

# Public Document Pack

**Mid Devon District Council**

## **Audit Committee**

**Tuesday, 24 January 2023 at 5.30 pm**  
**Phoenix Chambers, Phoenix House, Tiverton**

**Next ordinary meeting**  
**Tuesday, 28 March 2023 at 5.30 pm**

**Please Note:** This meeting will take place at Phoenix House and members of the Public and Press are able to attend via Zoom. If you are intending to attend in person please contact the committee clerk in advance, in order that numbers of people can be appropriately managed in physical meeting rooms.

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## **Membership**

Cllr J Buczkowski

Cllr Mrs C Collis

Cllr N V Davey

Cllr R Evans

Cllr R F Radford

Cllr R L Stanley

Cllr A White

Cllr Mrs N Woollatt

Cllr A Wyer

# AGENDA

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

1. **Apologies**  
To receive any apologies for absence.
2. **Public Question Time**  
To receive any questions relating to items on the Agenda from members of the public and replies thereto.
3. **Declaration of Interests under the Code of Conduct**  
To record any interests on agenda matters.
4. **Minutes of the previous meeting (Pages 5 - 10)**  
To consider whether to approve the minutes as a correct record of the meeting held on 22 November 2022.
5. **Chairman's Announcements**  
To receive any announcements that the Chairman may wish to make.
6. **Anti-Fraud, Bribery and Corruption Policy & Strategy (Pages 11 - 30)**  
To receive a report from the Deputy Chief Executive (S151) and the Corporate Manager for Revenues, Benefits, Corporate Recovery, Planning, Planning Enforcement, Economic Development, Forward Planning, Welfare & Anti-Fraud and Corruption presenting the Committee with the reviewed and updated policy for Anti-Fraud, Bribery and Corruption and the Anti-Fraud and Corruption Strategy/Response Strategy.
7. **Internal Audit Progress Report 2022 - 2023 (Pages 31 - 52)**  
To receive a report from the Devon Audit Partnership (DAP) presenting the progress report for the year 2022 – 2023 to date.
8. **Final Statement of Accounts 2021 - 2022 (Pages 53 - 224)**  
To receive a report from the Deputy Chief Executive (S151) presenting the final version of the annual Statement of Accounts to Members following the conclusion of the external audit.
9. **Annual Governance Statement Action Plan update (Pages 225 - 252)**  
To receive the Annual Governance Statement for 2021/2022.
10. **Grant Thornton Audit Findings (Pages 253 - 300)**  
To receive Grant Thornton's Audit Findings for 2021/2022.

11. **Procurement Partnership** (Pages 301 - 326)  
To receive a report from the Deputy Chief Executive introducing the draft new Procurement Strategy covering the period 2023 to 2027.
12. **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:
- Performance and Risk update
  - Four year Strategic Audit Plans and Work Programme
  - Internal Audit Charter and Strategy
  - Internal Audit Progress Report
  - Annual Governance Statement Action Plan update
  - External Audit Progress Report and Sector Update
  - Chairman's Annual Report for 2022/2023

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

**Stephen Walford**  
Chief Executive  
Monday, 16 January 2023

## Meeting Information

From 7 May 2021, the law requires all councils to hold formal meetings in person. The Council will enable all people to continue to participate in meetings via Zoom.

If you want to ask a question or speak, email your full name to [Committee@middevon.gov.uk](mailto: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. Notification in this way will ensure the meeting runs as smoothly as possible.

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Public Wi-Fi is available in all meeting rooms.

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## MID DEVON DISTRICT COUNCIL

**MINUTES** of a **MEETING** of the **AUDIT COMMITTEE** held on 22 November 2022 at 5.30 pm

### **Present**

#### **Councillors**

N V Davey (Chairman)  
J Buczkowski, R Evans, R F Radford, R L Stanley, A White,  
Mrs N Woollatt and A Wyer

### **Apologies**

#### **Councillors**

Mrs C Collis

### **Also Present**

#### **Councillors**

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### **Present**

#### **Officers:**

Andrew Jarrett (Deputy Chief Executive (S151)), Dean Emery (Corporate Manager for Revenues, Benefits and Recovery), Lisa Lewis (Corporate Manager for Business Transformation and Customer Engagement) and Matthew Page (Corporate Manager for People, Governance and Waste)

## 35. **APOLOGIES**

Apologies were received from Cllr Mrs C Collis.

