement

50 Cash Flow – Non-Cash Items

Cash Flow	2019/20	2020/21
	£'000	£'000
Depreciation	4,469	4,455
Amortisation	-	-
Impairment	4,584	(3,812)
Increase/(Decrease) in Impairment for Bad Debt	246	329
Increase/(Decrease) in Creditors	2,725	2,012
Increase/(Decrease) in Provisions*	10	304
(Increase)/Decrease in Debtors	(5,255)	(9,036)
(Increase)/Decrease in Inventories	(41)	(39)
Carrying Amount of Non-Current Assets Sold	1,851	670
Pension Liability Reversal	3,721	748
Fair Value Equity Instrument Revaluation	177	34
Other Adjustments*	46	(1)
Total	12,533	(4,336)

*Increase/(Decrease) in Provisions has been split out from Other Adjustments for 2020/21. The published accounts for 2019/20 showed the combined amount of £56k on the Other Adjustments line.

51 Cash Flow – Adjustment for Items in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities

Cash Flow - Adjustment	2019/20 £'000	2020/21 £'000
Other receipts from financing activities	(768)	(978)
REFCUS adjustment	1,239	916
Proceeds from the sale of property, plant and equipment & investment property	(2,934)	(957)
Interest Paid	1,228	1,229
Interest received	(702)	(826)
Difference between preceptors share and amount of NNDR paid to them	-	-
Total	(1,937)	(616)

52 Cash Flow – Operating Activities on the Balance Sheet

The cash flows from operating activities includes the following items processed through the Balance Sheet:

Cash Flow Statement - Operating activities on the Balance Sheet		2019/20	2020/21
		£'000	£'000
Covid Business Grant Funds Received			
NNDR Business Support Grant	-	22,580	
National Scheme (LGRS)	-	1,462	
Tier 2 Open	-	615	
Tier 2 Closed	-	172	
Tier2/3 Pub	-	64	
Lockdown 3 Closed	-	4,383	
Lockdown 3 Addendum	-	4,489	
Self Isolation Payments	-	110	
Covid Business Grant Funds Paid to Businesses			
NNDR Business Support Grant	-	(19,890)	
National Scheme (LGRS)	-	(1,006)	
Tier 2 Open	-	(612)	
Tier 2 Closed	-	(124)	
Tier2/3 Pub	-	(53)	
Lockdown 3 Closed	-	(3,081)	
Lockdown 3 Addendum	-	(3,163)	
Self Isolation Payments	-	(57)	
Balance of Grant Funds held on the Balance Sheet	-	5,889	

53 Cash Flow – Investing Activities

Cash Flow Statement - Investing Activities	2019/20	2020/21
	£'000	£'000
Purchase of property, plant and equipment & investment property	(4,763)	(4,820)
Other cash payments (REFCUS)	(1,239)	(916)
Proceeds from the sale of property, plant and equipment & investment property	2,934	957
Capital grants received	768	978
Sale of long-term investments	-	-
Purchase of temporary investments	2,000	2,500
Other investing activities	(50)	-
Interest received	702	826
Interest paid	(1,228)	(1,229)
Net cash flows from investing activities	(876)	(1,704)

54 Cash Flow – Financing Activities

Cash Flow Statement - Financing Activities	2019/20	2020/21
	£'000	£'000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(122)	(290)
PWLB debt repayment	(1,781)	(1,833)
Net cash flows from financing activities	(1,903)	(2,123)

55 Grant Income

The Authority credited the following Grants, Contributions, Donations and Other Taxation Income to the Comprehensive Income and Expenditure Statement in 2020/21.

Within Taxation and Non-Specific Grants (see Note 10)

Credited to Taxation and Non Specific Grant Income	2019/20	2020/21
	£'000	£'000
New Homes Bonus	(1,244)	(1,418)
Revenue Support Grant	-	-
Rural Services Delivery Grant	(467)	(467)
Covid Income Compensation Scheme	-	(2,019)
Covid Additional Scheme (ARG)	-	(2,378)
Covid Additional Scheme (ARG) spent during 2020/21	-	2,361
Business Support Grant	-	(1,129)
Business Support Grant spent during 2020/21	-	1,129
Economic Vulnerability & Financial Hardship	-	(107)
Economic Vulnerability & Financial Hardship spent during 2020/21	-	98
Other Non-Ring Fenced Government Grants	(39)	(1,166)
Total	(1,750)	(5,096)

Several additional grants were received from Government as part of their response to the Covid-19 Pandemic. Where the Council was deemed to be acting in the capacity of an agent and so passing these funds on to the eventual beneficiaries, these transaction do not have an impact on the Statement of Accounts, except where they pass through the Cash Flow Statement. However, where the Council is deemed to be the principal recipient of the grant, the effect of the transactions is evident either above where the grant was Credited to Taxation and Non-Specific Grant Income or below where the grant was Credited to Services. In the case of those Credited to Taxation and Non-Specific Grant Income, both the gross grant amount received and the gross amount paid out are shown above.

Credited to Services

Credited to Services	2019/20 £'000	2020/21 £'000
Housing Benefit Subsidy	(13,378)	(12,351)
Housing Benefit & CTB Admin Grant	(239)	(237)
Garden Village Grant - Capacity Funding	(150)	(130)
Flexible Housing & Homelessness Grant	(127)	(155)
Rogue Landlord Grant	-	-
Section 106s	(35)	(194)
Business Rates - Cost of Collection Grant	(109)	(111)
Council Tax Hardship Fund	-	(475)
Covid Job Retention Scheme	-	(594)
Local Authority Discretionary Fund	-	(170)
BEIS New Burdens November Lockdown	-	(167)
Climate Change	-	(337)
Others	(349)	(880)
Total	(14,387)	(15,801)

Capital Grants applied to the Income and Expenditure Account

The Authority has received a number of Grants, Contributions and Donations that cannot be recognised as income as there are conditions attached to them that will require the monies or property to be returned to the donor, if the conditions are not met. The balances at the year-end are as follows:

Capital Grants Receipts in Advance (non-current)	2019/20	2020/21
	£'000	£'000
Affordable Housing	(25)	(407)
Disabled Facilities Grants	(9)	(571)
Homes and Communities Agency	(734)	-
Total	(768)	(978)

Page 234

56 Contingent Liabilities

The Authority has no Contingent Assets or Contingent Liabilities at the 31 March 2021.

57 Leases

Authority as Lessee

During 2019/20 the Council entered into a fleet contract, meaning any new vehicle will now be supplied under a Finance Lease agreement. The increase in Finance Leases from 2019/20 is due to an increase in the number of new vehicles supplied. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the net amounts below.

Authority as Lessee	2019/20	2020/21
	£'000	£'000
Vehicles, Plant and Equipment	(980)	(2,436)
Total	(980)	(2,436)

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Finance Lease Liabilities (net present value of minimum lease payments)

Finance Lease Liabilities	2019/20 £'000	2020/21 £'000
- current	(163)	(348)
- non current	(817)	(2,088)
Minimum lease payments	(980)	(2,436)

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

Minimum Lease Payments (also reflects lease liability)

Finance Leases - Minimum Lease Payments	2019/20 £'000	2020/21 £'000
Not later than one year	163	348
Later than one year and not later than five years	650	1,285
Later than five years	167	803
Total	980	2,436

Operating Leases

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

Operating Leases - Minimum Lease Payments	2019/20 £'000	2020/21 £'000
Not later than one year	140	140
Later than one year and not later than five years	559	558
Later than five years	140	-
Total	839	698

Reduction in the future years operating lease payment is due to the Break Clause for lease of land - Carlu Close.

Minimum Lease Payments incurred during the year

Minimum Lease Payments incurred during the year	2019/20 £'000	2020/21 £'000
Operating Leases for vehicles, equipment, land and buildings	146	140
Hire payments for vehicles, plant and equipment	65	52
Total	211	192

Authority as Lessor

Finance Leases

The Authority holds no Finance leases as Lessor.

Operating Leases

The Authority leases out Land and Buildings under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

Minimum Lease Payments Receivable

Operating Leases	2019/20 £'000	2020/21 £'000
Not later than one year	262	287
Later than one year and not later than five years	723	772
Later than five years	640	513
	1,625	1,572

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. For HRA income from Council Dwellings and Garage rents please see the HRA income and expenditure account. The reason for the overall reduction is mainly due to rent reviews after 5 years; most leases are taken out on a short-term basis due to the current rental climate.

58 Revaluation Losses and Revaluation Reversals

Where property valuations fall and there is no revaluation reserve, the drop in value is charged to the relevant service in the Comprehensive Income and Expenditure Statement. This is then reversed out in the Adjustments between Accounting Basis and Funding Basis under Regulations so that the Council Tax payer is not charged. Where property prices subsequently rise in later years then the Comprehensive Income and Expenditure Statement can only be credited to the sum of the maximum charged to the Comprehensive Income and Expenditure Statement in earlier years, with any excess then being credited to the revaluation reserve.

If there is a revaluation reserve in relation to the property, this reserve is used as a first “call” to mitigate a downward valuation.

The following amounts have been charged or credited (negative figures represent revaluations following a decrease in value) to the Comprehensive Income and Expenditure Statement following the revaluation of certain properties. See note 27 for further details of the Non-Current Asset Valuation.

Impairment Losses and Reversals	2019/20	2020/21
	£'000	£'000
Council Dwellings	(4,160)	4,567
Other Land & Buildings	(374)	(245)
Surplus Assets	-	(1)
Assets Held For Sale	-	(508)
	(4,534)	3,812

The net revaluation increase of £3,812k is primarily attributable to an increase in house prices during 2020/21; which has resulted in an increased value of Council Dwellings and reclassification of assets to held for sale, see note 34 for further details.

The impairment losses on assets held for sales relates to assets that were reclassified during 2020/21.

59 Non-Adjusting Post Balance Sheet Events

The outbreak of Covid-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy. These financial statements have the various implications of the Covid-19 pandemic included throughout them, including the additional costs incurred in providing additional community support to mitigate the pandemic’s effects including PPE and the shielding hub. There has been substantial support from government. £1,184k has been received (of which £39k in 2019/20) in crisis funding together with payments under the furlough scheme for officers who are unable to undertake their duties and could not be redeployed.

The Authority is reliant on its commercial income streams to be able to continue the supply of its services. This has been significantly curtailed. Leisure centres have been closed, car parks are largely empty and demand for trade waste services has fallen off, for example. This has been offset by the Government’s Income Compensation Scheme, which provides compensation to the value of 75% of the lost income where the variance is greater than 5% of the budgeted level. The Council expects to claim £2,069k through this scheme.

In addition, as a Billing Authority, collecting Council Tax and Business Rates, income has been lost as the pandemic has impacted the ability of residents and businesses to pay. The financial effect of this, to the Authority, is compounded as it must continue to make its precept payments to Devon County, Fire and Police despite not receiving the funds to do so, along with remittances to Central Government in respect of Business Rates. However, the Government has provided additional S31 Grant to mitigate this, and the impact on Business Rates collection due to the additional mandatory reliefs awarded to the Retail and Leisure sectors. These total £4,868k.

Page 23 Over recent years the Council has maintained its Reserves so that it may counter any restructuring of its funding and manage the more predictable fluctuations in its commercial income arising from the economic cycle. In due course, the Council must look at the post pandemic world in which it operates: the funding that is available to it, the services it provides and the delivery models that are applicable. This will be reflected in the structure of future budgets and embodied in the Medium Term Financial Plan.

However, the effects of the preventative measures to battle the virus continue to be felt by this Authority and its residents and it’s clear that they will continue for the foreseeable future. Despite tackling this pandemic for over a year, it is still not yet possible to say how long these impacts may last, for example, if new variants continue to appear which could lead to further localised restrictions.

Furthermore, it remains difficult to forecast how deeply these measures will impact the finances of the Authority. How long will the economic recovery take after the immediate health concerns have passed? People have developed new ways of working over the lockdown period and it may take some time before they feel confident enough to resume past activities, for example visiting our leisure centres.

Housing Revenue Account (HRA) Income and Expenditure Account

This section is a summary of our spending on housing services and where we got the money from to do so.

Income and Expenditure Account		2019/20	2020/21
	Note	£'000	£'000
Expenditure			
Repairs and Maintenance		2,734	2,661
Supervision and Management		3,373	3,516
Depreciation and impairment/(revaluation) of non-current assets	73	6,684	(1,968)
Increase/(Decrease) in bad debt provision		135	53
Total Expenditure		12,926	4,262
Income			
Dwelling Rents	72	(12,100)	(12,325)
Non-dwelling Rents		(569)	(559)
Other Chargeable Services and Facilities		(383)	(390)
Total Income		(13,052)	(13,274)
Net Expenditure or Income of HRA Services as included in the Whole Authority		(126)	(9,012)
Comprehensive Income and Expenditure Statement			
HRA services share of Corporate and Democratic Core		136	126
HRA share of other amounts included in the whole Authority Net expenditure of continuing operations but not allocated to specific services		363	129
Net Income of HRA Services (NB: Expenditure if positive)		373	(8,757)
(Gain)/loss on sale of HRA fixed assets		(1,119)	(339)
Interest payable and similar charges - see note below	74	1,118	1,071
Interest and investment income		(110)	(65)
Capital grants and contributions receivable		(734)	-
(Surplus) for the year on HRA Services		(473)	(8,090)

Movement on the HRA Statement

This Account shows in more detail the income and expenditure on HRA services included in the Authority's Comprehensive Income and Expenditure Statement (comprising as well as the amounts included in the Authority's Net Cost of Services for the HRA, the HRA's share of amounts included in the Authority's Net Service Cost but not allocated to individual services and the HRA's share of operating income and expenditure such as Pension Interest Costs and Expected Return on Pension Assets).

Movement on the HRA Statement		2019/20	2020/21
	Note	£'000	£'000
Balance on the HRA at the end of the previous year		(2,000)	(2,000)
Deficit / (Surplus) for the year on the HRA Income and Expenditure Account		(473)	(8,090)
Adjustments between accounting basis and funding basis under statute	60	(965)	6,284
Net (increase) or decrease before transfers to or from reserves		(1,439)	(1,805)
Transfers (to) or from reserves		1,439	1,805
(Increase) or decrease in year on the HRA		-	-
Balance on the HRA at the end of the year		(2,000)	(2,000)

60 Adjustments between Accounting Basis and Funding Basis under Regulations – HRA

This section shows the statutory adjustments we have to make to arrive at the final charge for Council Housing.

Adjustments	Usable Reserves				Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
2020/21					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Adjustments involving the Capital Adjustment Account					
Charges for depreciation and impairment of non current assets	(2,601)	-	-	-	2,601
Revaluation (losses)/gains on Property, Plant and Equipment	4,568	-	-	-	(4,568)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(521)	-	-	-	521
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	959	-	-	-	(959)
Capital expenditure charged against the General Fund and HRA balances	361	-	-	-	(361)
Adjustments involving the Capital Receipts Reserve					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	860	(860)	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(13)	13	-	-	-
Subtotal	3,613	(847)	-	-	(2,766)

Adjustments 2020/21	Usable Reserves				Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Balance Brought Forward	3,613	(847)	-	-	(2,766)
Adjustment involving the Major Repairs Reserve					
Reversal of Major Repairs Allowance credited to the HRA	2,596	-	(2,596)	-	-
Adjustment involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	114	-	-	-	(114)
Adjustment involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(39)	-	-	-	39
Total Adjustments	6,284	(847)	(2,596)	-	(2,841)

Adjustments	Usable Reserves				Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Adjustments involving the Capital Adjustment Account					
Charges for depreciation and impairment of non current assets	(2,532)	-	-	-	2,532
Revaluation (losses)/gains on Property, Plant and Equipment	(4,152)	-	-	-	4,152
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,740)	-	-	-	1,740
Capital grants and contributions applied	734				(734)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	955	-	-	-	(955)
Capital expenditure charged against the General Fund and HRA balances	859	-	-	-	(859)
Adjustments involving the Capital Receipts Reserve					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,859	(2,859)	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(38)	38	-	-	-
Subtotal	(3,055)	(2,821)	-	-	5,876

Adjustments	Usable Reserves				Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
2019/20					
Balance Brought Forward	(3,055)	(2,821)	-	-	5,876
Adjustment involving the Major Repairs Reserve					
Reversal of Major Repairs Allowance credited to the HRA	2,532	-	(2,532)	-	-
Adjustment involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(431)	-	-	-	431
Adjustment involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(11)	-	-	-	11
Total Adjustments	(965)	(2,821)	(2,532)	-	6,318

61 Housing Stock

The Housing Revenue account owned the following property:

Housing Stock	Council Housing	Other Land & Buildings	Total
At 1 April 2020	3,001	1,301	4,302
Additions	4	1	5
Sales	(10)		(10)
Reclassified		1	1
At 31 March 2021	2,995	1,303	4,298

The Other Land & Buildings Reclassified relates to an amenity car park transferred from General Fund to HRA during 2020/21.

Page 245

62 Number of Dwellings by Type

Type Of Dwelling	2019/20	2020/21
Houses	1,401	1,394
Bungalows	1,008	1,008
Flats	592	593
Total	3,001	2,995

63 HRA Dwelling Valuation

The vacant possession value of dwellings in the HRA is £431,034k as at the 1st April 2021, up from £12,298k in the previous year. This definition assumes that vacant possession would be provided on completion of the sale of all the dwellings. A second value of £150,862k represents the value of the property portfolio as Social Housing. The difference between these two figures reflects the economic costs to the sector of providing Social Housing at less than market rents. For 2020/21, the discount applied to determine this second valuation is 35%.

HRA Dwelling Valuation continued	2019/20 £'000	2020/21 £'000
Vacant Possession Value	418,736	431,034
Existing Use Value for Social Housing (EUV-SH) @ 35%	146,558	150,862

The 31 March 2021 dwellings valuation has been calculated by the Valuation Office who have supplied the Council with Beacon property values across the range of housing stock. The use of the Beacon Approach enables greater consistency and comparison between authorities.

64 HRA Non-Current Asset Values

HRA Non-Current Asset Values	2019/20 £'000	2020/21 £'000
Dwellings	146,558	150,862
Other land and buildings	7,045	7,079
Vehicles, plant and equipment	27	82
Surplus Sites	-	33
Infrastructure assets	170	161
Assets under Construction	14	16
Total	153,812	158,233

65 HRA Capital Expenditure

2019/20		2020/21
£'000	Expenditure	£'000
2,312	Improvements to dwellings	2,315
1,694	Construction of dwellings & RTB buybacks	319
-	Assets under Construction	3
4,006		2,637

2019/20		2020/21
£'000	Funding	£'000
1,984	Major repairs reserve	1,938
734	Capital grants	-
859	Revenue contribution	361
429	Usable capital receipts	339
4,006		2,637

66 Major Repairs Reserve

The Authority is required to hold a Major Repairs Reserve, which ensures a sufficient element of the HRA's resources are being used on capital expenditure to maintain and upgrade the standard of the Council's HRA dwellings. This account is credited with a value equal to depreciation for the year. The idea being that if an amount equal to depreciation for the year is spent on upgrading the properties, their value should be maintained at a consistent level.

Major Repairs Reserve	2019/20 £'000	2020/21 £'000
At 1 April	-	548
Amount transferred from Housing Revenue Account	2,532	2,596
Capital expenditure incurred during the year	(1,984)	(1,938)
At 31 March	548	1,207

67 HRA Capital Receipts

Capital Receipts	2019/20 £'000	2020/21 £'000
Sale of council houses	2,859	860
Total	2,859	860

68 HRA Pension Liability: Current Year Costs

Each year the HRA Income and Expenditure Account is charged with an amount to reflect the true cost of pension contributions in relation to that year. Since this is not an actual cost in year, it is reversed out again in Note 60.

Pension Liability: Current Year Costs	2019/20	2020/21
	£'000	£'000
Net interest on the defined benefit liability	(431)	114
Total	(431)	114

69 HRA Arrears

At 31 March 2021, the total arrears as a proportion of gross dwelling rent income totalled 3.9% (3.7% at 31 March 2020). Rent written off during 2020/21 amounted to £54k (£27k in 2019/20). The breakdown of the total arrears is shown below.

HRA Arrears	2019/20	2020/21
	£'000	£'000
Rent (dwellings & garages)	291	337
Housing benefit overpayments	9	13
Court costs	22	15
Rechargeable Repairs	99	96
Other	24	18
Total	445	480

70 HRA Bad Debt Provision

The provision for bad debt for the HRA stands at £381k as at 31 March 2021 (£327k 31 March 2020). Covid-19 has been a consideration when calculating recovery levels.

71 Rents Paid in Advance

Rents Paid in Advance	2019/20 £'000	2020/21 £'000
Dwellings rental income paid in advance	152	170

72 Dwelling Rents

This represents the total rent income due for the year after allowing for voids and other adjustments. The rents set averaged at £79.44 per week based on a 52 week year (2019/20 £77.41).

73 HRA Depreciation of Fixed Assets

Depreciation and Amortisation

Operational Assets	2019/20 £'000	2020/21 £'000
Dwellings	2,337	2,390
Other Land and Buildings	169	180
Infrastructure	9	9
Vehicles, Plant and Equipment	18	22
Total	2,533	2,601

Revaluation Losses and Revaluation Reversals - Please also see comments on note 58.

The net revaluation increase of £4,569k is primarily attributable to an increase in house prices during 2020/21; which has resulted in an increased value of Council Dwellings.

Operational Assets	2019/20 £'000	2020/21 £'000
Dwellings	4,160	(4,567)
Other Land and Buildings	(8)	(2)
Total	4,152	(4,569)

74 HRA Interest Payable and Similar Charges

Interest payable and similar charges	2019/20 £'000	2020/21 £'000
Interest charges on finance leases	-	2
PWLB loan interest - HRA self financing	1,069	1,023
Internal self financing - General Fund	48	46
Total	1,118	1,071

75 Self Financing Settlement Payment

As part of the replacement of the HRA subsidy system in 2012, Mid Devon District Council made a one-off settlement payment of £46,590k. The size of this is based on a valuation of the Council's housing service over the 30 years from 2012-2042. In order to fund it, the Council have taken on a debt from the Public Works Loan Board (PWLB) and will be required to make payments of £2,645k per annum (made up of £1,023k interest and £1,622k principal).

Self Financing Settlement Payment	2019/20 £'000	2020/21 £'000
Opening Balance	(36,761)	(35,185)
Repaid in Year	1,576	1,622
Closing Balance	(35,185)	(33,563)

The Collection Fund Income and Expenditure Account - Council Tax

This section summarises how the money we collected through Council Tax is distributed between Precepting Authorities.

The Collection Fund Income and Expenditure Account - Council Tax		2019/20	2020/21
	Notes	£'000	£'000
Income			
Council Tax receivable		(56,563)	(59,077)
Transfer for Transitional Relief, S13A Reliefs and discount for prompt payment		1	(473)
Total Income		(56,562)	(59,550)
Expenditure			
Precepts, Demands and Shares	79		
- Devon County Council		39,586	41,803
- Mid Devon District Council		5,829	6,065
- Devon and Cornwall Police		6,070	6,437
- Devon Fire and Rescue		2,474	2,563
- Parish Precepts		1,715	1,837
		55,674	58,705
Charges to Collection Fund			
- Write offs charged to Collection Fund		-	-
- Change in allowance for impairment		508	1,126
		508	1,126
Apportionment of previous year's surplus			
- Devon County Council		377	589
- Mid Devon District Council		71	112
- Devon and Cornwall Police		53	90
- Devon Fire and Rescue		24	37
		525	828
Total Expenditure		56,707	60,659
(Surplus) / Deficit for the year		145	1,109
Opening Balance at 1st April		(582)	(437)
Closing Balance at 31 March	48	(437)	673

The £673k represents the overall deficit on the Council Tax element of the Collection Fund at 31 March 2021 (2019/20 £437k surplus). Of this 13.64% is attributable to Mid Devon District Council, which equates to £92k (2019/20 £59k - see note 48).

The Collection Fund Income and Expenditure Account - Non Domestic Rates

This section summarises how the money we collected through our share of Non Domestic Rates is distributed between Precepting Authorities.

The Collection Fund Income and Expenditure Account - NDR		2019/20	2020/21
	Notes	£'000	£'000
Income			
NDR receivable	77	(15,721)	(8,091)
Transitional Protection Payments		(238)	(32)
Total Income		(15,959)	(8,123)
Expenditure			
Payments of NNDR1 proportionate shares			
- Central Government		7,750	7,800
- Devon County Council		1,395	1,404
- Mid Devon District Council		6,200	6,240
- Devon Fire and Rescue		155	156
		15,500	15,600
Charges to Collection Fund			
- Write offs / (Write ons) charged to Collection Fund		(11)	(3)
- Change in allowance for impairment		183	220
- Appeals and list alterations charged to C/Fund		(201)	(515)
- Change in provision for alteration of lists & appeals		201	1,088
- Interest on refunds		-	-
- Allowance for cost of collection		109	111
- Disregarded Amounts - Renewable Energy		147	278
		427	1,178
Apportionment of previous year's Surplus/(Deficit)			
- Central Government		(354)	151
- Devon County Council		(795)	132
- Mid Devon District Council		(779)	192
- Devon Fire and Rescue		(19)	5
		(1,947)	480
Total Expenditure		13,980	17,258
(Surplus) / Deficit for the year		(1,979)	9,135
Opening Balance at 1st April		1,769	(210)
Closing Balance at 31 March ((Surplus) / Deficit)	48	(210)	8,925

The £8,925k represents the overall deficit on the NDR element of the Collection Fund at 31 March 2021 (2019/20 £210k surplus). Of this 40% is attributable to Mid Devon District Council, which equates to a deficit of £3,570k. (2019/20 £84k surplus - see note 48).

Notes to the Collection Fund

76 General

These accounts represent the transactions of the Collection Fund, which is a statutory fund separate from the main accounts of the Council. The accounts are, however, consolidated with the Council's balance sheet. The accounts have been prepared on the accruals basis.

77 Income from National Non-Domestic Rates (NNDR)

The Council collects National Non-Domestic Rates for its area, which are based on local rateable values (£45,601k at 31st March 2021) multiplied by a uniform rate (51.2p or 49.9p for those receiving small business relief for 2020/21) The total amount receivable; less certain reliefs and other deductions is distributed between Central Government, Devon County Council, Devon & Somerset Fire Authority and Mid Devon District Council. The Authority is also a member of the Devon Business Rates Pool administered by Plymouth City Council, which helps to minimise risk of financial loss on appeals or reductions in our overall rateable value. The total income detailed on the National Non-Domestic Rates statement takes into account £14,716k awarded in various discretionary and mandatory reliefs, which is significantly higher than in normal years due to Covid-19.

78 Calculation of Council Tax Base

The council tax base is calculated by taking the number of chargeable dwellings in each valuation band (adjusted for discounts as necessary) and converted into the number of Band D equivalent properties multiplied by the council tax rate per Band D properties.

Band	Number of Dwellings	
	Actual	Band D Equivalent
A	4,064.8	2,705.5
B	7,322.5	5,693.6
C	6,014.0	5,345.0
D	5,756.5	5,755.9
E	4,327.5	5,290.2
F	2,262.0	3,267.4
G	885.0	1,475.0
H	50.3	100.6
Total	30,682.5	29,633.2

79 Precepting Authorities

Authority	2019/20 £'000	2020/21 £'000
Devon County Council	39,586	41,803
Mid Devon District Council	5,829	6,065
Devon and Cornwall Police	6,070	6,437
Devon Fire and Rescue	2,474	2,563
Parish Precepts	1,715	1,837
Total	55,674	58,705

Group Accounts

These Group Accounts, which consist of Primary Statements and notes, are provided in addition to the notes to the Accounting Statements within the single entity Statement of Accounts.

Notes have been omitted if there are no material differences to the disclosure already made.

Mid Devon District Council owns one company which has been categorised as a wholly owned subsidiary of the Authority and has been consolidated into the Group Accounts.

3 Rivers Developments Ltd was incorporated on 28 April 2017 as a development company to support the Council's Corporate Plan. The Board was constituted during that year and consisted of the Deputy Chief Executive (S151), Andrew Jarrett; the former Head of Housing and Property Services, Nick Sanderson and an elected Member, Councillor Ray Stanley.

During 2020/21, 3 Rivers Developments Ltd undertook a governance review and made changes to The Board. Andrew Jarrett, Deputy Chief Executive (S151) resigned as Finance Director on 25 January 2021 and was replaced by Mr John Riley. A new Non-Executive Director, Mr William Yardley, was appointed on 13 January 2021 along with existing Board Members, Mr Nick Sanderson Acting Managing Director and Councillor Ray Stanley as Director.

Page 256 As a small company in accountancy terms, 3 Rivers Developments Ltd complete their accounts under Financial Reporting Standard (FRS) 102. This is a different standard than the Code of Practice the Council must follow but follows the same accountancy principles. The accounting policies are therefore in line with that of the Council which makes consolidation easier at year end.

The Financial Statements of the company are available from:

3 Rivers Developments Ltd, Phoenix House, Phoenix Lane, Tiverton, Devon. EX16 6PP

The Group accounts have been prepared by combining 3 Rivers Developments Ltd's income and expenditure and assets and liabilities with those of the Council on a line-by-line basis, eliminating inter-organisation transactions. The elimination of inter-organisation transactions is a requirement under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Group - Accounting Policies

Mid Devon District Council's accounts are prepared under IFRS reporting standards. As 3 Rivers Developments Ltd's accounts are prepared under FRS102 they are brought in line with the parent entity (Mid Devon District Council) when consolidating. Generally, the accounting policies for the Group accounts are the same as those applied to the single entity financial statements except for the following policies which are specific to the Group accounts:

Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Council and its subsidiary.

Subsidiary Boundary

A subsidiary is an entity which the Council controls through the power to govern their financial and operating policies so as to obtain benefits from the entities' activities.

Control is usually presumed where the Council owns more than half the voting power of an entity (either directly or through other subsidiaries). 3 Rivers Developments Ltd is a wholly owned subsidiary of Mid Devon District Council and therefore has all the voting rights (total control).

Basis of the Preparation of the Group Financial Statements

The Group accounts have been prepared using the Group accounts requirements of the 2020/21 Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group accounts, to the extent that they are material to the users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

The subsidiary has been consolidated by:

- adding like items of assets, liabilities, reserves, income and expenses together on a line-by-line basis to those of other group members in the financial statements; and
- eliminating intra-group balances and transactions in full.

Valuation of Investment Properties

3 Rivers Developments Ltd owns an investment property which is shown on the Group Balance Sheet. Under IFRS Accounting Standards, this property has been revalued by 3 Rivers Developments Ltd in line with the IFRS Fair Value methodology.

Group Movement in Reserves Statement

This statement shows the movement in the year 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 reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council. It also contains the Reserve of the Council's wholly owned subsidiary, 3 Rivers Developments Ltd.

2020/21 Movement	USABLE RESERVES										Total Authority Reserves	Authority's Share of Subsidiary	Total Group Reserves
	REVENUE RESERVES						CAPITAL RESERVES						
	General Fund Balance	Earmarked General Fund Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	(2,148)	(13,688)	(15,836)	(2,000)	(18,310)	(20,310)	(5,157)	(1,646)	(42,950)	(88,026)	(130,975)	704	(130,271)
Movement in Reserves during 2020/21													
Surplus) or deficit on the provision of services	(1,305)	-	(1,305)	(8,090)	-	(8,090)	-	-	(9,395)	-	(9,395)	(103)	(9,498)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	16,444	16,444	-	16,444
Total Comprehensive Income and Expenditure	(1,305)	-	(1,305)	(8,090)	-	(8,090)	-	-	(9,395)	16,444	7,049	(103)	6,946
Adjustments between accounting basis and funding basis under regulations	(4,677)	-	(4,677)	6,284	(659)	5,625	(340)	(978)	(370)	292	(78)	-	(78)
Net Increase/Decrease before Transfers to Earmarked Reserves	(5,982)	-	(5,982)	(1,806)	(659)	(2,465)	(340)	(978)	(9,765)	16,736	6,971	(103)	6,868
Transfers (to) / from Earmarked Reserves	6,559	(6,559)	-	1,805	(1,805)	-	-	-	-	-	-	-	-
(Increase)/Decrease in 2020/2021	577	(6,559)	(5,982)	-	(2,464)	(2,464)	(340)	(978)	(9,765)	16,736	6,971	(103)	6,868
Balance at 31 March 2021 Carried forward	(1,571)	(20,247)	(21,818)	(2,000)	(20,774)	(22,774)	(5,497)	(2,625)	(52,715)	(71,290)	(124,004)	601	(123,402)
Held for Revenue Purposes	(1,571)	(20,247)	(21,818)	(2,000)	(19,567)	(21,567)	-	-	(43,385)				
Held for Capital Purposes	-	-	-	-	(1,207)	(1,207)	(5,497)	(2,625)	(9,329)				

2019/20	USABLE RESERVES								Total Usable Reserves Unusable Reserves		RESTATED		Total Group Reserves
	REVENUE RESERVES						CAPITAL RESERVES						
	General Fund Balance	Earmarked General Fund Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied					
Movement	£'000	£'000		£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	(2,447)	(14,353)	(16,800)	(2,000)	(16,323)	(18,323)	(3,620)	(2,146)	(40,889)	(90,246)	(131,135)	497	(130,638)
									-				
Movement in Reserves during 2019/20									-				
(Surplus) or deficit on the provision of services	7,157	-	7,157	(474)	-	(474)	-	-	6,683	-	6,683	212	6,895
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(5,096)	(5,906)	(5)	(5,911)
Total Comprehensive Income and Expenditure	7,157	-	7,157	(474)	-	(474)	-	-	6,683	(5,096)	777	207	984
Adjustments between accounting basis and funding basis under regulations	(6,194)	-	(6,194)	(965)	(548)	(1,513)	(1,538)	501	(8,744)	8,127	(617)	-	(617)
Net Increase/Decrease before Transfers to Earmarked Reserves	963	-	963	(1,439)	(548)	(1,987)	(1,538)	501	(2,061)	2,221	160	207	367
Transfers (to) / from Earmarked Reserves	(665)	665	-	1,439	(1,439)	-	-	-	-	-	-	-	-
(Increase)/Decrease in 2019/20	297	665	963	-	(1,987)	(1,987)	(1,538)	501	(2,061)	2,221	160	207	367
Balance at 31 March 2020 Carried forward	(2,148)	(13,688)	(15,836)	(2,000)	(18,310)	(20,310)	(5,158)	(1,645)	(42,950)	(88,026)	(130,975)	704	(130,271)
Held for Revenue Purposes	(2,148)	(13,688)	(15,836)	(2,000)	(17,762)	(19,762)	-	-	(35,598)				
Held for Capital Purposes	-	-	-	-	(548)	(548)	(5,158)	(1,645)	(7,351)				

Group Comprehensive Income and Expenditure Statement

This section is a summary of our spending on services and where we got the money from to do so.