## 36. **PUBLIC QUESTION TIME**

Mr N Quinn, a local resident stated:

Regarding Agenda Item 11 – 3 Rivers Business Plan

A year ago, the 3 Rivers Business Plan published for the Audit Committee contained a Financial transactions table that had errors in it. This table had to be replaced, at the last minute, to provide the correct figures.

This new 3 Rivers Business Plan was published with Interest Received figures, in the first three columns, that are different to those in the corrected table issued last year. I pointed this out at Scrutiny Committee, yesterday, but no last minute correction table this time.

The Data Quality Policy (Agenda item 6) states that having accurate information is crucial to good decision making - so this difference is worrying.

### **Question 1: Are Audit Committee concerned about the Data Quality of reporting for Council/3 Rivers Group financial transactions?**

Audit Committee are charged with consideration of risk and mitigations in this Business Plan.

The Risk Assessment section at the beginning of this report states that risk "*is detailed within the report*". But it is not detailed in the public report - I hope it is properly addressed in the confidential reports.

The current housebuilding sector is volatile, and your Risk report (at Agenda item 7, appendix 6), shows the risk of failure of 3 Rivers, is still High.

The External Audit Report (at Agenda item 9) says that the Council needs to consider the Group financial statements in relation to "*an increased write-off of Work in Progress and the*

*removal of a deferred tax asset*” and that the Council “*consider the impact of these findings on their current expected credit loss provision*”.

**Question 2: Do Audit Committee consider they have been given enough information, in this Business Plan, to properly evaluate the risks and mitigations, before advising Cabinet?**

The Deputy Chief Executive (S151) responded:

Q1. Disagreed that some of those items were errors, it was information that had changed after circumstances had changed. This was clarified at Audit Committee and Full council when first raised. The Table shown in appendix 11 was the aggregated interest received by the council from the company is correct.

A written response would be provided for the remaining question.

**37. DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT**

Cllr Mrs N Woollatt declared a non-pecuniary Interest in that she worked for Exeter Community Energy.

Cllr R L Stanley declared a Disclosable Pecuniary Interest in that he was a Director of the 3 Rivers Development Company Ltd. And from this it was inferred that should any discussion ensue he would need to leave the meeting.

**38. MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 27 September 2022 were confirmed as a true record and signed by the Chairman.

**39. CHAIRMAN'S ANNOUNCEMENTS**

There were none.

**40. DATA QUALITY POLICY**

The Data Quality Policy report was presented to the Committee which outlined the Data Quality Policy (Appendix A) and Data Quality Standards (Appendix B), which explained the roles and responsibilities for data quality within the Council and also provides clarification for officers and members as to the standards expected.

The contents of the report were outlined with the following being highlighted:

- This policy was reviewed every 4 years.
- The responsible officers for this included: the Finance Portfolio Holder, the Corporate Manager for Digital Transformation and Customer engagement as well as the relevant operational managers.

Discussion took place regarding:

- That ongoing training for Members was important.
- If there had been any minor changes to the policy.
- That tracked changes would be useful when updated policies be presented.
- There was a risk of reputational damage and undermining of trust within the authority.
- How might the Cabinet Member of Finance communicate the importance of data quality to other Members. Future training would need to be looked into.

- The monitoring and implementation of this policy.
- Senior Officers and Members had a responsibility for this policy.

It was **AGREED** that 1.5 of the policy be amended with the added wording: “that there is also the risk of reputational damage and undermining of trust in the authority.”

(Proposed by Cllr Mrs N Woollatt and seconded by Cllr A White)

**RESOLVED:**

- a. That the Committee approves the Data Quality Policy and Data Quality Standards and;
- b. Agrees to next review the Policy in 4 years’ time.
- c. That 1.5 of the policy be amended with the added wording: “that there is also the risk of reputational damage and undermining of trust in the authority.”

(Moved by the Chairman)

#### 41. **PERFORMANCE AND RISK UPDATE REPORT**

The Committee received, and **NOTED**, a report which provided Members with an update on performance against the corporate plan and local service targets for quarter 2 (2022/23), as well as providing an update on strategic risks.

Discussion took place regarding:

- That it was too early for the new refuse policy to be the reason for the reduction in residual waste. It was agreed that further data following the new policy was needed.
- Staff turnover looked to be worse for 2022/23 and the impact this had on service delivery, but the resourcing risk has reduced. The scoring of the risk would be looked into. That this was a key area and external factors had impacted turnover but a lot of work was underway for this to be improved and recent data had shown improvement.
- The risk rating of 3 Rivers Development Ltd should be higher. The risk rating for 3 Rivers Development Ltd had risen since the last quarter.
- Public awareness on the environment enforcement service. A lot had been undertaken to raise public awareness.
- The national payee award back payment that was recently agreed. This had been agreed and a back payment for staff would be received from April 2022. And then added as part of monthly payments thereafter.