2019/20				2020/21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Service Area	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
332	(85)	247	Community Development	1,022	(31)	991
2,410	7	2,417	Corporate Management	1,327	6	1,333
708	(797)	(89)	Car Parks	690	(382)	308
1	(1)	-	Customer Services	29	(37)	(8)
3,034	(849)	2,185	Environmental Services	2,489	(931)	1,558
32	(8)	24	Finance & Performance	-	(6)	(6)
41	(46)	(5)	Ground Maintenance	81	(70)	11
713	(624)	89	General Fund Housing	829	(659)	170
13,378	(13,006)	372	Housing Revenue Account	4,609	(13,366)	(8,757)
75	(7)	68	Human Resources	8	(7)	1
133	(4)	129	I.T. Services	32	(16)	16
1,443	(403)	1,040	Legal & Democratic Services	943	(71)	872
4,006	(1,546)	2,460	Planning & Regeneration	3,474	(2,277)	1,197
1,139	(688)	451	Property Services	942	(982)	(40)
15,026	(13,962)	1,064	Revenues & Benefits	14,536	(14,042)	494
4,807	(2,754)	2,053	Recreation & Sport	4,061	(985)	3,076
5,535	(2,631)	2,904	Waste Services	5,292	(2,650)	2,642
190	(6)	184	Subsidiary Company	1,867	(1,955)	(88)
53,003	(37,410)	15,593	Costs of Services	42,231	(38,461)	3,770
		1,528	Other Operating Expenditure			1,778
		2,393	Financing and Investment Income and Expenditure			2,265
		(13,236)	Taxation and Non-Specific Grant Income			(17,311)
		6,278	(Surplus) or Deficit on Provision of Services			(9,498)
		(4,335)	Remeasurements of the Net Defined Benefit Liability			15,888
		(1,577)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment			556
		(5,912)	Other Comprehensive Income and Expenditure			16,444
		366	Total Comprehensive Income and Expenditure			6,946

Group Balance Sheet

This section shows our financial position at the end of the financial year.

Consolidated 31 March 2020 £'000	Service Area	Notes	Consolidated 31 March 2021 £'000
194,272	Property, Plant & Equipment		198,559
160	Investment Properties		175
330	Heritage Assets		330
4,759	Long-term Investments		4,725
1,018	Long-term Debtors	2	1,879
200,539	Non-Current Assets		205,668
20,000	Short-term Investments		17,500
(0)	Assets held for sale		525
8,159	Work In Progress	4	8,151
276	Inventories		315
4,282	Short-term Debtors	3	10,920
4,111	Cash and Cash Equivalents		11,732
36,828	Current Assets		49,143
(7,278)	Short-term Creditors		(15,198)
(565)	Provisions		(869)
(1,833)	Short-term Borrowing		(1,870)
(9,676)	Current Liabilities		(17,937)
(1,663)	Long-term Creditors		(2,994)
(37,104)	Long-term Borrowing		(35,234)
(58,630)	Other Long Term Liabilities		(75,244)
(62)	Capital Grants Receipts in Advance		-
(97,459)	Long Term Liabilities		(113,472)
130,234	Net Assets		123,402
42,202	Usable Reserves		52,112
88,031	Unusable reserves		71,290
130,234	Total Reserves		123,402

Group Cash Flow Statement

This section shows what cash we spend and receive.

Cash Flow	Consolidated	Consolidated
	2019/20 £'000	2020/21 £'000
Net surplus or (deficit) on the provision of services	(6,278)	9,504
Adjustments to net surplus or deficit on the provision of services for non-cash movements	5,944	(3,307)
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	(1,735)	(142)
Adjustments for Operating activities processed through the Balance Sheet	-	5,889
Net cash flows from Operating Activities	(2,070)	11,945
Investing Activities	5,321	(2,200)
Financing Activities	(1,903)	(2,122)
Net increase or (decrease) in cash and cash equivalents	1,348	7,622
Cash and cash equivalents at the beginning of the reporting period	2,763	4,111
Cash and cash equivalents at the end of the reporting period	4,111	11,733

Notes to the Group Accounts

1 Group Officers' Emoluments

Senior Officers Earning in Excess of £50,000

Post Title	Financial Year	Salary (Including Allowances) £	Compensation for Loss of Employment £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including pension contributions £
Chief Executive	2020/21	114,131	-	114,131	18,946	133,077
	2019/20	111,281	-	111,281	16,358	127,640
Deputy Chief Executive (S151) (Note 3)	2020/21	82,616	-	82,616	13,825	96,441
	2019/20	86,200	-	86,200	11,936	98,136
Director of Corporate Affairs & Business Transformation	2020/21	80,910	-	80,910	13,431	94,342
	2019/20	77,394	-	77,394	11,377	88,771
Director of Operations (Note 4)	2020/21	-	-	-	-	-
	2019/20	60,605	-	60,605	8,580	69,185
Head of Planning & Regeneration	2020/21	69,629	-	69,629	11,558	81,187
	2019/20	67,765	-	67,765	9,962	77,727
Head of Legal and Monitoring Officer	2020/21	66,925	-	66,925	11,110	78,035
	2019/20	58,482	-	58,482	8,597	67,079
Acting Managing Director, 3 Rivers Developments Ltd (Note 5)	2020/21	72,300	33,000	105,300	11,558	116,858
	2019/20	67,765	-	67,765	9,962	77,727
Finance Director, 3 Rivers Developments Ltd (Note 6)	2020/21	8,750	-	8,750	263	9,013
	2019/20	-	-	-	-	-

Note:

1. The amounts included in the above table are shown gross of any related tax which would be levied.
2. The primary pension rate of 16.6% has been used for the 2020/21 pension contributions figures.
3. In 2019/20 the Deputy Chief Executive (S151) received an extra payment that was not pensionable.
4. The Director of Operations left the Authority on 2 January 2020.
5. Due to the restructure of 3 Rivers Developments Ltd, the Acting Managing Director's secondment from Mid Devon District Council ended 31 March 2021 and as at 1 April 2021 will be directly employed by 3 Rivers Developments Ltd.
6. 3 Rivers Developments Ltd appointed a new Finance Director on 4 January 2021 at 0.4 FTE.

2 Long Term Debtors (amounts due in more than 12 months)

Long Term Debtors	2019/20 £'000	2020/21 £'000
Other entities and individuals	1,018	1,879
Total	1,018	1,879

Included within the single entity Long Term Debtors (Note 32 of the Single Entity accounts) is £8,231k of loans to 3 Rivers Developments Ltd which are eliminated from both sides in the Group Accounts.

3 Short Term Debtors (amounts due in less than 12 months)

Short Term Debtors	2019/20 £'000	2020/21 £'000
Other Receivable amounts	4,018	10,427
Trade Receivables	1,502	2,059
Less Impairment Allowances	(1,238)	(1,567)
Total	4,282	10,920

Included within the single entity Short Term Debtors (Note 36 of the Single Entity accounts) is £1,420k which relates to 3 Rivers Developments Ltd (£1,142k loan; £278k other intra-company debt) which are eliminated from both sides in the Group Accounts.

NB. Expected Credit Loss Model

The Authority recognises expected credit losses under IFRS 9 on all of its financial assets (this includes its loans to 3 Rivers Developments Ltd), either on a 12-month or lifetime basis. 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.

A revised business case was approved by the Council on 4 February 2021 which anticipated the operating losses incurred by 3 Rivers Developments Ltd over its initial years of operation. This is to be expected with start-up businesses particularly with the lead time involved in development. They have not “triggered an event” leading to an expected credit loss and impairment of the loans. However, the ongoing review of operational activities does indicate that cost overruns on the Riverside project in Tiverton will prevent the Company from making full repayment of the loan associated with this development. Accordingly, this loan was impaired by £617k in the 2019/20 single entity accounts. Similarly, the working capital loan was impaired by £173k to reflect the implied risk to profitability that this represents. No further impairment was required in 2020/21.

4 Work in Progress (WIP)

Work In Progress	2019/20	2020/21
	£'000	£'000
Work in Progress	8,159	8,151
Total	8,159	8,151

Page 265

As a development company, 3 Rivers Developments Ltd has “Work in Progress” which relates to the construction projects they have in progress. When these projects are completed, they will be classified as inventory for sale.

Glossary of Terms

Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals

Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

Accumulated Compensated Absences Adjustment Account

This account represents the value of any unused holiday, time off in lieu or flexi hours which have not been taken by officers as at the 31 March.

Actual

The actual, rather than budgeted, expenditure or income attributable to the accounting period. Sometimes referred to as “Actuals”.

Actuary

An expert on rates of death and insurance statistics who assesses whether we have enough money in our pension fund.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

Appointed Auditors

Public Sector Audit Appointments Limited (PSAA) appoints external auditors from one of the major firms of registered auditors for each local authority that opted into their national scheme, which comprised of 98% of all authorities. The PSAA also set the fees the auditors can charge.

Our external auditor is Grant Thornton UK LLP.

Assets

An item having value to the Council in monetary terms, categorised as:

- **Current assets** will be consumed within the next financial year (e.g. cash and stock).
- **Fixed assets (non current)** provide benefits over their useful life for more than one year (e.g. buildings).
- **Community assets** are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. town squares and picnic sites).
- **Infrastructure assets** that form part of the economic or social framework of the area and whose function is not transferable (e.g.: highways, bridges and footpaths).
- **Operational assets** are fixed assets held and occupied by a local authority and used in the direct delivery of services.
- **Non Operational assets** are fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services (e.g.: buildings under construction and surplus assets).
- **Assets under Construction** details capital expenditure to date on work in progress.
- **Available for Sale** are assets actively being marketed at the Balance Sheet date.

Audit Committee

A Committee of the Council who consider financial matters and reports from Internal Audit, and approve and monitor our Financial Regulations and risk management. The Committee is also delegated to approve the Accounts following External Audit review.

Audit of Accounts

An independent examination of the Council's financial affairs.

Authorised Limit

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

Balances

The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Balance Sheet

A statement of all of our assets, liabilities and balances at the end of the financial year, 31 March.

Budget

The forecast of net revenue and capital expenditure over the accounting period.

Cabinet

The Cabinet comprises eight Members of the Council (including the Leader), who are responsible for making most of the essential decisions about running the Council. Each member of the Cabinet is responsible for specific service areas.

Capital Adjustment Account

This records the timing difference between the costs of fixed assets used and the capital financing set aside to pay for them.

Capital Expenditure

Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

Capital Charges

This is a general term used for the notional charges made to service revenue accounts for the use of fixed assets. The term covers the following:

Depreciation, Impairment charges and Amortisation of Deferred Charges (included in gross expenditure) offset by the Amortisation of government grants deferred (included in income).

Capital Financing Costs

These are costs, such as interest, which we charge because we have spent money on non current assets.

Capital Receipts

Proceeds received from the sale of property and other fixed assets.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Cash-flow Statement

This is a statement that shows the changes in our cash and bank balances during the year.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

A separate fund that records the income and expenditure relating to Council Tax and National Non-Domestic Rates.

Community Assets

These are fixed assets that the Council intends to hold in perpetuity which have no determinable finite useful life and in addition, may have restrictions on their disposal. An example is a park.

Comprehensive Income and Expenditure Statement (CIES)

The account that reports the income and spending on our services.

Contingency

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in budgets.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not yet been made in the Council's accounts.

Council Tax

This is the main source of local taxation to local Authorities. Council Tax is levied on households within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General fund.

Council Tax Requirement

This is the estimated revenue expenditure on General fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Creditor

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

Current Assets

These are the short-term assets we have at date of the balance sheet which we can use in the following year.

Current Liabilities

These are the short-term liabilities we have at date of the balance sheet which we will pay in the following year.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailment

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Debtor

Sums of money due to the authority but unpaid at the balance sheet date.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place and wholly consist of principal outstanding from the sale of council houses.

Defined Benefit Scheme

This is 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.

Depreciation

The allocation of the cost of the useful economic life of the Council's fixed assets for the accounting period through general wear and tear, consumption or obsolescence.

Derecognition

Financial assets and liabilities needed to be removed from the balance sheet once performance under a contract is complete or the contract is terminated.

Earmarked Reserves

Those elements of total Council reserves which are retained for specific purposes.

Employee Costs

Those costs incurred employing staff including Salaries, Employer's National Insurance, Pension Contributions, and Training.

Exceptional Items

Material items deriving from events or transactions that will fall within the ordinary activities of the Authority, but which need to be separately disclosed by virtue of their size and/or incidence to give a fair presentation of the accounts. We have none in this year's accounts.

Expenditure

This refers to amounts paid by the Authority for goods and services rendered of either capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods and services have been received even if they have not been paid for.

External Audit

The independent examination of the activities and accounts of local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

Fair value

Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

Fees and Charges

The Council's charges for certain services e.g. car parking.

Finance Lease

A lease whereby all the risks and rewards of ownership of a fixed asset are with the lessee. In substance the asset belongs to the lessee.

Financial Instruments

A financial instrument is any contract that gives to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives.

Financial Regulations

These are the written code of procedures, approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

General Fund

The main revenue fund of the Council. Income from the Council Tax Precept and Government grants are paid into the fund, from which the cost of providing services are met.

Government Grants

Payments by Central Government towards local authority expenditure. They are specific for a particular service; and are receivable in respect of both revenue and capital expenditure.

Government Grants Deferred

Grants or contributions received which have supported wholly or in part the acquisition of fixed assets, net of the appropriate share of depreciation on those assets for which a depreciation charge is made.

Heritage Assets

An asset with a historical, artistic, scientific, technological, geophysical or environmental quality that is held and maintained principally for its contribution to knowledge and culture.

Housing Benefit

This is an allowance to persons on low income (or none) to meet, in whole or in part, their rent. Benefit is allowed or paid by local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

Housing Revenue Account (HRA)

Statutory ring-fenced account required to represent the landlord/tenant obligations for the Council in relation to managing and maintaining its housing stock in return for rental income from tenants.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the balance sheet due to damage, obsolescence or a general decrease in market value.

Income

These are amounts due to the Council for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Council).

Income & Expenditure Account

The net cost for the year for services provided by the Council for which it is responsible and showing how the cost has been financed from precepts, grants and other income.

Infrastructure

Non current assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Interest

An amount received or paid for the use of a sum of money when it is invested or borrowed.

International Financial reporting Standard (IFRS)

Defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities.

Inventories (previously Stock)

Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.

Leasing Costs

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases. Operating leases are those where the risks of ownership rest with the owner of the asset whereas in the case of finance leases the asset appears in our Balance Sheet.

LGPS (Local Government Pension Scheme)

The fund that manages and pays our staff pensions. Our LGPS scheme is now managed by Peninsula Pensions.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Liquid Resources

Cash and current asset investments that can be easily converted to known amounts of cash without penalty, or can be traded on the active market.

Local Development Plan

A plan which includes documents that establishes the local policy towards the use of land and the vision for involving communities in the plan making process.

Long Term Borrowing

Amounts borrowed in excess of 364 days.

Long-Term Contract

A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project falls into more than one accounting period.

Long Term Debtors

Sums of money due to the Authority originally repayable within a period in excess of twelve months but where payment is not due until future years.

Medium Term Financial Strategy/Plan (MTFS/MTFP)

This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA. It usually covers a four year time frame.

Member

An elected councillor of the Council.

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to the Authority's revenue account each year and set aside as provision for credit liabilities as required by the Prudential Code.

Net Book Value

The value of fixed assets included on the balance sheet, being the historical cost or a current revaluation less the cumulative amounts of depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the open market value of an asset in its existing use less any costs to be incurred in selling the asset.

Non Current Assets

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non-distributed Costs

In the main this represents support service area charges. E.g.: Corporate Management, Finance, Legal, ICT, HR services, etc. In addition to this a number of non-service specific corporate fees are included as well as any extra payments made to maintain the value of the pension fund.

National Non-Domestic Rates (NNDR or NDR)

NNDR or NDR is the levy on business property, based upon a national rate in the pound applied to the 'rateable value' of the property. The Government determines a national rate poundage each year, which is applicable to all Local Authorities. Mid Devon District Council is a member of the Devon NDR Pool of Local Authorities whose share of the NDR is allocated between the members.

Operating Lease

A lease where the risks and rewards, and therefore the ownership of the asset, remains with the lessor.

Operational Boundary

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Pension Strain

Additional employers pension contributions as a result of an employee's early retirement.

Precept

The amount levied by one authority which is collected by another. e.g.: the County Council is the Precepting Authority and the District Council is the collecting authority, also known as the Billing Authority.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Provision

This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

Public Works Loan Board (PWLB)

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

Rateable Value

A value placed upon 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.

Related Parties

Related parties comprise Central Government, other Local Authorities, precepting and levying bodies subsidiary and associated companies, elected Members, all senior officers and the Pension Fund. In respect of individuals identified as related parties the following are also presumed to be related parties:

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family, or the same household, has a controlling interest.

Revenue Contribution to Capital (RCCO)

Capital spending that is directly paid for from revenue.

Revenue Expenditure

Spending on the day-to-day running of services – mainly wages, operating expenses of buildings and equipment, and debt charges. These costs are met from the Council tax, government grants and our own fees and charges.

Revenue Support Grant

The major grant received each year from Central Government, which is not ring-fenced, to help finance our activities. Commonly referred to as the Council's "Formula Grant"

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based upon International Financial reporting standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC), UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the capital adjustment account cannot be used to meet current expenditure.

Restatement

We normally show the amounts that were in last year's accounts as the same figure, but where there is a change in the accountancy rules, we have to change last year's figures to meet the current rules and ensure comparability.

Revaluation Reserve

This records net gains from revaluations made after 1 April 2007 not yet realised through sales.

Revenue Contributions

This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

Revenue Expenditure

The day to day expenditure of the authority on such items as employees, transport and equipment.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of an asset that belongs to the Authority.

Service Reporting Code of Practice (SeRCOP)

SeRCOP replaced the previous Best Value Accounting Code of Practice (BVACOP). Its aim is to provide consistent financial reporting for services in England and Wales and is given legislative backing by “proper practices” under the Local Government Act 2003.

Settlements

Generally this occurs 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 outsourcing a section of the Council. It reflects the difference between the IAS 19 liability and the assets transferred to settle the liability.

Tax Base

The number of houses we can charge our Council Tax on.

Treasury Management

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS)

A strategy, approved by Cabinet, prepared with regard to legislative and CIPFA requirements setting out the framework for treasury activity for the Council.

Trust Funds

Funds administered by the Council for such purposes as prizes, charities and specific projects, on behalf of minors.

Unsupported (Prudential) Borrowing

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Value for Money

The benefit obtained (not just in financial terms) for a given input of cash.



devon **audit** partnership

Internal Audit

Audit Progress Report 2021-22

Mid Devon District Council
Audit Committee

Page 277
July 2021

Robert Hutchins
Head of Audit Partnership

Auditing for achievement

Agenda Item 13.



Introduction

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

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

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion for use by the organisation to inform its governance statement. This report provides our proposed opinion for 2021-22 based on work undertaken to date in the Opinion Statement.

The Internal Audit plan for 2021-22 was presented and approved by the Audit Committee in March 2021. The following report and appendices set out the background to audit service provision; summaries of audit work undertaken during the year and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

- the assurance statement within this report.
- the basis of our opinion and the completion of audit work against the plan.
- the scope and ability of audit to complete the audit work.
- audit coverage and findings provided.
- the overall performance and customer satisfaction on audit delivery.
- approve the amendments to the audit plan.

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

Robert Hutchins
Head of Devon Audit Partnership

Contents	Page
Introduction	1
Opinion Statement	2
Executive Summary Audit Results	2
Value Added	3
Audit Coverage & Progress Against Plan	3
Appendices	
1 – Summary of Audit Results	4
2 – Clearance of audit recommendations	11

Opinion Statement

Overall, based on work performed during 2021/22 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

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

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

All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans is the responsibility of management yet may be reviewed during subsequent audits or as part of specific follow-ups.

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

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

Executive Summary of Audit Results

Core Audits

A draft report is with management on our Debt Recovery audit, with a Reasonable Assurance opinion. Conclusions from other core 2020/21 audits recently completed are contained in our Annual Assurance report.

Risk Based Audits

We have close to completing our testing for our remaining 2020/21 audit on Cyber Security (Malware and Ransomware) audit. A report will be provided in time for the next Audit Committee.

We also reviewed the third tranche of the Income Compensation Scheme claim prepared by the council and confirmed that the figures were a true and fair reflection of those within the financial systems, and lost income claimed was appropriate.

Appendix 1 provides a summary of the audits undertaken since our last progress report in March 2021, along with our assurance opinion. Where we provide a "Substantial assurance" or "Reasonable assurance" of audit opinion we can confirm that, overall, sound controls exist to mitigate exposure to risks identified. Where we provided a "Limited assurance" opinion then issues were identified during the audit process that required attention. We are broadly content that management are appropriately addressing these issues, and we continue to track recommendation completion.

Fraud Prevention and Detection

The councils revised strategy promotes a more systematic approach to dealing with fraud risk in the Council. We will continue to provide support as required to improve fraud prevention and detection.

Audit Coverage and Performance Against Plan

During the first quarter, work was focused on concluding the 2020-21 audit plan, with the results contained in the Annual Audit report. We also started work on the current year's plan and have agreed indicative timings for most of our audits. Audits currently in fieldwork include Stores, Income Collection, and Care Services (Alarm Income). In the next few months, we will be providing important assurance on Governance, the Corporate Plan, and Performance Management.

Value Added

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

- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

Undertaking audits across organisational boundaries such as the recent audit on Building Control for North Devon and Mid Devon.

Confirming that core controls continue to be effective despite changing work conditions and current pressure of work.

Audit Recommendations

We have now added all the recommendations from our remaining 2020/21 audits to SPAR and are tracking implementation progress. As these have recently been added, some recommendations will already be implemented. (See **Appendix 2**).

Our Payroll report in February 2020 identified weaknesses related to Business Continuity and Third-Party Contractor support. This resulted in a Red rating in our Assurance Map in the 2020-21 Annual report. HR has now confirmed that this risk is much reduced as follows:

IT has not been required to restart the server for some considerable time now (months) because of changes made in the New Year. These included changing systems, so people come out properly from the database when exiting so records are not left

open and locked which was placing considerable strain on the system. The contractor also advised us how to unlock records corporately on the system without having to restart the server.

There is now a scoping project underway to look at a new HR database and supplier as well as some upgrade work which needs to be carried out on our server which has been identified by the IT department.

On top of the above this will put the organisation in a much stronger position longer term (and a position which can be sustained).

Customer Satisfaction – As part of our approach to obtain more visibility of customer satisfaction, we are including a section in our reports for the client to indicate whether they were content with the audit. We also be seeking more standard customer satisfaction returns specific to MDDC.


Appendix 1 – Summary of audit reports and findings for 2020-21


Risk Assessment Key

Spar – Local Authority Risk Register score Impact x Likelihood = Total & Level
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

Direction of Travel Assurance Key

Green – action plan agreed with client for delivery over an appropriate timescale.
 Amber – agreement of action plan delayed or we are aware progress is hindered.
 Red – action plan not agreed, or we are aware progress on key risks is not being made.
 * report recently issued; assurance progress is of managers feedback at debrief meeting.

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
COR/E – KEY FINANCIAL SYSTEMS						
Debtor Recovery ANA – Risk Assessment SPAR Risk – no risk identified	Reasonable Assurance Status: Draft Report	<p>Our assurance is based upon finding a good process to monitor accounts, the approval of a new updated policy which should simplify the process, appropriate separation of duties between raising invoices and credit notes and taking payments. There is good management of special payment arrangements and suspension of accounts.</p> <p>The Team has worked hard to achieve a reasonable level of recovery in what has been a challenging year where the Covid-19 emergency required a softer approach to debt collection, with only gentle reminders sent out for most of 2020. Despite this the Team has achieved a collection rate of 84% which we consider to be good in the circumstances when compared with previous years (2019/20 – 90%, 2018/19 – 87%, and 2017/18 – 91%).</p> <p>During the year a new Corporate Debt Recovery Policy was produced and approved in March 2021. The biggest change is that after raising of the invoice the debt falls under the Team’s remit to progress collection without referral back to the service area for instruction on recovery meaning that the Team will become responsible for the whole process of debt collection. This should provide for a leaner, more efficient process, although the Team will need training and coaching to take on their new responsibilities. Procedure notes and training is required to maximise collection in line with the new policy. We will review whether the new process has achieved its aims in our next review.</p>	0	3	0	

Risk Area / Audit Entity	Audit Report							
	Assurance opinion	Executive Summary / Residual Risk			Summary of Recommendations High / Med / Low		Direction of Travel Assurance	
RISK BASED REVIEWS								
Income Compensation Scheme – review of third tranche of the claim	Certified	In 2020/21 we reviewed tranche 1 and 2 of the claims submitted by the Council for the Income Compensation Scheme. We have now reviewed the tranche 3 claim and have provided assurance on the accuracy of the figures and that the lost income claimed falls within the eligibility criteria of the MHCLG guidance. Specifically, we confirm that: <ul style="list-style-type: none">• Original budgets and actuals as shown in the working document can be traced back to the general ledger.• Income losses claimed could reasonably fall within the eligibility criteria.• Claimed amounts correspond with the correct periods.• Supporting evidence is retained for adjustments arising from general cost savings and grants in respect of furloughed staff.			0	0	0	
ANA – Risk Assessment SPAR Risk	Status: Final Report							

Page 282




Appendix 2 – Clearance of audit recommendations

Page 283

Audits with open recommendations	Year	Recommendations									Direction of Travel RAG	COMMENTS ON IMPLEMENTATION			
		High			Medium			Low					Totals		
		C	N	O	C	N	O	C	N	O	C	N	O		
Job Evaluation	2019				2		3	3			5	0	3	🔴	Work to implement these are in hand and were expected to complete in January 2021. Completion has been delayed due to Covid-19 emergency.
Development Management S106	2018			2			3				0	0	5	🔴	Community Infrastructure levy: the meeting of Council on 6 January 21 decided not to progress CIL. The Exacom system is surplus to requirement and will not be renewed. The Infrastructure Funding Statement for 19/20 including S106 records for that year was prepared and published to meet the 31 Dec 20 deadline. Information has been published and shared with parishes on public open space S106 funding. Interim measures are in place for project reporting until full reporting arrangements under the project management system can be finalised. This has been delayed due to issues identified through system testing and ICT staff resource pressures. In the next project phase application and payment records need to be added / updated in the new system.
Creditors	2018				4			2	1	1	6	1	1	🔴	Review of masterfile - date has been extended to end March 2021 to fit with workflows.
Debtors	2019&20				3		1	4		1	7	0	2	🔴	New sales pro-forma has been created to be introduced by end of March 2021. Identification of duplicate customers - deadline extended to end of March 2021 to fit with workflows.
Adaptations	2019	1			4	1	1	2		1	7	1	2	🔴	Aids and Adaptations policy has been updated, currently being reviewed Internally. Due to go to Housing PDG later in the year.
Sickness and Absence	2020	1			2		2	2			5	0	2	🔴	
Check and NNDR and recovery	2018	1			1	0	3	4			6	0	3	🔴	Outstanding S106 invoice escalated now to Legal and Finance for debt recovery including payment plans. Covid delayed completion of the other two.
Asset Management	2019				2					2	2	0	2	🔴	Dates extended
Housing Health & Safety	2019	1			13	2		2			16	2	0	🟢	Reducing Medium risk properties to low risk over next 2 years - budget resourced to increase target for 2021/22. Training - delayed due to Covid - dates extended.
Safeguarding	2019	3			3		1				6	0	1	🟢	3 safeguarding awareness training sessions have been carried out with operatives during May 2020. Now need to pick up on those who were unavailable at the time - delayed due to Covid.
Housing Benefits	2019						2				0	0	2	🟢	Delayed due to Covid.
Licensing - Hearings process	2020						1	2			0	2	1	🟢	
ICT Core Material Systems	2020				1	2	2	2	7		3	9	2	🟢	
Payroll	2020	1				7		2			0	10	0	🟢	
Main Accounting	2020				2		1	1	1		0	3	2	🟢	
Digitalisation	2020				6		1	5			0	11	1	🟢	
Building Control	2020	3					2	1			4	0	2	🟢	
Procurement	2020			1	5		3	1		1	0	6	5	🟢	These recommendations will discussed given the recent transfer of Procurement services to DCC.
Car Parking	2020				4		1				4	0	1	🟢	
Commercial Rents	2020				4		2	5			0	9	2	🟢	
Safe Staff Operations during Covid	2020				6		1	5			0	11	1	🟢	
		13	2	2	38	30	26	22	19	6	73	45	31	🟢	

CORE
SYSTEM

C = Completed 49%
N= Not yet due 30%
O = Overdue 21%

Not progressing 
 Progressing some overdue 
 On Target, report just issued 

This page is intentionally blank.

Devon Audit Partnership

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

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



devon **audit** partnership

Internal Audit

Annual Audit Report 2020-21

Mid Devon District Council
Audit Committee

Page 285

June 2021

Robert Hutchins
Head of Audit Partnership

CUSTOMER
SERVICE
EXCELLENCE



Auditing for achievement

Agenda Item 14.

Introduction

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

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

The Internal Audit plan for 2021-22 was presented and approved by the Audit Committee in March 2021. The following report and appendices set out the background to audit service provision, a review of work undertaken to close down our work 2020/21, and start work on 2021/22, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

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

Expectations of the Audit Committee from this annual report

Audit Committee members are requested to consider:

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

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see appendix 5) and satisfy themselves from this assurance to support signing the Annual Governance Statement.

Robert Hutchins

Head of Devon Audit Partnership

Contents	Page
Introduction	1
Opinion Statement	2
Summary Assurance Opinions	3
Audit Coverage and Performance Against the Plan	4
Appendices	
1 Summary of Audit Reports & Findings	5
2 Assurance Map	9
3. Professional Standards and Customer Service	12
4 Audit Authority	13
5 AGS Annual Governance Assurance Framework	14
6 Performance Indicators	15
7 Customer Service Excellence	16
8 Basis for Opinion	17

Opinion Statement

Overall, based on work performed during 2020/21 and our experience from previous years audit, the Head of Internal Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

This opinion statement will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement see appendix 4.

The Authority's internal audit plan for the year includes specific assurance, risk, governance and value-added reviews which, with prior years audit work, provide a framework and background within which we assess the Authority's control environment. The Head of Internal Audit's Opinion is informed by the assurance conclusions obtained through the audits undertaken in 2020/21. Any significant weaknesses identified in specific areas will need to be considered by the Authority in preparing its Annual Governance Statement for 2020/21.

In carrying out our audits, Internal Audit assesses whether key, and other, controls are operating satisfactorily with an overall opinion provided on the adequacy of controls to management within the audit report. Audit reports include an action plan with responsible officers and target dates to address control issues identified. While implementation of action plans rests with management, these are reviewed during subsequent audits or as part of a specific follow-up.

Our Reasonable Assurance is underpinned by the 2 Substantial, 20 Reasonable, and 3 Limited Assurance Opinions provided. The summary Assurance Opinions chart (page 3) provides a "Themed" overview. We have RAG rated the audit areas covered to identify what our assurance is relative to the audit plan. We also include our Assurance Map in Appendix 2 which was first discussed with Audit Committee in January 2021.

This statement of opinion is underpinned by:

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems including processes in place to establish and monitor the achievement of the Council's objectives; facilitate policy and decision making; ensure economical, effective and efficient use of resources, compliance with established policy, procedure, law and regulation; and safeguard the Council's assets and interests from losses of all kinds. Core financial and administrative systems were reviewed by Internal Audit.

The Council's overall internal control framework is considered to have operated effectively during the year. Where we have highlighted instances of poor compliance to key controls, none are considered to have had a material impact on the Authority's operations.

Our audits have assessed the impact on the control framework from the Covid-19 emergency and resultant changes to working practices and controls, such as increased home working. In some areas this also placed significant additional work burdens, for instance in the placement of Covid-19 government grants. While we have identified instances where key controls have been affected, such as monthly reconciliations, overall, the control environment has coped reasonably well with most core controls continuing to operate effectively.

Risk Management

Risk Management process at strategic and operational level remains in place although ongoing review is required to improve the focus of risks to key business objectives and improve mitigation control. There remains work to be done to embed this at operational level.

Governance Arrangements

Governance arrangements have been considered in areas such as Procurement, Three Rivers, and Partnerships, and found to be effective, but with opportunities to improve consistency or alignment to business need.

Performance Management

Performance is subject to monitoring at management and Committee levels by PDG and Scrutiny. This is supported by the SPAR performance monitoring system. In several areas we identified that key performance indicators could be included for better monitoring of day to day operations.