#### 42. **INTERNAL AUDIT PROGRESS REPORT**

The Committee received, and **NOTED**, a verbal update from a representative from Devon Audit Partnership, which highlighted:

- No significant areas of weakness or concern had been identified.
- 40% of all crime is fraud and so fraud work was prioritised.
- Devon County Council had paid for single persons discount to be reviewed.
- The cyber security report would be presented to the Audit Committee at their next meeting.

Discussion took place regarding:

- Fraud against the Council was to be reviewed. Any allegations of fraud would need evidence submitted.

- More information on the single person discount review was required so that duplication of work could be avoided. A lot of anti-fraud work had been undertaken at Mid Devon District Council internally.
- Important that the single person discount be challenged, there was a need that the current system was properly processed and cross referenced and are fit for purpose. Annual letters were sent out, biannually triangulate the other available information to cross reference information. In addition, help was received biannually from the National Fraud Initiative and if more could be done then it could be considered.

#### 43. **EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE**

The Committee received, and **NOTED**, a verbal update from Grant Thornton as the Council's external auditors.

The contents of the report were outlined with the following being highlighted:

- Grant Thornton had experienced difficulty in delivery at a national level.
- There was an aim for the audit to be delivered to January's Audit Committee meeting.
- Pension fund and property plans and equipment assurances presented as the biggest challenge.
- 3 Rivers Development Ltd appointed an auditor. Grant Thornton were satisfied with the standard of work produced by the auditor.
- No Issues were found with regard to the consolidation of account figures but accounts may need adjustment.
- Committed to sign off audit as soon as possible.

Discussion took place regarding:

- In regard to adjustments to the group financial statements had the Council not calculated a high enough impairment. Accounts had not been signed off at this time and these figure were estimations. External auditors will see if estimates were correct and if there are changes they will be seen by Members and the Public.
- Whether it was usual that a Council could not provide a list of amounts owed due at year end. This was usual due to the changing nature of the figures.
- If the delay had caused financial implication. It had not caused financial implications, but had resource deployment implications.

#### 44. **ACCESS TO INFORMATION - EXCLUSION OF PRESS AND PUBLIC**

The Chairman indicated that discussion with regard to the next item, may require the Committee 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 would 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.

#### 45. **3 RIVERS DEVELOPMENT LTD BUSINESS PLAN.**

The Group had before it and **NOTED**, a report from the Deputy Chief Executive providing the 3 Rivers Development Ltd – Business Plan 2023 -2028.

In response to questions asked the Deputy Chief Executive (S151) responded:

- When the company was established it was likely to be funded by a mixture of internal borrowings from surplus cash flow holdings and therefore there was no cost. No medium or long term borrowing had occurred.
- Various officer were recharged into the company in its inception, officers had fully moved to the company, therefore the company costs had increased and the recharge decreased.
- More could be done to highlight the Council's risk and this would be made clearer in the Cabinet report due for January's Cabinet meeting.
- This should be considered as an investment, there had been £2.2m direct benefit to the Council, with £790,000 worth of transactions that had been impaired.
- The table shown at 2.4 was the revenue transactions of the authority, dividends would be received by the Council once the company becomes profitable.
- Would not conduct medium to long term borrowing on projects that had a lifespan of 1 to 2 years. Would be financial advantageous for temporary cash flows. There was a total loan envelope of £17.3m and that gross value would not exceed £20.9m.

**RESOLVED:** 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) (Proposed by the Chairman) Members then reviewed the 3 Rivers Developments Business Plan 2023-2028.

On returning to open session the Chairman confirmed that the following recommendations had been made:

1. That the Audit Committee recommend to the Cabinet that more detail of the risks and various options going forward be sought from the S151 Officer.
2. That the other options be included in the business plan and consequences of not supporting it need to be highlighted.
3. That the Audit Committee feeds back to Cabinet that it recommends that the business plan in its current form is not supported due to the level of risk to the Council from the likelihood of needing to impair loans on those projects with very narrow rates of return.