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Summary Assurance Opinion

Page 288

Summary of key audit reviews	Service Area Overview of Audit Coverage								Opportunity	Value Added		
	Finance & Resources		Corporate Affairs		Operations		Planning & Economy					
	Assets Management		Sickness		Car Park		Building Control		Assurance Mapping	Tender opening		
	Commercial Rents		Members Allowances		Stores Check		Licensing Services					
	Procurement		Climate Change		Covid-19 Safe Staff Operations							
	Covid-19 Grants (incl Income Compensation Scheme, Small Business grants)		Three Rivers									
Core Assurance	Key Financial Systems -		Income Collection, Creditors		Council Tax & NNDR,		Housing Benefits, Housing Rents		Main Accounting System		Payroll	
	Governance & Business Processes -		Procurement		Partnerships							
	ICT / Digital		ICT Core		Digitalisation and Social Media							

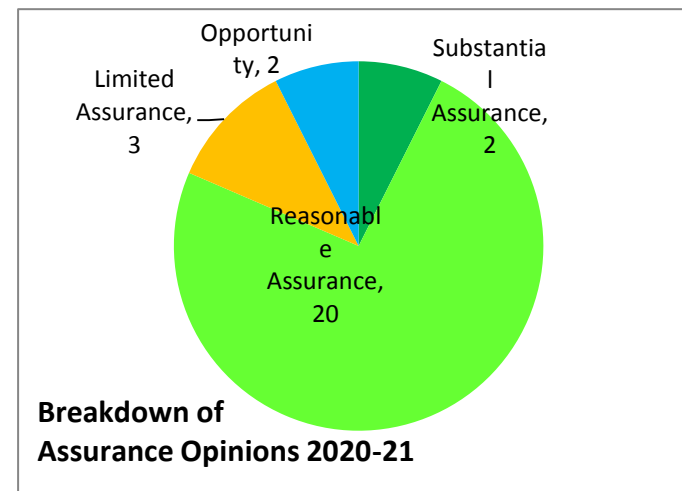
Note: Assurance opinions are 'RAG' rated to support the overall assurance opinion for the year. The ratings are relevant at the time of the audit review and assurance may have improved since that time. Performance against recommendations is shown in appendix 2.
Areas shaded blue denote opportunity or value-added work.

Audit Coverage and performance against plan

We have completed 89% (24 audits) of the revised plan agreed in November 2020 for this year (to draft /final report stage), along with three reports from 2019/20. The remaining audit on Cyber Security will report in 2021/22. Appendix 5 shows the performance indicators for audit delivery. Some audits have required a richer mix of staff resource than planned in the initial audit plan due to the complexity / sensitivity of the area under review e.g. ICT and property.

The Summary Assurance Opinion (page 3) shows that we have undertaken audits across different areas of the Council to support an assurance opinion, along with all but one of the Core audits completed (the exception was Treasury Management that was cancelled). A graph of the assurances provided is shown opposite.

Appendix 1 to this report provides a summary on each of the remaining audits reporting after the March 2021 Audit Committee. The other audits were reported to Audit Committee through the year. Where a "Substantial" or "Reasonable" standard of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified. Where an opinion of "Limited" has been provided then issues were identified during the audit process that required attention. In our summary we detail some of the key issues reported to management. We are content that management are appropriately addressing these issues.



Value Added

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

- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

This current year, we have sought to provide added value by confirming that key controls continue to operate despite the significant changes to business operations, and that new ways of working arising from the Covid-19 emergency are allowing business activities to function effectively.

Fraud Prevention and Detection

Overall, the risk of fraud at the Council is considered low. We contributed to a review of the Council's Counter Fraud Strategy so that there is a more proactive approach to identifying and preventing fraud that may occur, with a focus on high risk areas. All our internal audit assignments include considering the potential for fraud and how the council prevents such fraud occurring. Work on the key financial systems (payroll, creditors, debtors etc) considered the suitability and robustness of the control framework to prevent, detect and address fraud. The national data matching exercise (National Fraud Initiative - NFI) is supported by the Council every two years. There were no significant investigations that were required during the year.

Appendix 1 – Summary of audit reports and findings - following March 2021 Audit Committee



Risk Assessment Key

Spar – Local Authority Risk Register score Impact x Likelihood = Total & Level
ANA - Audit Needs Assessment risk level as agreed with Client Senior Management
Client Request – additional audit at request of Client Senior Management; no risk assessment information available



Direction of Travel Assurance Key

Green – action plan agreed with client for delivery over an appropriate timescale;
Amber – agreement of action plan delayed or we are aware progress is hindered;
Red – action plan not agreed or we are aware progress on key risks is not being made.
* report recently issued, assurance progress is of managers feedback at debrief meeting.

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
Core Audit – Key Financial Systems						
<div>Parking Operations</div> <div>Risk: ANA - Low</div> <div>Page 290</div>	Reasonable Assurance	<p>The car parking function is a well-established operation with staff using detailed and comprehensive guidance and procedures to manage the car parking function. Systems and processes are effective and are those commonly used by many local authorities with customers able to online purchase a ‘virtual’ parking permit (RinGo) or pay by cash, or debit/ credit card. Car park machine box income is collected by a third party, then credited to the Council's bank account.</p> <p>Reconciliation between the number and type of permits issued, and the amount of permit income received is not currently undertaken. The result is that income collection performance is not centrally monitored for completeness and error nor consideration on how to improve. We also identify opportunities to provide management information reports to support review of collection of Penalty Charge Notice debt, with around 35% of debt outstanding for 2018 and 2019 equating to £86k. While Mid Devon have no laid down KPI, the Authority has just entered a joint procurement with other councils for enforcement agency services. Within this agreement is a laid down percentage collection rate to be achieved in the first three years of the contract.</p>	-	5	-	
<div>Council Tax / NNDR</div> <div>Spar Risk (Rev & Benefit Collection): 4 x 4 = 16</div>	Reasonable Assurance	<p>Staff have been mainly working from home and appear to have managed processes effectively with no service disruption or significant impact on recovery rates (see below). The Team has worked hard to address daily workflow during an extremely tough year. The Team has also lost three experienced Team members leaving it under resourced, but measures are being taken to address this issue</p> <p>Our last audit report noted that accuracy checking of 10% of all claims was not being undertaken. Pandemic circumstances have delayed resolve this year, due to the reduced staffing levels, training of a new employee, and the impact of Covid-19, but is shortly to restart. 100% testing of a new employee's work is being carried out which is appropriate. We also note that while NNDR reconciliations have been</p>	-	2	1	

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
		<p>prompt, but Council tax reconciliations have not been as timely.</p> <p>We reviewed the payment collection rates and consider they are very good given the circumstances throughout the year:</p> <ul style="list-style-type: none">Council Tax at February 2021 was 94.34% (compared with a recovery rate of 95.48% at this time last year).The NNDR rate at February 2021 was 90.94% (compared with a recovery rate of 93.5% at this time last year).				
<p>Housing Benefits</p> <p>Risk: ANA Low</p> <p>Spar n/a</p> <p>Page 291</p>	Reasonable Assurance	Access to the Revenues and Benefit System, Northgate, is well controlled and overpayments are effectively monitored and are being recovered through the various channels available. Council Tax Reduction claims are manually reviewed to ensure that awards are accurate. Workload management and working from home arrangements are effective and management has ensured that team members do not work excessive hours. Core controls have been maintained despite the pressures arising from the emergency although some checks have been reduced due to the additional workload and re-structure. For instance, capacity for checking of assessments has been reduced and during times when workload has been excessive, checking has then not been possible. In addition, restructure of the Benefits and Revenues Team should improve overall resilience, cross service training is not yet complete which reduces the level of cover for the Benefits and Revenues Team Leader in times of absence.	-	2	1	
<p>Housing Rents</p> <p>Risk ANA Medium</p> <p>Spar n/a</p>	Substantial Assurance	Our assessment is that access to the housing system, Orchard, and management of applying accurate weekly rental rates and collection of arrears is effective and well controlled. Staff have been mainly working from home during the pandemic and they appear to have managed processes effectively with no notable disruption to the service. Customer First have helped with calls. Significant efforts have been made to support tenants suffering adverse impact from the Covid-19 emergency. Inevitably rent arrears have increased due to pandemic circumstances (circa 32%), though MDDC remain in the upper quartile for collection. The Team is working to reduce the level have applied additional resource to achieve this.	-	2	3	
Debt Recovery	Reasonable Assurance	Report being drafted – indicative “Reasonable” at this time.				

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
Risk Based Audits						
Counter Fraud Risk / ANA: ANA – Low Spar 4x2=8 Low	Opportunity	There are recognised policies and procedures within the Council for the management of fraud. Our review confirmed that management are clear on their understanding of the requirements and expected action. There are few recognised incidents of fraud and whilst this can be taken as a level of comfort, all agreed that there is opportunity to improve identification, reporting, prevention and management of potential fraud to improve the assurance that can be taken from the current level of general awareness through the revised strategy. This should also lead to an improved consciousness of dealing with any potential incidents that may arise. The Council's Audit Committee are keen to engage further support from our counter fraud services.	0	0	9	
Safe Staff Operations during Covid-19 Risk ANA: Medium	Reasonable Assurance	The pandemic has had a big impact on the Council both financially and operationally and its staff, who have shown flexibility and determination to deliver. The Council has shown a real concern for staff during this period and made significant effort to support them. We have found that the Council has provided good support to its staff since the start of the emergency whilst balancing the need to deliver its core services. It is noteworthy that no Council officer contracted Covid-19 last year until 25 December when a small number of staff got the virus. One conclusion from our survey was that most staff were “contented” with work and well-being. Another finding was that a large proportion of those working both outside or in the office felt the Council had done enough to support them in ensuring they had a safe working environment. They also felt well supported by their teammates and colleagues. That said, we have agreed recommendations to improve support to staff, and address concerns that were expressed in the survey.	-	7	3	
Three Rivers Housing Company – Follow Up SPAR Risk: (Company Failure) 5x3 = 15; (disclosure requirements / transparency) 4x2 = 8	Reasonable Assurance	Since our last review there has been important improvements to governance, risk management and controls including appointment of a new Finance Director and Non-Executive Director, new charges placed on properties, implementation of a more formal loan arrangement, and better reporting to Cabinet including two ambassadors. We consider that there has been good progress on clearance of the internal audit management actions, with 32 of the 35 agreed actions implemented. We also agreed further recommendations to further improve control against the eight risk	1	4	5	

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
		areas assessed in our previous report. We also provided an assessment on the 33 actions developed following external advice and agreed by the Audit Committee. 22 of those have been fully completed, with six currently being taken forward, 3 not yet due and 2 no longer relevant.				
Climate Change Spare risk: 5x4 = 20 (finance strategic budget and plans)	Reasonable Assurance	The Council has made a clear commitment to support climate change action by its commitment to become carbon neutral by 2030. It has released a Climate Change Strategy and Action Plan and has already identified significant opportunities to reduce the impact of carbon emissions and secure funding and grants supporting those actions. Many of the opportunities identified in this report are already being taken forward, including identifying an overall climate change budget and other actions to reduce emissions. We have identified other opportunities to improve risk and opportunity management and increase the scope of the action plan to consider 'Adaption' requirements as well as the level of Carbon Offsetting required. Overall, the Council is making good progress towards the end objective, but sustained work over many years will be needed to meet the challenging 2030 target.	-	4	1	
Stores Annual Review ANS Risk: Low	N/A	We supported the annual stores stocktake with review of the results and approach taken to check the store stock check, and interviews of those involved. Based on our review, we consider that the stock check was undertaken systematically, and the results provide a good degree of assurance that stock is appropriately monitored to reduce risk of loss or error. We are undertaking a formal risk-based review of the Stores area in May 2021.	-	1	2	

Appendix 2 – Assurance Map

The Institute of Internal Auditors provides a summary of the benefits of Assurance Mapping:

- *An assurance map brings an organisations risk appetite to life. At the same time as highlighting assurance gaps, it also shows where there is duplication or too much assurance. It is a simple way of aligning assurance resource, risk and internal control.*
- *It improves awareness of the control environment by looking across the organisation rather than at individual reports which can lead to siloed thinking.*
- *It drives positive behaviours by enabling robust discussions about risk, educating on the value of assurance and aiding collaboration between functions.*
- *Collectively, the assurance community of an organisation often has a more powerful voice when it works together; an assurance map is a practical platform benefiting all parties.*

During the year we have developed an assurance map for Mid Devon to provide a high-level graphical picture of the effectiveness of key controls on which the Council relies on to ensure integrity and effectiveness in its operations. This is presented below. The summary is underpinned by individual operational assurance maps for each audited area. These have been populated using previous audit reports, the Council's risk register and cumulative audit knowledge of the respective authority. The completion of the summary and individual maps provides us with a base from which we can concentrate future audit fieldwork on key risks and areas marked as 'Improvements required' (Amber) or Fundamental Weaknesses (Red).

Conclusions

From this assurance mapping work, we highlight the following:

- **3rd party resilience and governance, and business continuity:** We list some areas as 'Amber'. While we expect these areas to have been exercised and challenged over the Covid-19 period and have worked sufficiently, there are opportunities to review the resilience of systems and the support provided to them.
- **Fraud and Error:** Expected controls surrounding anti-fraud management were not always present or considered in every core system or process. These included fraud investigation training and processes, and a formalised fraud incident reporting process. We have recently been feeding into the Counter Fraud Strategy to encourage a more systematic approach.
- **Input processing and output controls:** In some areas we identified that there were weaknesses in segregation or delegations. As a small organisation the Council will find it challenging to meet best practice in authorisation and review of operations such as raising and posting of financial transactions. It will need to balance the risk of single sign off processes to improve business resilience and operations, against the increased risk of error arising. In those cases, we have noted that management has accepted the increased risk (sometimes a small increase) in favour of resilience and operations.
- **Performance and Financial Management:** In several reviews we noted that performance indicators were not in place or did not support effective monitoring and management of performance or delivery, for example use of Social Media, Payroll, Parking Operations.
- **Strategies and Business Plans:** Related to the above point, in some areas there could be more consideration of strategies and business plans underpinned by relevant performance indicators.
- **Guidance, manuals, and job descriptions.** We identified several areas where guidance or manuals needed to be either updated or created to improve the control framework. These support business resilience, but also help ensure key controls are maintained through clear description of the processes and steps for people to follow.

- **Sources of Independent Assurance.** Within our current model we do not currently have much information on the sources of independent assurance other than Internal Audit and External Audit. As the Council should be considering useful sources of independent assurance and review, we will seek to populate more detail on those sources.

The Assurance Map on the next page is intended to provide a high-level graphical picture of the effectiveness of key controls on which the Council relies on to ensure integrity and effectiveness in its operations. It will be further developed in 2021-22 to allow more business and internal audit focus on areas of weakness.

11

Appendix 3 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS)

Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2017. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

Quality Assessment – through external assessment December 2016 “DAP is considered to be operating in conformance with the standards”. External Assessment provides independent assurance against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS). The Head of Devon Audit Partnership also maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

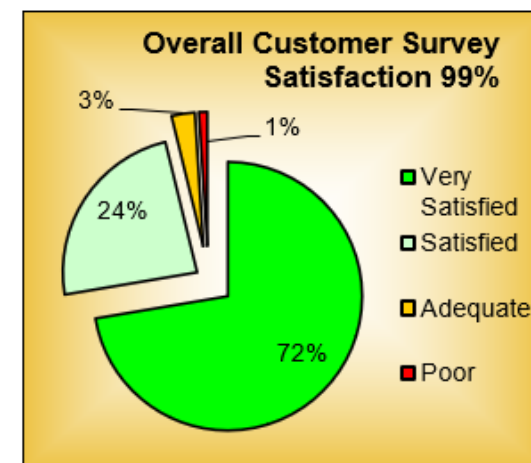
Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated, and a status report was which is monitored by the Management Board in October 2019 and reported to the Partnership Committee.

Performance Indicators

Overall, performance against the indicators has been very good with improvements made on the previous year (see Appendix 6). We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We continue to review where performance in this area can be improved.

Customer Service Excellence

In June 2019, DAP was successful in re-accreditation by G4S Assessment Services of the CSE. We continue to issue client survey forms with our final reports and the results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 98% being "satisfied" or better across our services, see appendix 7. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.



Appendix 4 - Audit Authority

Page 298



Appendix 5 - Annual Governance Framework Assurance

The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

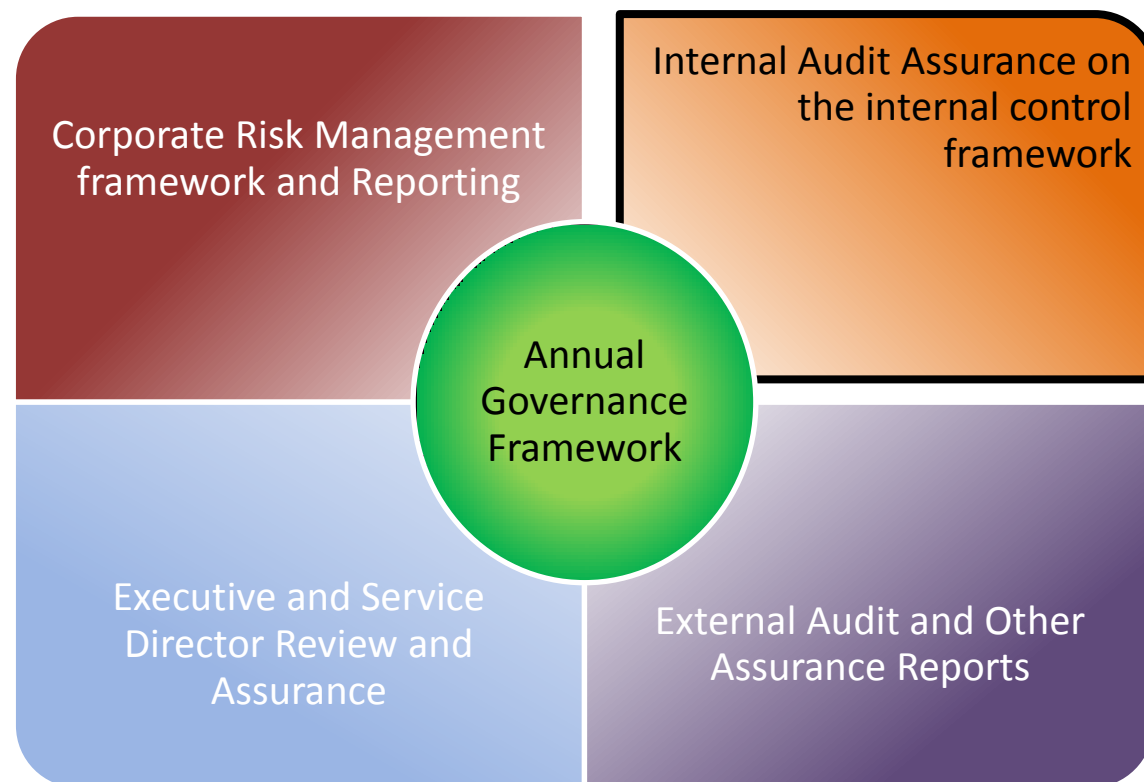
The Annual Governance Statement provides assurance that

- the Authority's policies have been complied with in practice.
- high quality services are delivered efficiently and effectively.
- ethical standards are met.
- laws and regulations are complied with.
- processes are adhered to.
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit Committee.
- highlight significant events or developments in the year.
- acknowledge the responsibility on management to ensure good governance.
- indicate the level of assurance that systems and processes can provide.
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
 - The Authority.
 - Audit Committee.
 - Risk Management.
 - Internal Audit.
 - Other reviews / assurance.

Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Group, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

Appendix 6 – Performance Indicators

There are no national Performance Indicators in existence for Internal Audit, however, the Partnership does monitor the following Local Performance Indicators LPI's:

Local Performance Indicator (LPI)		2018/19	2019/20	2020/21
	Full Year Target	12mth Month Actual	12mth Month Actual	12mth Month Actual
Percentage of Audit plan Commenced	90%	98%	100%	96% (1)
Percentage of Audit plan Completed	90%	98%	91%	89% (2)
Actual Audit Days as percentage of planned	90%	93%	93%	97% (3)
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	90% (4)
Percentage of chargeable time	65%	66%	67%	65.8%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	97%	98%	96% (5)
Draft Reports produced within target number of days (currently 15 days)	90%	83%	69%	87%
Final reports produced within target number of days (currently 10 days)	90%	91%	86%	92%
Out-turn within budget	Yes	Yes	Yes	Yes

(1) Of our adjusted plan agreed in November 2020, we calculate 27 specific audits started, and 1 (on Collaborative / Partnerships not started, as our 2019/20 audit reported in September 2020). This compared to a target of 28 audits.

(2) The remaining audits not yet fully completed (Debt Recovery, and Cyber Security) are at draft report, and fieldwork, stage. We also reported on three audits from 2019/20.

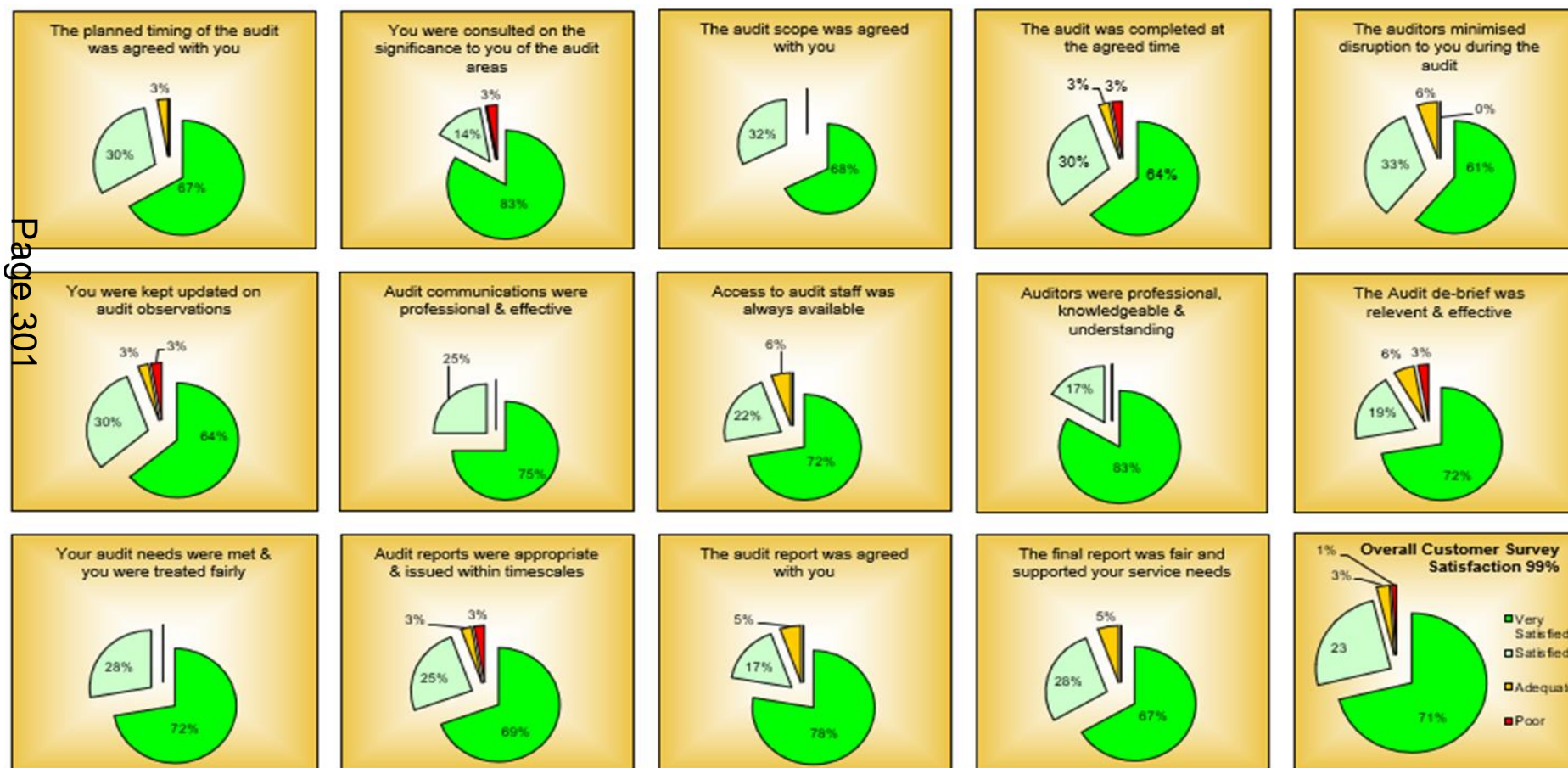
(3) Revised plan agreed in November 2020.

(4) We agreed to defer our audit on Treasury Management (Substantial Assurance) to 2021/22 as part of our revised audit plan.

(5) Represents customer feedback from the wider DAP partnership including those received from Mid Devon.

Overall, performance against the indicators has been met.

Due to the additional demands placed on staff during the Covid pandemic detailed client feedback forms for 2020/21 were not always issued; however we show below the results from wider customer feedback across Devon Audit Partnership. Whilst this does not allow detailed analysis across Mid Devon, it does provide an indication of the areas where the team have performed well, and those areas where we can still improve. We trust that we will be able to obtain a greater level of feedback in 2021/22.



Appendix 8 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

The extent to which our work has been affected by changes to audit plans has not been notable this year and we have been able to accommodate the changes required within planned resources and completed the work.

In previous years, other service priorities have impacted audit delivery in only a small way and this year is no different. This has not affected the level of assurance provided.

The overall audit assurance will have to be considered in light of this position.

In assessing the level of assurance to be given the following have been taken into account:

all audits completed during 2019/20, including those audits carried forward from 2018/19;

any follow up action taken in respect of audits from previous periods;

any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the Council's audit need that has been covered to date;

the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;

any limitations that may have been placed on the scope of internal audit.

This page is intentionally blank.

Devon Audit Partnership	Confidentiality and Disclosure Clause
<p>The Devon Audit Partnership has been formed under a joint committee arrangement. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.</p>	<p>This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>

This page is intentionally left blank

Mid Devon District Council Audit Progress Report and Sector Update

Year ending 31 March 2021

July 2021
Page 305



Agenda Item 15.

Contents

Section	Page
Introduction	03
Progress at July 2021	04
Audit Deliverables	06
Sector Update	07

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction

Your key Grant Thornton team members are:



Julie Masci

Director

T 029 2034 7506

E julie.masci@uk.gt.com



Grace Hawkins

Senior Manager

T 029 2034 7542

E grace.e.Hawkins@uk.gt.com



Courtney Aylott

In-Charge

T 0117 305 7809

E courtney.j.aylott@uk.gt.com

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at July 2021

Financial Statements Audit

We undertook our initial planning and interim audit in February and March 2021. We have received your draft financial statements and commenced our main audit work in June 2021, this remains ongoing.

In June 2021 we issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2020/21 financial statements. This is included in as a separate item on the agenda for the July Audit Committee.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. In 2020 this date was pushed back to 31 August. The date by which authorities are required to publish audited financial statements is 30 September 2021. In 2020 this date was pushed back to 30 November 2020.

We are aiming to complete our audit work and report to the Audit Committee in September.

Value for Money

The new Code of Audit Practice (the “Code”) came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline is now no more than three months after the date of the opinion on the financial statements.

Progress at July 2021 (cont.)

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2020/21 claim is ongoing. We will report our findings to the Audit Committee in our Certification Letter in January 2022.

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). The certification work for the 2020/21 return is due to begin in October.

Meetings

We met with Finance Officers in June 2021 as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2020/21 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.	June 2021	Complete
Audit Findings Report The Audit Findings Report will be reported to the October Audit Committee.	September 2021	Not yet due
Auditors Report This is the opinion on your financial statements.	September 2021	Not yet due
Auditor's Annual Report This Report communicates the key issues arising from our Value for Money work.	December 2021	Not yet due

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

What can be learned from Public Interest Reports?– Grant Thornton

2020 will be remembered as a tumultuous year in local government, with the pandemic creating unprecedented pressure on the sector. It also saw the appearance of two Public Interest Reports (PIRs), followed by another in January this year – the first to be issued in the sector since 2016. PIR's can be issued by local auditors if there are significant concerns around council activity, such as major failings in finance and governance.

Page 312
The recent PIRs have made headlines because, up to this point, very few have ever been issued. But, as our latest report “Lessons from recent Public Interest Reports” explores, all three illustrate some of the fundamental issues facing the wider sector and provide a lesson for all local authorities around: weaknesses in financial management; governance and scrutiny practices; and council culture and leadership; which, when combined, can provide fertile ground for the kind of significant issues we might see in a PIR.

The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1) Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2) Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

- 3) Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4) Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The PIRs at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other local authorities, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

- 1) The context of local government in a COVID-19 world
- 2) Governance, scrutiny, and culture
- 3) Local authority leadership.

The full report is available here:

[Lessons from recent Public Interest Reports | Grant Thornton](#)

Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

Page 313

The transparency report provides details of our:

- Leadership and governance structures
- Principle risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Local authority Covid-19 pressures – MHCLG

Outturn figures from the Ministry for Housing, Communities and Local Government (MHCLG) show that local authorities in England reported additional cost pressures of £12.8bn relating to Covid-19 in 2020-21. Overall, local authorities spent £7.2bn responding to the pandemic last year, with the largest share of additional expenditure going on adult social care services at £3.2bn.

Additional expenditure due to COVID-19 by class and service area (£ millions) (2020-21)						
	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Adult Social Care – total	0.473	1,254.880	848.656	663.404	413.842	3,181.254
Children's social care - total (excluding SEND)	0.000	94.933	131.127	89.799	62.987	378.846
Housing - total (including homelessness services) excluding HRA	63.129	5.254	74.949	42.281	112.971	298.584
Environmental and regulatory services - total	33.564	68.097	67.512	66.704	63.556	299.433
Finance & corporate services - total	48.222	53.445	83.984	76.923	78.284	340.858
All other service areas not listed in rows above	184.550	634.578	584.924	564.737	395.137	2,363.926
Total	329.937	2,111.187	1,791.153	1,503.848	1,126.777	6,862.902



The figures are available in full here:
<https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

Income losses due to COVID-19 by class and source of income (£ millions) (2020-21)						
	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Business rates	276.498	0.000	194.192	207.351	537.667	1,215.708
Council tax	399.037	0.000	217.633	191.219	232.727	1,040.616
Sales fees and charges	516.426	194.923	553.907	396.745	475.728	2,137.728
Commercial income	82.448	24.159	120.629	204.211	52.154	483.600
Other	33.494	39.947	27.163	53.664	45.166	199.435
Total	1,307.903	259.029	1,113.524	1,053.190	1,343.441	5,077.087

Government response to Redmond review – MHCLG

Government has published an update on the Ministry of Housing, Communities & Local Government response to Sir Tony Redmond's independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

The MHCLG press release states "The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers.

The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

In the immediate term, MHCLG will set up and chair a Liaison Committee, which will comprise senior stakeholders across the sector that will oversee the governance of the new audit arrangements and ensure they are operating effectively."

The press release goes on to state the "measures finalise the government's response to Sir Tony Redmond's independent review into local audit, carried out last year.

The government has already announced £15 million to support councils with additional costs in audit fees, and recently consulted on the distribution of this funding. Government is also consulting on improving flexibility on audit fee setting and has extended the deadline for when councils must publish their audited accounts.



The press release can be found here:

<https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response>

2019/20 audited accounts – Public Sector Audit Appointments

In December 2020 Public Sector Audit Appointments (PSAA) published figures relating to the audit of 2019/20 local authority financial statements.

PSAA report “Audit arrangements in local councils, police, fire and other local government bodies are continuing to exhibit signs of stress and difficulty. In the latest audit round, focusing on 2019/20 financial statements and value for money arrangements, fewer than 50% of bodies’ audits were completed by the revised target of 30 November.

Page 316
Figures compiled by PSAA, the organisation responsible for appointing auditors to 478 local bodies, reveal that 55% (265) of audit opinions were not issued by 30 November. This is a further deterioration on 2018/19 audits when 43% of opinions (210 out of 486) were delayed beyond the then target timetable of 31 July.”

By 30 November, Grant Thornton had signed 113/208 audits (a 55% completion rate), meaning that only 45% of audit opinions were not signed by 30 November, compared to the 55% all firms average.

PSAA go on to note “This year’s timetable has been deliberately eased by Ministers in recognition of the underlying pressures on the audit process and the significant added complications arising from the Covid-19 pandemic. The pandemic has posed practical challenges for bodies in producing accounts and working papers, and for auditors to carry out their testing. Both sets of staff have had to work remotely throughout the period, and the second national lockdown came at a critical point in the cycle.

Questions and concerns about the potential implications of the pandemic for some bodies have meant that both finance staff and auditors have needed to pay particular attention to the financial position of each entity. Additionally, following a series of increasingly challenging regulatory reviews, auditors have arguably been more focused than ever on their professional duty to give their opinion only when they are satisfied that they have sufficient assurance.”



The news article can be found here:

[News release: 2019/20 audited accounts – PSAA](#)

Consultation on 2023-24 audit appointments – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) is consulting on the Draft prospectus for 2023 and beyond.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

Page 317

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
- establishing arrangements that are able to evolve in response to changes to the local audit framework.”

The plans include proposals to adjust the procurement ratio between quality and costs from an equal 50:50 to 80:20, as well as trying to bring new suppliers in to the market.

The consultation on the PSAA’s proposals closes on 8 July.



The news article can be found here:

<https://www.psaa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/prospectus-2023-and-beyond/draft-prospectus-for-2023-and-beyond/page/7/>



External Audit Plan

Year Ending 31 March 2021

Mid-Devon District Council
June 2021
Page 319



Contents



Your key Grant Thornton team members are:

Julie Masci

Director

T 029 2034 7506

E julie.maschi@uk.gt.com

Grace Hawkins

Senior Manager

T 029 2034 7542

E grace.e.Hawkins@uk.gt.com

Courtney Aylott

In-Charge

T 0117 305 7809

E courtney.j.aylott@uk.gt.com

Section

Key matters
Introduction and headlines
Group audit scope and risk assessment
Significant risks identified
Accounting estimates and related disclosures
Other matters
Materiality
Value for Money
Audit logistics and team
Audit fees
Independence and non-audit services
Appendix 1: Revised Auditor Standards and application guidance

Page

03
04
05
06
08
11
12
13
16
17
19
20

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Key matters

Factors

New Code of Audit Practice

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which came into effect from audit year 2020-21. The Code introduced a revised approach to the audit of Value for Money (VFM). These changes are explained in more detail on p.13 but the main points are that there are a new set of key criteria, there is more extensive reporting requirements and the replacement of the binary qualified approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Adoption of new auditing standards - Estimates

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As we explain in more detail on p.8 this will require greater disclosure by the Authority as well as additional work by the auditor.