#### 46. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING**

**RESOLVED:** That the items listed be noted.

(The meeting ended at 8.27 pm)

**CHAIRMAN**

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## AUDIT COMMITTEE 24 JANUARY 2023

### ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY AND STRATEGY

**Cabinet Member** Cllr Bob Deed, Leader  
**Responsible Officer** Andrew Jarrett Deputy CEO/s151 Officer & Dean Emery  
Corporate Manager

**Reason for Report:** To present the Committee with the reviewed and updated policy for Anti-Fraud, Bribery and Corruption and the Anti-Fraud and Corruption Strategy/Response Strategy.

#### RECOMMENDATION(S):

1. That the Committee approves the revised Anti-Fraud, Bribery and Corruption Policy and the strategy/response plan.
2. That the Committee gives the Corporate Manager for Revenues, Benefits, Corporate Recovery, Planning, Planning Enforcement, Economic Development, Forward Planning, Welfare & Anti-Fraud and Corruption, delegated authority to make minor amendments to these documents e.g. changes to job titles.

**Relationship to Corporate Plan:** The policy and strategy support good governance arrangements, enabling confidence in our delivery of the Corporate Plan.

**Financial Implications:** Not having these documents could result in not detecting fraud, corruption or financial irregularities, which could result in a loss to the Council.

**Budget and Policy Framework:** The policy is already included in the budget and policy framework.

**Legal Implications:** Any legal requirements are embedded in the documents; no new or additional implications arise.

**Risk Assessment:** Without this 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.

**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 The Anti-Fraud, Bribery and Corruption policy was last approved at Audit Committee on 26 January 2021. A revised version is now required to keep the policy and strategy in line with best practice.

- 1.2 In-line with best practice, the policy is separate from the strategy and response plan.
- 1.3 MDDC will work closely with the Counter Fraud Service Team Manager.
- 1.4 The strategy Summary can be found at Appendix A.

## 2.0 **Conclusion and Recommendations**

- 2.1 It is essential to have these policies in place to promote good governance and accountability within MDDC. The Committee is therefore asked to approve the policy and strategy documents. (see recommendations above)
- 2.2 These policies are reviewed every four years so unless there are any major changes, the Committee will next review them in 2027.

**Contact for more Information:** Dean Emery: 01884 – 234945 email: [demery@middevon.gov.uk](mailto:demery@middevon.gov.uk)

**Circulation of the Report:** Leadership Team and Cabinet Member



### Strategy Summary

Measures we have in place			
Culture	Prevention	Detection	Investigation
Officers' Code of Conduct	Recruitment & Selection Policy	Whistleblowing Policy	Disciplinary Policy
Code of Conduct for Councillors and Co-opted Members	Disclosure and Barring Service (DBS) Policy	Complaints and Feedback Policy	Monitoring Officer Protocol and Functions
Guidance for Members on Hospitality and Gifts	Register of Members' Interests	Annual participation in National Fraud Initiative	Devon Audit Partnership
Ethics in a Nutshell	Employee Notice of Personal Interests Form	National Anti-Fraud Network Alerts	
	Employee Gifts and Hospitality Form		
	Scheme of Delegation		
	Financial Regulations		
	Anti-Money Laundering Policy		
	Independence Declarations		
	Tax Strategy		

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Counter Fraud Services

Anti-Fraud, Bribery and  
Corruption Policy

Mid-Devon District Council

Date – January 2023

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## 1. Anti-fraud, bribery and corruption statement.

- 1.1. Fraud in all its forms is now the most common criminal offence in the UK costing the economy £193 Billion a year. This equates to £3,000 per head of population in the UK (or £7,000 per household). It is estimated to cost Local Authorities anywhere between £2.2 and £7.4 Billion annually, losses that council front line services can ill afford and which can contribute to council tax increases year on year. The cost of fraudulent activity impacts most markedly on those requiring the most help in our society, it is therefore imperative that we combat this criminal activity appropriately and effectively.
- 1.2. Fraud, bribery and corruption are by definition crimes and should not be tolerated. Any fraud against Mid-Devon District Council is a fraud against the public purse and therefore we will build processes and policies that will prevent and detect fraud and pursue those who would commit fraud; maximising our resources and ensuring that the public retain confidence in Mid-Devon District Council.
- 1.3. The public are entitled to expect the local authority to conduct its affairs with honesty and openness and to demand the highest levels of integrity and conduct from its staff, members and partners. The policy is part of an inter connected approach by Mid-Devon District Council, which is committed to making sure that the opportunity for fraud, bribery and corruption is reduced to the lowest possible level. The Council will pursue and endeavour to bring to justice those who commit fraud, and its related offences.

## 2. Introduction

- 2.1. The Council's elected members and employees play an important role in creating and maintaining a culture which requires everyone to act honestly and with integrity at all times and to safeguard the resources for which they are responsible. Mid-Devon District Council's policy is that:
  - any level of fraud, corruption or bribery in or against the Council will not be tolerated;
  - every attempt will be made to deter and prevent fraud;
  - opportunities for fraud and corruption will be reduced to the lowest possible level;
  - elected members and employees will be made aware of their obligation to report suspicions of fraud;
  - mechanisms will be in place for elected members and employees to report fraud;
  - any suspicion of fraud will be thoroughly investigated and dealt with appropriately;
  - any evidence of criminal activity will be reported to the Devon Audit Partnership Counter Fraud Team; and
  - mechanisms will be in place for seeking redress in respect of money defrauded.
- 2.2. Mid-Devon District Council also expects that individuals and organisations (e.g. suppliers, contractors and service providers) that it interacts with will act towards Mid-Devon District Council with integrity and without thought or actions involving fraud. Where relevant, Mid-Devon District Council will include appropriate clauses in its contracts about the consequences of fraud, bribery and corruption; evidence of such acts is likely to lead to a termination of the particular contract and may lead to prosecution or other sanction.

## 3. What is Fraud?

- 3.1. There are a number of criminal offences that relate to what might commonly be termed as 'fraud' that are covered by the [Theft Act 1968](#) and the [Theft Act 1978](#). However the [Fraud Act 2006](#) created a new general offence of fraud with three definitions:-

- Fraud by false representation, i.e. if an individual dishonestly makes a false representation and intends by making the representation to make gain for himself or another, or to cause loss to another or expose another to risk of loss;
- Fraud by failing to disclose information, i.e. if an individual dishonestly fails to disclose to another person information which he is under a legal duty to disclose and intends, by means of abuse of that position, to make a gain for himself or another, or to cause loss to another or expose another to risk of loss; and
- Fraud by abuse of position, i.e. if an individual occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person, and he dishonestly abuses that position, and intends, by means of the abuse of that position, to make a gain for himself or another, or to cause loss to another or expose another to a risk of loss.

#### 4. What is Bribery?

- 4.1. Broadly, the [Bribery Act 2010](#) defines bribery as giving or receiving a financial or other advantage in connection with the "improper performance" of a position of trust, or a function that is expected to be performed impartially or in good faith.
- 4.2. Bribery does not have to involve cash or an actual payment exchanging hands and can take many forms such as a gift, lavish treatment during a business trip or tickets to an event.
- 4.3. Some simple examples are:
  - Bribery in order to secure or keep a contract.
  - Bribery to secure an order.
  - Bribery to gain any advantage over a competitor.
  - Bribery of a local, national or foreign official to secure a contract.
  - Bribery to turn a blind eye to a health safety issue or poor performance or substitution of materials or false labour charges.
  - Bribery to falsify an inspection report or obtain a certificate.
- 4.4. Section 2 of the Bribery Act 2010 makes it an offence to accept a bribe.

#### 5. What is Corruption?

- 5.1. Corruption is the abuse of entrusted power for private gain. It can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs.
- 5.2. 'Misconduct in a public office' is a common law offence and is committed when the holder of a public office acts, in a way contrary to their duty, or indeed omits to act in line with their duty.

#### 6. Avenues for Reporting Fraud, Bribery and Corruption

- 6.1. Mid-Devon District Council has in place avenues for reporting suspicions of fraud, bribery and corruption. Employees, elected members, members of the public, contractors and partners should report any concerns or suspicions to:

Counter Fraud Team Manager at Devon Audit Partnership  
By telephone – 01752 304450 or 01752 306710

By email [ken.johnson@devon.gov.uk](mailto:ken.johnson@devon.gov.uk)

In writing – Counter Fraud Services Manager, Devon Audit Partnership, Floor 4 Midland House, Notte Street, Plymouth PL1 2EJ

- 6.2. Employees can also report their concerns to their line manager, trade union representative or the Head of Legal Services. 'Protect', an independent charity provides free, confidential and practical advice if someone is unsure of how to raise a concern. They operate a Whistleblowing Advice Line - Tel: 020 3117 2520
- 6.3. All matters will be treated seriously and dealt with in a professional manner. If you ask us to treat the matter in confidence, we will do our utmost to respect your request but it is not possible to guarantee confidentiality. Vigorous and prompt investigations will be carried out into all cases of actual or suspected fraud discovered or reported.

## 7. Responsibilities

- 7.1. The Chief Finance Officer as "Section 151 Officer" has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper arrangements for the Council's financial affairs and, together with the Chief Executive and members of the Corporate Management Team, has overall responsibility for Mid - Devon District Councils counter-fraud policy and procedures, and for establishing and maintaining a sound system of internal control that supports the achievement of the Councils policies, aims and objectives.
- 7.2. The system of internal control is based on an ongoing process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them effectively. Managing fraud risk will be seen in the context of the management of this wider range of risks.
- 7.3. Responsibilities include:
- Developing a fraud risk profile and undertaking a regular review of the fraud risks associated with each of the key organisational objectives in order to keep the profile current;
  - Establishing an effective anti-fraud policy and fraud response plan, commensurate to the level of fraud risk identified in the fraud risk profile;
  - Designing an effective control environment to prevent fraud commensurate with the fraud risk profile;
  - Establishing appropriate mechanisms for:
    - reporting fraud risk issues;
    - reporting to the Audit and Governance Committee
  - Liaising with Risk Management and the Audit and Governance Committee;
  - Ensuring that Mid-Devon District Councils recruitment policy is adhered to and that effective steps are taken at recruitment to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts.
  - Making sure that all staff are aware of the Organisation's anti-fraud policy and know what their responsibilities are in relation to combating fraud;
  - Ensuring that appropriate counter-fraud training is available and provided to staff;
  - Ensuring that vigorous and prompt investigations are carried out if fraud occurs or is suspected;
  - Ensuring that appropriate legal and / or disciplinary action is taken against perpetrators of fraud;

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- Taking appropriate disciplinary action against supervisors/managers where supervisory/managerial failures have contributed to the commission of fraud;
- Taking appropriate disciplinary action against staff who intentionally fail to report fraud;
- Taking appropriate action to recover assets;
- Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.

### 7.4. Operational managers / supervisors are responsible for:

- Ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively;
- Preventing and detecting fraud;
- Assessing the types of risk involved in the operations for which they are responsible;
- Reviewing and testing the control systems for which they are responsible regularly;
- Ensuring that controls are being complied with and their systems continue to operate effectively;
- Implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place.

### 7.5. Every member of staff and elected member of the council is responsible for:

- Acting with propriety in the use of Mid-Devon District Councils resources and the handling and use of funds whether they are involved with cash or payments systems, receipts or dealing with suppliers and or customers;
- Being alert to the possibility that unusual events or transactions could be indicators of fraud;
- Reporting details immediately through the appropriate channel if they suspect that a fraud has been committed or see any suspicious acts or events;
- Complying with the Mid-Devon District Council Employee Handbook and the Mid-Devon District Council's Code of Conduct specifically in respect of the declaration of 'Gifts and Hospitality' and potential conflicts of interest. [Officer Code of Conduct.pdf \(middevon.gov.uk\)](#)
- Cooperating fully with those conducting internal checks, reviews or fraud investigations.





Counter Fraud Services

Devon Audit Partnership

Mid-Devon District Council  
Anti-Fraud, Bribery and  
Corruption Strategy /  
Response Plan



Support, Assurance & Innovation

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## **Mid-Devon District Council's Commitment to Prevent Fraud and Corruption in all areas of the Council's Business.**

### **1. Strategy/Response Plan**

- 1.1 Fraud is a major drain on the Public Purse it is therefore imperative that all Public Sector Staff prevent fraudulent activity and understand the threats and risks involved to the country's economy and specifically the local economy. This Strategy will assist Mid-Devon District Council in becoming more resilient to current threats and those identified in the future. The aim is to minimise fraudulent activity with a zero tolerance approach to those who commit criminal acts of fraud against Mid-Devon District Council whether the threat is from outside or internally within the Council.
- 1.2 Tackling fraud is an integral part of putting finances on a stable footing and ensuring that tax-payers' hard earned money is used to protect resources for frontline services. Fraud has a serious effect on all parts of the economy and costs the UK in the region of £193 billion per year. The cost of fraud to local government is estimated at £2.2 - £7.4 billion a year.
- 1.3 This Strategy aligns with the [Council's Corporate Plan](#) and should be read in conjunction with the Anti-Fraud, Bribery and Corruption Policy 2023.
- 1.4 Through its arrangements with [Devon Audit Partnership](#), the Council has a dedicated Counter Fraud Team which delivers professional counter fraud advice, guidance and investigatory work. The team will endeavour to exceed the expectations of the local population in combating fraud; this in turn will allow the Council to use its resources on frontline services for those who legitimately need them as well as promoting re-investment in Mid-Devon, to make it a place where people want to live, learn, work and visit.
- 1.5 Mid-Devon District Council will Govern, Acknowledge, Prevent, Pursue and Protect in respect of any threats posed by fraudulent activity whether by individuals or organisations with a view to making the most of its finances and promoting fairness and opportunity within District.
- 1.6 The Strategy's key objectives are to:
  - Assess and understand the fraud risks faced by Mid-Devon District Council;
  - Commit the correct support and resource to tackle fraud risk areas identified;
  - Maintain a consistent and robust anti-fraud response;
  - Make better use of information and technology to counter threats of fraud;
  - Ensure all fraud controls and processes are effective and continue to enhance these;
  - Further develop an effective anti-fraud culture;
  - Pursue fraud debt recovery and the use of Civil Sanctions when appropriate;
  - Further develop capability and capacity to address and deter fraudsters;
  - Embrace/encourage collaboration across all Local Authorities and Law Enforcement Agencies in the fight against fraudulent activity;
  - Promote a zero tolerance approach to fraud.

## 2. Govern

- 2.1 Mid-Devon District Council will ensure that it has robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having an overall holistic approach to tackling fraud is part of good governance.
- 2.2 It understands that the tone is set from the top of any organisation and should be included in local counter fraud strategies and response plans.
- 2.3 Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes – the six Cs – that emerged from the 2016 research:
- Culture
  - Capability
  - Competence
  - Capacity
  - Communication
  - Collaboration

## 3. Acknowledge

- 3.1 Mid-Devon District Council acknowledges that it is not immune from fraud and that it has a duty to implement measures to protect the public purse in all areas of its business. Fraud is a hidden crime and the Council should not enable fraudulent or corrupt activity to remain hidden.
- 3.2 The Council commits to:
- Involving the Chief Executive & S151 in championing the fight against fraud and corruption;
  - Engaging with the Audit Committee, seeking their endorsement for counter fraud and corruption work in the Council;
  - Committing appropriate resources to identify, assess, detect and prevent fraud and corruption throughout all areas of business within the Council;
  - Assessing and trying to understand the fraud, bribery and corruption risks facing the Council now and in the future;
  - Maintaining a robust counter fraud and corruption response;
  - Keeping records of all suspected and confirmed cases of fraud and corruption;
  - Working with all available internal and external partners and law enforcement agencies with a view to reducing the risk of fraud across all areas of the Council's business;
  - Using appropriate data matching tools available to deter and detect fraudulent/corrupt activity;
  - Supporting and passing on best practice to other Authorities in respect of counter fraud and corruption work;
  - Adopting best practice and learning from other Authorities in respect of counter fraud and corruption work;
  - Ensuring that all staff understand how, where and when to report suspicions of fraudulent activity.
- 3.3 Only through its acknowledgment that it faces the continuing threat of fraud and corruption can the Council effectively counter the threat. The Council has, through its arrangements with Devon Audit Partnership, committed to retaining the expertise of a qualified counter fraud investigative capability; acknowledging the potentially wider risks from corporate fraud and corruption and its obligation to investigate all types of fraud.

## 4. Prevent

4.1 The best way to fight fraud is to prevent it from happening in the first place. Prevention extends beyond making sure that there are appropriate systems and process controls in place. It also depends upon the development of an effective anti-fraud and corruption culture that reinforces a zero tolerance and deters criminals from committing fraud in the first place.

4.2 The Council commits to:

- Make better use of information and technology in the analysis and prediction of fraudulent or corrupt activity in all areas of the Council's business;
- Use all internally available data to maximise detection of fraud and corruption;
- Encourage other Local Authorities and stakeholders to share their data in order to maximise the detection of fraud and corruption;
- Share intelligence with other Authorities and relevant Law Enforcement Agencies in order to combat fraud and corruption;
- Use all areas of the [National Fraud data matching Initiative](#) to best effect;
- Support local and national initiatives to support the fight against fraud and corruption;
- Use the [National Anti-Fraud Network \(NAFN\)](#) to maximise information gathering in order to combat fraud and corruption;
- Implement the local government counter fraud and corruption strategy '[Fighting Fraud and Corruption Locally](#)', to improve the Council's resilience to fraud and corruption;
- Arrange Fraud Awareness training to be offered out to all internal staff and Members as well as, where appropriate, 3rd parties linked to the Council's business;
- Maximise publicity through advertising campaigns in diverse media areas to discourage those who would potentially commit fraud;
- Encourage publication of court convictions in order to dissuade potential future offenders;
- Ensure that there is a clear reporting route available for staff and the public to report suspicions of fraudulent and corrupt activity;
- Ensure that where a criminal offence is suspected that it is referred to the DAP Counter Fraud Team;
- Ensure that the DAP Counter Fraud Team are identified as a reporting line within the Whistleblowing Policy if the whistle-blower feels that this would be the most effective route.

4.3 A strong anti-fraud culture that is driven from the top down must underpin any preventative approach. This requires continuous active promotion and needs to include staff, members of the public and 3<sup>rd</sup> parties involved in the provision and procurement of the Council's services. An anti-fraud culture will seek to motivate staff and ensure that they understand the importance of tackling fraud and corruption, recognise fraud and corruption and know how and where to report it.

4.4 The Council will seek to change attitudes and behaviours towards fraud and corruption, positively re-enforcing individuals' responsibility for preventing, detecting and reporting fraud, and deterring future criminal activity against the Council.

## 5. Pursue

5.1 Prevention is always preferable. However, determined fraudsters will evade even the best controls, and where fraud and corruption does occur enforcement must be comprehensive. The Counter Fraud Team will appropriately investigate all allegations to a conclusion, ensuring that where relevant the offender is prosecuted or other appropriate sanction is applied.

5.2 The Council will ensure that the public, and potential fraudsters, are made aware that when public funds are stolen, every effort will be made to recover losses and confiscate assets gained as a result of criminal activity.

5.3 The Council commits to:

- Using the services of a dedicated Counter Fraud Team to investigate all allegations of fraud and corruption concerning Mid-Devon District Council;
- Ensuring that the Counter Fraud investigators (either employed or contracted) are trained to the appropriate standard, with investigations carried out in a professional manner and evidence collected and retained in accordance with the law;
- Encouraging a higher priority for the recovery of fraudulent losses, to include the use of civil sanctions;
- Ensuring legal capability and capacity is sufficient to pursue fraudsters;
- Aid in the creation a more collaborative and supportive law enforcement response across Mid Devon and Devon to encourage co-operation and joint working (e.g. across all 10 Devon Local Authorities, Trading Standards, the DWP, HMRC, UK Border Agency and the NHS etc);
- Consider the use of Compensation Orders or the Proceeds of Crime Act to recover profits made by fraudulent means;
- Use publicity from successful Prosecutions to deter others who could potentially commit similar offences in the future.

## **6. Protect**

6.1 The Council commits to protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

6.2 This will also cover protecting public funds, protecting its organisational integrity and reputation from fraud and cybercrime and also protecting itself from future frauds as far as can be reasonably expected.

## **7. Information Technology and Data Matching**

7.1 The Council undertakes to make better use of the information that it already holds for various Council activities in order to drive out fraud from its systems. It will look to continuously improve and expand its ability to acknowledge, prevent and detect fraud in all areas of its business through:

- The use of internal Data Matching checks to proactively Prevent/Detect fraudulent activity.
- Information Sharing: Intelligence is key in the modern fight against fraud. All appropriate Internal /External Data warehousing / matching opportunities will be explored and maximised
- Using a proactive/joined up approach to investigations across the Council and Cross boundary (if appropriate) that will generate income and savings;

## **8. Sanctions Guidelines**

8.1 The Council seeks to provide value for money services to the public, and has a statutory duty to protect the Public Purse.

8.2 In the interest of making fair and balanced decisions, the Council will refer to sanction guidelines, taking into account various factors, not only the monetary value of the offence. All cases will be evaluated on their own merit and any mitigating circumstances will be taken into account.

- 8.3 The Council will co-operate with other agencies such as the Department for Work and Pensions, the Police and the Crown Prosecution Service to secure the conviction of offenders. Mid-Devon District Council will also instigate criminal proceedings independently of these organisations where appropriate.
- 8.4 These guidelines will assist in determining the appropriate action to be taken in relation to each case. The initial recommendation on what action is most appropriate to take lies with the Investigator. The Counter Fraud Team Manager will then make a recommendation based on the evidence for consideration by the Head of Devon Audit Partnership in accordance with the Public Interest test. Ultimate decision making lies with Mid-Devon District Councils Head of Legal.

## 9. Legislative Framework

9.1 These guidelines take into account the requirements of the following legislation:-

- [The Social Security Administration Act 1992](#)
- [The Social Security Administration \(Fraud\) Act 1997](#)
- [Regulation of Investigatory Powers Act 2000](#)
- [Police and Criminal Evidence