Local Government developments – Covid-19

Local Government funding continues to be stretched with increasing cost pressures and demand and the outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of a large number of public sector organisations. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far as we can, our aim is to work with you in these unprecedented times, ensuring there is up to date communication and flexibility where possible in our audit procedures.

Our response

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on.

The revisions to the standard have been incorporated into our audit approach and methodology. We have already identified the material accounting estimates likely to be impacted by the new auditing standard and will work with management to agree the information required and the disclosures required in the financial statements.

We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.

At this time we have not identified a specific Covid-19 significant audit risk (as we did for all Local Government audits in 2019-20 which covered a number of risks including the availability of the Authority's staff to produce accounts, valuation uncertainties in relation to land and buildings and council dwellings, and valuation of pension fund assets). We will revisit this assessment should the current pressures the sector faces continue and impact year-end accounting and auditing processes.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit Mid-Devon District Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA). We draw your attention to both of these documents.

Scope of our audit

"The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee).

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of 3 Rivers Developments Ltd.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Revenue transactions which include fraudulent transactions – specifically for 3 Rivers trading income (the remaining sources of income are rebutted)
- Management override of controls
- Valuation of Land and Buildings, Investment Property and Council Dwellings
- Valuation of Pension Fund Net Liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.049m (PY £0.967m) for the group and £1.044m (PY £0.967m) for the Council, which equates to 1.8% of your prior year gross expenditure for the year plus other operating expenses plus financing investment costs (£58,281k for the group and £58,023k for the Council). We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.052m (PY £0.048m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following risks of significant weakness:

- Financial Sustainability
- Group Governance

Audit logistics

Our interim visit will take place in March 2021 and our final visit will take place from June – August 2021. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £58,229 (PY: £50,863) for the Council, subject to the Council delivering a good set of financial statements and working papers. We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Mid Devon District Council	Yes		<ul style="list-style-type: none"> See significant risks identified on Page 4 and Page 6 	Full scope audit performed by Grant Thornton UK LLP
3 Rivers Developments Ltd	No		<ul style="list-style-type: none"> We have identified the occurrence and accuracy of 3 Rivers trading income as a significant risk. The majority of the transactions of the company are with the Council and will be reviewed as part of the intra-group consolidation adjustments. 3 Rivers Development Ltd is not subject to external audit 	<p>As 3 Rivers Development Ltd is not subject to external audit we are not able to rely upon the work of another auditor. We will therefore perform the following procedures to gain our assurance:</p> <ul style="list-style-type: none"> Agree the overall consolidation including alignment of accounting policies Agree consolidation adjustments, and Audit classes of transactions that remain material after consolidation adjustments. <p>We will review this strategy on receipt of the draft financial statements for the subsidiary</p>

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Council and Subsidiary	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals • Analyse the journals listing and determine the criteria for selecting high risk unusual journals • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of Land and Buildings and Council Dwellings (Rolling Revaluation)	Council and Subsidiary	<p>The group revalue its land and buildings and Council Dwellings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £190 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • Evaluate the competence, capabilities and objectivity of the valuation expert • Write to the valuer to confirm the basis on which the valuation was carried out • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • Test revaluations made during the year to see if they had been input correctly into the group's asset register • Evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Pension Fund Net Liability	Council and Subsidiary	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£58.765 million in the Authority's balance sheet at 31/03/2020) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • Assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures. • Obtain assurances from the auditor of the Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.
Group Revenue	Subsidiary	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>For Mid Devon District Council Group, we have concluded that the greatest risk of material misstatement relates to Group Revenue. We have therefore identified the occurrence and accuracy of 3 Rivers trading income as a significant risk, which is one of the most significant assessed risks of material misstatement, and a key audit matter.</p> <p>We have rebutted this presumed risk for the revenue streams of the Authority because:</p> <ul style="list-style-type: none"> • Other income streams are primarily derived from grants or formula based income from Central Government and tax payers; and/or • opportunities to manipulate revenue recognition are very limited. 	<p>For Group Revenue we will:</p> <ul style="list-style-type: none"> • Evaluate the group's accounting policy for recognition of income for appropriateness; • Gain an understanding of the group's system for accounting for income and evaluate the design of the associated controls; • Agree, on a sample basis, amounts recognised as income in the financial statements to supporting documents.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings and council dwellings
- Depreciation
- Year end provisions and accruals, specifically for demand led services such as Adult's and Children's services
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Page 328 Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have made inquiries of management as an appendix to the audit plan that will be presented at Audit Committee.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.

We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see page 14). We will also need to identify whether any material uncertainties in respect of going concern have been reported for the Council's subsidiary. If such a situation arises, we will consider our audit response for the group.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion (1.8%) of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.049m (PY £1.071m) for the group and £1.044m (PY £1.071m) for the Council, which equates to 1.8% of your prior year expenditure. We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.052m (PY £0.054m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

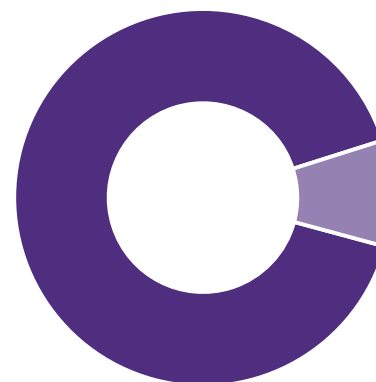
Prior year gross operating costs

£58.3m group

(PY: £58.3m)

£58.0m Council

(PY: £58.0m)



■ [Forecast/Prior year]
gross operating costs
■ Materiality

Materiality

£1.049m

group financial
statements
materiality

(PY: £0.967m)

£1.044m

Council financial
statements
materiality

(PY: £0.967m)

£0.052m

Misstatements
reported to the
Audit Committee
(PY: £0.048m)

Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness

More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach

- The replacement of the binary qualified/unqualified approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table overleaf.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

Page 332

Financial Sustainability

There is a risk to the delivery of the Financial Plan. There is a risk that the Council has unidentified savings and funding gaps in financial planning that would substantially threaten the delivery of the plan.

We will:

- Review the savings plans identified to date.
- We will review the delivery of the 2020/21 budget as well as how the Council has developed its financial plan including a review of the assumptions in setting the budget and closing the initial funding gap.
- We will further consider the impact of Covid-19 on the Council's current financial position including the impact on budgeting into the short and medium term.
- Further, we will consider potential funding gaps in financial planning that could substantially threaten the delivery of the plan.



Group Governance

A number of recommendations remained outstanding at the conclusion of our work in 2019/20 that highlighted concerns about the governance arrangements surrounding the Council's company 3Rivers.

We will:

- Follow up all prior year recommendations,
- Review the results of internal audits work as well as any externally commissioned reports,
- Review the updated business plan and performance monitoring of the Company that is reported to members.

Potential Types of Recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team



Page 334



Julie Masci, Key Audit Partner

Julie leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



Grace Hawkins, Audit Manager

Grace plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.



Courtney Aylott, Audit Incharge

Courtney's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively and efficiently. Courtney supervises and co-ordinates the on-site audit team.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

PSAA awarded a contract of audit for Mid-Devon District Council to begin with effect from 2018-19. The fee agreed in the contract was £36,729. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 13, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £7,366 (14%). This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1..

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been agreed with the Director of Finance.

	Actual Fee 2019/20	Proposed fee 2020/21
Council Audit	£36,729	£36,729
Additional Fee	£14,134	£21,500
Total audit fees (excluding VAT)	£50,863	£58,229

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA	£36,729
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Raising the bar/regulatory factors	£2,500
Enhanced audit procedures for Property, Plant and Equipment	£1,750
Enhanced audit procedures for Pensions	£1,750
Audit fee 2019/20	£42,729
<i>New issues for 2020/21</i>	
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs	£6,500
<i>Proposed increase to agreed 2019/20 fee</i>	£15,500
Total audit fees (excluding VAT)	£58,229

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and component audit firms providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefit	12,666	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,666 in comparison to the total fee for the audit of £58,229 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Pooling of Housing Capital Receipts	5,000	Self interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £58,229 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance




The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	✓
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	✓
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	✓
ISA (UK) 230 – Audit Documentation	January 2020	✓
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	✓
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	✓
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	✓
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	✓
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	✓
ISA (UK) 570 – Going Concern	September 2019	✓
ISA (UK) 580 – Written Representations	January 2020	✓
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	✓
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	✓
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	



This page is intentionally left blank



Our ref: MDDC Estimates/JM/GH 202021

Mr A Jarrett
Deputy Chief Executive and Director of Finance, Assets & Resources
Mid Devon District Council
Phoenix House
Phoenix Lane
Tiverton
EX16 6PP

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL
T +44 (0)117 305 7600
F +44 (0)117 955 4934

24 February 2021

Dear Andrew

Mid Devon District Council Financial Statements for the year ended 31 March 2021

As part of our audit of the Authority's financial statements for the year ended 31 March 2021, we need to update our understanding of your accounting estimates, including all the key accounting estimates that will be included in the Authority's financial statements this year. We do this to maintain our understanding of Mid Devon District Council and to comply with International Auditing Standards (ISAs (UK)), including the revised standards that apply to our 2020/21 audit for the first time.

International Auditing Standards place obligations on auditors to document their understanding of the entity and its environment, including the entity's internal control, in identifying and assessing the risks of material misstatement in the financial statements. [ISA \(UK\) 540 \(Revised\) Auditing Accounting Estimates and Related Disclosures](#) (revised in December 2018) is effective for audits of financial statements for periods beginning on or after 15 December 2019. The revised standard requires auditors to understand a number of matters related to your key accounting estimates (as set out in section 13 of the standard).

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the accompanying schedules. A separate schedule is included for each key accounting estimate that we have identified. If you are aware of any other material accounting estimates that will be included in your financial statements could you please add and complete an additional schedule for that estimate.

I would be grateful for your responses, if possible, by the 31 March 2021 to help inform our risk assessment and planning of our 2020/21 audit of the Authority's financial statements.

Please do not hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Julie Masci
Engagement Lead

Property, plant, and equipment valuation estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The risk around the uncertainty of the valuation of the assets due to Covid-19 remains although is greatly reduced from last year. No additional action taken – we continue to rely on the professional valuer's assessment.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Assets are valued on a rolling 5-year rota. Each year, a different selection of assets are valued, so that that full portfolio is valued every 5-years. The remaining assets are reviewed to ensure no material change has taken place. No changes were made.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	We rely on the professional valuer's assessment. No changes were made.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	All relevant information is provided to the valuer in respect of the assets to be fully revalued. If any additional valuations are requested on specific assets from the remainder of the portfolio, all relevant information would again be provided. No changes were made.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Only the expertise of the valuer was procured. Any material movement in valuations is challenged. The corporate manager for property is consulted upon the remaining assets to ensure that future usage/plans are understood when reviewing the remainder of the portfolio.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The valuer is professionally trained and remains RICS affiliated. As stated above, any material movement in valuations is challenged with the valuer, and where necessary, greater information is provided, or greater explanation of the variation is provided.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, the use of the district valuer is considered the most appropriate, professional, independent, assessment of the assets valuation.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The estimate uncertainty has reduced from this time last year when the Covid-19 Pandemic was just taking hold and it was less clear what impact it might have on property valuations. Now a year later, and hopefully coming towards the safe end to restrictions, a greater

	understanding of the impact on the property market in known. It is however possible that particular assets may have become less desirable, over and above any estimated adjustment made in the valuation. However, it is not anticipated that any material variation will come to fruition imminently, therefore no additional action is planned.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	The estimate is not considered to be materially sensitive given the process of reviewing approximately 20% of assets annually, with the remainder reviewed for material variation.

Council Dwelling valuation estimate

Question	Management response
	Assumption that HRA valuation follows same process as GF asset valuation. Is this correct??? Yes
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The risk around the uncertainty of the valuation of the assets due to Covid-19 remains although is greatly reduced from last year. No additional action taken – we continue to rely on the professional valuer's assessment.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Assets are valued on a rolling 5-year rota. Each year, a different selection of assets are valued, so that that full portfolio is valued every 5-years. The remaining assets are reviewed to ensure no material change has taken place. No changes were made.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	We rely on the professional valuer's assessment. No changes were made.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	All relevant information is provided to the valuer in respect of the assets to be fully revalued. If any additional valuations are requested on specific assets from the remainder of the portfolio, all relevant information would again be provided. No changes were made.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Only the expertise of the valuer was procured. Any material movement in valuations is challenged. The corporate manager for property is consulted upon the remaining assets to ensure that future usage/plans are understood when reviewing the remainder of the portfolio.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The valuer is professionally trained and remains RICS affiliated. As stated above, any material movement in valuations is challenged with the valuer, and where necessary, greater information is provided, or greater explanation of the

	variation is provided.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, the use of the district valuer is considered the most appropriate, professional, independent, assessment of the assets valuation.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The estimate uncertainty has reduced from this time last year when the Covid-19 Pandemic was just taking hold and it was less clear what impact it might have on property valuations. Now a year later, and hopefully coming towards the safe end to restrictions, a greater understanding of the impact on the property market is known. It is however possible that particular assets may have become less desirable, over and above any estimated adjustment made in the valuation. However, it is not anticipated that any material variation will come to fruition imminently, therefore no additional action is planned.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	The estimate is not considered to be materially sensitive given the process of reviewing approximately 20% of assets annually, with the remainder reviewed for material variation.

Depreciation estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	MDDC uses a RICS qualified Valuer at the VOA for its valuations, where we have a long-standing professional relationship. 1/5 of its portfolio has a full valuation & 4/5 is indexed to local factors. We obtain explanations for any movement in value of +/- 5% & where any asset lives move by > 2 years.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	See Q1 above No change in 2020/21

3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	See Q1 above No change to assumption in 2020/21
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	FAR updated for any changes, acquisitions/disposals prior to valuation. Responsible managers review assets in the FAR each year – any changes are reflected prior to valuation No change for 20/21
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Depreciation based on valuations provided by RICS qualified valuer
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	See Q1 & Q4 above
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes please see Q1 & Q4 above
8. Were any changes made to the key control activities this year? If so please provide details.	No change for 2020/21
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Note 4 SOA – Consideration if Asset life reduces by 1yr, would result in an increase of £224k in Depreciation
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	See Q9 above – movement would not be material in terms of our asset base

Valuation of defined benefit net pension fund liabilities

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The impact of Covid-19 on the valuation of the fund assets and liabilities. The next valuation is due 31 March 2022.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the	In respect of the liabilities, the actuary has developed a revised model for estimating mortality rates which they recommend all authorities adopt. We have reviewed and will adopt this model.

reason for the change?	
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>The assumptions used result from historic discussions with the Devon Pension Fund administrators and the actuary.</p> <p>There is no change to the assumptions to aid comparability.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>The data is provided by Barnett Waddingham, an independent firm of actuaries.</p> <p>There were no changes to the source data.</p>
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Only the expertise of Barnett Waddingham was procured, through a tender process held by Devon County Council on behalf of the whole pension fund.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The main relationship with Barnett Waddingham is through Devon County Council, the Pension Fund administrators.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, the use of a professional, independent actuary is considered the most appropriate, robust way of calculating this estimate.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Covid-19 will have an influence on the estimate uncertainty, which we believe will be accounted for as much as possible through the adoption of the new review mortality calculation model.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	The estimation of the defined benefit obligations is sensitive to the actuarial assumptions however any financial impact will be felt across many years rather than in a single transaction and will therefore also depend on many other future factors. Therefore, it is not expected that any material adjustment is required.

Accruals of income and expenditure estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Covid-19 has had a material impact on the Council's income. However this has been largely offset through a combination of un-ringfenced grant and the new Sales, Fees and Charges Compensation Scheme. Therefore, there is minimal alteration required to the accrual process

	<p>– services will estimate their lost income and accrue for it via the SFC claim.</p> <p>The Revenue and Benefits team have also processed significantly more payments than normal due to the government's measures to protect businesses and vulnerable individuals. Again though, most in-year payments have been processed, therefore leaving little change to the accruals required.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>A de minimis level of £10k is adopted to minimise the workload for trivial / non-material accruals. The accounting system identifies outstanding transactions for which accruals are required via reviewing PO's and GRN. Services then review the postings to ensure they are accurate/relevant.</p> <p>There are no changes from previous years.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>The system is largely automated with adjustments made where appropriate. The de minimis level reflects the convention of reporting budget variances to Cabinet.</p> <p>There are no changes from previous years.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>See the response to Section 1 above.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>Systems knowledge is required in order to create the original accrual posting, with service knowledge then used to review/amend.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Using the accounting system ensures a robust list of all accruals is created, with service management agreeing/amending.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes, this process is felt to be effective and efficient.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>The estimation uncertainty should be minimal given the system generated list and management review. Therefore there should be no material variance requiring action.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>The sensitivity is not considered material as the accruals are mainly relatively small transactions.</p>

Provisions estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Covid-19 could have a material impact on the Council's ability to collect income, therefore the Bad Debt Provisions in particular will be fully reviewed.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	The method for calculating provisions has been developed over a number of years using historical data and recovery rates. It is likely that assumed collection rates will be adjusted to reflect the potential impact of Covid-19.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	The assumptions are reviewed and updated based upon latest data, i.e. collection rates. It is likely that assumed collection rates will be adjusted to reflect the potential impact of Covid-19.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	The data is largely automated from the systems (accounting and revenues). A de minimis level is adopted to ensure that time, effort and money is not wasted chasing low value debts.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Only the professional views of the Council's staff.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	In a normal year, the movement year-on-year of the provision, and the percentage of bad debt is used to assess whether progress is being achieved.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, there is little alternative option and it's questionable whether any additional value could be gained by adding to the controls.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The estimation uncertainty should be minimal given the system generated list and management review. Therefore there should be no material variance requiring action.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Generally the sensitivity is not considered material as the accruals are mainly relatively small transactions. However, Covid-19 could alter this.

Level 2 Investments

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>The only level 2 investment held during 2020/21 is the CCLA Local Authorities' Property Fund.</p> <p>The pandemic will have had a bearing on the value of properties held by the fund, however the fund is made up of a diverse portfolio of properties to limit this exposure. Some properties, such as retail units, may have decreased in value over recent months, but this is potentially offset by increases in others. With the largest risk of material accuracy being the valuation of property, the diversity of the fund and valuations within an active market help to mitigate this.</p>
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	<p>The bid price quoted by CCLA is used to calculate the fair value of the investment. No further models or estimates are used in arriving at fair value.</p>
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	N/A – see above.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Data provided by CCLA.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Estimates are provided by CCLA who have some in-house expertise and would procure services where required.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Reports are received monthly from CCLA with an estimated fund value. Any large variances from one month to the next would be queried with CCLA and further information requested if deemed necessary.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	The fund is actively managed by CCLA, who give reassurance over the management of risk which reduces estimation uncertainty. Performance is also reviewed by the Local Authorities' Mutual Investment Trust, who are a fully independent trustee.
8. Were any changes made to the key control activities this year? If so please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The quoted bid price has been used to value the investment each year since first buying into the fund. Taking this consistent approach ensures estimation uncertainty is kept to a minimum.

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	The sensitivity of estimates in the valuation of the property fund will have been considered by CCLA in calculating a bid value, and so no further consideration is required by MDDC.
---	---

Level 3 Investments

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	N/A – no level 3 investments held during 2020/21
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	
8. Were any changes made to the key control activities this year? If so please provide details.	
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	
---	--

This page is intentionally left blank

Informing the audit risk assessment for Mid Devon District Council 2020/21

Page 355

Grace Hawkins
Senior Manager
T 02920 347542
E grace.e.hawkins@uk.gt.com



Agenda Item 18.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	15
Impact of Laws and Regulations	16
Related Parties	18
Accounting Estimates	20
Accounting Estimates - General Enquiries of Management	21
Appendix A – Accounting Estimates	24

Purpose

The purpose of this report is to contribute towards the effective two-way communication between Mid Devon District Council's external auditors and Mid Devon District Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the **Council's** oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Mid Devon District Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	Covid-19 will have affected almost all parts of the council – for example additional costs to deliver additional reactionary services, loss of service income or payment of grants and benefits to businesses and vulnerable individuals.
2. Have you considered the appropriateness of the accounting policies adopted by Mid Devon District Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Yes. No changes are required.
3. Is there any use of financial instruments, including derivatives?	Yes, but simple financial instruments only.
4. Are you aware of any significant transaction outside the normal course of business?	Business Rates Grant payments to local businesses claiming relief. These have been completed in line with government guidance.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No
6. Are you aware of any guarantee contracts?	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Mid Devon District Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Anthony Collins Solicitors</p> <p>Michelmores Solicitors</p> <p>Susan Mauger of Mauger's Legal Services</p> <p>Recovery have a contract with Wilkie Chapman who can escalate investigation and prosecution on a case by case basis</p>

General Enquiries of Management

Question	Management response
9. Have any of Mid Devon District Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	None that I am aware of. MDDC is largely in house, so has few external service providers.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Ichabod's – accountancy guidance.

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Mid Devon District Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Mid Devon District Council's management.

Fraud risk assessment

Question	Management response
<p>1. Have Mid Devon District Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Yes. The annual audit plan ensures that all the major systems and processes that feed into the financial statements are accurate and robust. Devon Audit Partnership undertake internal audit testing, particularly around the Key Controls, on a cyclical basis. The Internal Audit Plan was designed to allow the Devon Audit Partnership to offer an opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes. The plan has been developed using the following areas of audit activity:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Supporting Corporate Governance <input type="checkbox"/> Fundamental financial systems <input type="checkbox"/> Key Service and Departmental Systems <input type="checkbox"/> Partnerships <p>In addition time was planned to provide advice and guidance on a responsive basis. It is anticipated that the 2020/21 Audit Plan will follow a similar design.</p> <p>All audits detail the risks identified and the recommended remedial actions. All significant audit findings that cause the audit internal opinion to be "partial" are reported to the Audit Committee members by the S151 officer. Relevant officers respond to the findings and Audit Committee and the S151 officer will challenge these if they are not considered adequate. These are continually monitored until they are resolved.</p> <p>You, as external auditor, also highlight areas of weakness and make recommendations are part of your report on the Annual Statement of Accounts and the Annual Governance Statement.</p> <p>MDDC ensures that appropriately qualified and experienced staff are recruited to ensure that our financial practices and reporting is of a high quality. This includes regular training and development to ensure that staff are appraised of the latest developments both locally and nationally via changes in regulations.</p> <p>Internal Audit provides a fraud service which supports the Council in developing its anti fraud processes and reports to audit committee meetings 6 times a year. Audit Committee also approves anti fraud and corruption, whistle blowing and money laundering policies and receives regular reports on the council's risk register.</p> <p>It is our assessment that it is extremely unlikely that a material misstatement in the financial statements would result from fraud.</p>

Fraud risk assessment

Question	Management response
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	All the major audits include an element to review fraud risks and make recommendations where necessary. Therefore, all types of accounts, transaction and disclosures are reviewed periodically.
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Mid Devon District Council as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	I and the Committee have not been informed or made aware through assurances from the Devon Audit Partnership of any specific fraud which would require specific reporting to the Audit Committee or to the External Auditor. There are however 5 potential housing cases being reviewed, 3 of which have been referred to DAP. A watching brief is also being kept on one garage tenant for possible unusual transactions. Internal Audit and Performance & Risk reports to audit committee meetings 6 times a year.
4. Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Mid Devon District Council where fraud is more likely to occur?	All the major audits include an element to review fraud risks and make recommendations where necessary. Inevitably there will be areas that are of greater risk of fraudulent activity occurring than others. It is for this reason that the key control audits review systems such as payroll, treasury management, housing benefits, council tax support and accounts payable are audited on a cyclical basis. Further potential for fraud has also arisen during the response to COVID 19. However, MDDC has taken steps to minimise the possibility of this occurring using Spotlight and NFI pre and post payment checks and the relevant government departments are conducting their own fraud analysis. There are no particular locations within the council that pose a greater risk of fraud than any other.
5. What processes do Mid Devon District Council have in place to identify and respond to risks of fraud?	Anti fraud and corruption, whistle blowing and money laundering policies. Separation of duties, particularly where cash or changes of bank details are involved. Authorisation processes for payments and refunds. Spot checks, internal audit. Disciplinary procedure.

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for Mid Devon District Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The Council has a robust internal control process. Internal control arrangements are effective on the whole and where not this has been reported through Internal Audit work in relevant areas and actions agreed for improvement. No concerns of significance have been raised in any of the audits of core financial systems or indeed other areas. No reports of controls being overridden have been received.</p> <p>Management have allocated a member of CMT to have overall responsibility for fraud work which will commence in April</p> <p>Involvement with NFI. Revenues and Benefits staff are not allowed to work on their own accounts and there is an annual declaration re family and friends.</p> <p>Audit Committee are fully aware of the significant financial challenges that the Council have had in recent years and those looking forwards. As such there is a degree of pressure on Budget Holders to ensure that they remain within their budget constraints, but no greater than is expected within any organisation.</p>
7. Are there any areas where there is potential for misreporting?	It is our assessment that it is extremely unlikely that misreporting would take place.

Fraud risk assessment

Question	Management response
<p>8. How do Mid Devon District Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The role that employees are expected to play in the Council's framework of internal control is included in staff induction procedures by their line manager and then subsequently through corporate induction training, as appropriate. They are required to follow the standards set out in the Code of Conduct that follows the Nolan Committee's Seven Principles of Public Life, which is issued to all staff along with their Contract of Employment.</p> <p>The Codes are communicated via regular staff briefings, team meetings, individual 1-2-1 sessions and the staff appraisal scheme keep staff informed on key issues.</p> <p>All Officers of the Council are also expected to follow their Professional Institutes Codes of Ethics and must declare any pecuniary interests in contracts that have been or are proposed to be entered into by the Council.</p> <p>Employees who consider other employees to be guilty of misconduct must report this to their line manager or raise it through one of the other available procedures. Employees are further governed by the Council's HR Policies (Whistleblowing policy, Disciplinary Procedure etc.), which are issued to all staff.</p> <p>The Anti-Fraud and Corruption Policy also states that all Officers of the Council are expected to follow the Constitution, Financial Regulations and Contract Procedure Rules.</p> <p>The annual Devon Audit Partnership programme of work also reviews compliance with new statutory regulations and covers the key risks facing the Council. Advice and guidance is provided to Officers across the Council by the internal Legal team and external Solicitors or Counsel where necessary.</p> <p>No significant issues have been reported.</p>

Fraud risk assessment

Question	Management response
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Treasury Management officers within Finance, Revenues and Benefits officers Enforcement Officers Those handling cash, i.e. Leisure, Senior officers involved in contract negotiations.</p> <p>As per Q5 - Separation of duties, training, awareness of policies and disciplinary measures</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Management are not aware and does not have any concerns regarding relationships or transactions with related parties</p> <p>As with any other fraud risk.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Internal Audit reports to audit committee meetings 6 times a year.</p> <p>The Devon Audit Partnership operate alongside the Council's Corporate Management Team to ensure their work is focussed in the areas that most benefit the organisation. The Audit Committee has continued with a focused approach to reviewing and querying the findings from internal Audit which provides the organisation with additional reassurance.</p> <p>The Council has a robust internal control process. Internal control arrangements are effective on the whole and where not this has been reported through Internal Audit work in relevant areas and actions agreed for improvement.</p> <p>No concerns of significance have been raised in any of the audits of core financial systems or indeed other areas. This is reflected in the overall "Reasonable Assurance" assurance opinion expected to be provided for 2020/21 and to be reported to Audit Committee in June 2021.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>All Officers are aware that they should raise any concerns under the Council's separate Whistle Blowing Policy, but none have been highlighted to management.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>Not to my knowledge.</p>

Law and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Mid Devon District Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Mid Devon District Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>The Council has in place, within the Constitution, various procedure rules which set out how budget and policy decisions are made. Officers are required to ensure compliance with relevant laws and regulations and that lawful expenditure is delivered. Reports provide a section for legal implications, and reports cannot go before Cabinet or Council without this being addressed and approved by a member of the Council's in-house legal team.</p> <p>The Council's Statutory Officers have a positive responsibility to report to the Council, in respect of:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Co-ordination of functions, staff and management matters – the Chief Executive <input type="checkbox"/> Financial administration, probity and propriety – Section 151 Officer <input type="checkbox"/> Legality and administration – Monitoring Officer <p>The Devon Audit Partnership's annual plan contains a programme of work that includes reviews of compliance with policies, procedures, laws and other regulations. In addition, work is carried out by the Scrutiny Committee, Standards Committee and Audit Committee from time to time, and other external inspection agencies. Their work also provides a source of assurance. Any non-compliance is reported to the Corporate Management Team via Audit reports and appropriate plans are put in place to remedy such issues.</p> <p>Regular meetings are held with the S151 to consider areas of high financial risk which could give rise to fraud, mis-statement or legality issues.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Internal Audit reports to audit committee meetings 6 times a year.</p>

Impact of laws and regulations

Question	Management response
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?	<p>Audit Committee are confident that the officers of the Council are experts in their fields and know and understand their respective services, including the future direction of relevant laws and regulations. They are therefore able to plan and implement any necessary changes.</p> <p>I and the Committee have not been made aware of any instances by the Statutory Officers.</p>
4. Is there any actual or potential litigation or claims that would affect the financial statements?	<p>All such matters are dealt with by referral to the legal department and the Council's Monitoring Officer. Where appropriate the information is cascaded through the organisation.</p> <p>Audit Committee are not aware on any actual or potential litigation or claims that would affect the financial statements. The council has no contingent liabilities.</p>
5. What arrangements does Mid Devon District Council have in place to identify, evaluate and account for litigation or claims?	<p>Actual or possible litigation and claims will be accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.</p>
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	<p>I and the Committee have not been made aware of any instances by the Statutory Officers.</p>

Related Parties

Issue

Matters in relation to Related Parties

Mid Devon District Council are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Mid Devon District Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Mid Devon District Council's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Mid Devon District Council whether Mid Devon District Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>Management do not believe there have been any changes in related party relationships and transactions from the prior period.</p>
<p>2. What controls does Mid Devon District Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Annually, all Elected Members and Senior Managers are requested to disclose any transactions or services received or supplied to the council. These returns are assessed and any identified material transactions are reported to the S151 officer and where necessary are disclosed within the annual accounts. All staff are required to follow the Code of Conduct. All members are required to disclose any pecuniary interests.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Such transactions would follow the normal process as any other transaction, which includes Separation of duties, particularly where cash or changes of bank details are involved. Authorisation processes for payments and refunds. Spot checks, internal audit reviews etc.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>As above.</p> <p>Management cannot see any requirement for any such transaction to take place outside of the normal course of business.</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Asset Valuations – where external professional judgement is required Provisions – where an estimate is used for example how much debt will fail to be collected Covid-19 – accrual for outstanding income compensation claim
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	Professional advise / expertise is used to make the estimates, thereby limiting the potential risk of materially under/over estimating .
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Professional officers understand their service and are able to identify critical elements where assumptions, or data is required. These include property and pension valuations, estimates for bad debt provisions etc. and have been refined over time. External expertise is engaged to assess the position and provide guidance on such matters.
4. How do management review the outcomes of previous accounting estimates?	Many estimates will unravel during the year, for example accruals. Any outstanding are reviewed to see if they remain appropriate. Others, including valuations and provision estimates are reviewed using the latest information, and are adjusted from last year's starting position, thereby updating as required.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No, the process remained as in previous years. However, in some cases, such as the provision for bad debt, additional consideration of the current economic climate resulting from the financial pressures arising from Covid-19 were included.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	The accountancy team keep abreast of the latest updates to financial regulations through regular CPD and training. This is supported by a network of peer support across a variety of council partners. Guidance and support is available from the local government accounting body, CIPFA. Additional, technical support is procured through Ichabods, a local government finance expert. Pensions advice and valuations are provided by the actuary Barnet Waddingham via the Devon Pension Fund. Property valuations are provided by the District Valuer.
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Professional accounting staff assess the estimates and ensure that the calculations align with guidance and regulations. Again, the external advice that's sought is from professionals in their field, who also abide by regulations and professional ethics.
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	As above, professional accounting staff check and challenge the outputs from any external provider.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	No
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes, these have been developed and refined over a number of years. They are also inline with guidance and regulations.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Through both internal and external audit review and approval.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Prepared in accordance with IAS16. 1/5 Full valuation. 4/5 valuation indexed to local factors.	Valuations provided by RICS Registered Valuer	VOA – A Doak	VOA have carried out MDDC valuations for 23 years. A Doak has been the signatory for 16 years. VOA quality assurance practices are designed to mitigate risks. Explanations of movements +/- 5% and for asset life changes > 2 years are obtained.	No
Depreciation	Depreciation in year of Acquisition. Straight Line where applicable or appropriate basis.	Depreciation on assets reviewed for appropriate method	Based on VOA Valuations – A Doak. (Acquisition value for plant & equipment)		No
Valuation of Council Dwellings	Prepared on a Beacon Basis – Vacant Possession Value – discounted to Existing Use Value – Social Housing (EUV-SH) 20/21 35%	Valuations provided by RICS Registered Valuer	VOA – A Doak	VOA have carried out MDDC valuations for 23 years. A Doak has been the signatory for 16 years. VOA quality assurance practices are designed to mitigate risks. Explanations of movements +/- 5% and for asset life changes > 2 years are obtained.	No
Valuation of					

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals					
Level 2 investments	CCLA Investment: The bid price quoted by CCLA is used to calculate the fair value of the investment. No further models or estimates are used in arriving at fair value.	Reports are received monthly from CCLA with an estimated fund value. Any large variances from one month to the next would be queried with CCLA and further information requested if deemed necessary.	The fund is actively managed by CCLA, who give reassurance over the management of risk which reduces estimation uncertainty. Performance is also reviewed by the Local Authorities' Mutual Investment Trust, who are a fully independent	The quoted bid price has been used to value the investment each year since first buying into the fund. Taking this consistent approach ensures estimation uncertainty is kept to a minimum.	No



[grantthornton.co.uk](https://www.grantthornton.co.uk)

© 2021 Grant Thornton UK LLP

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank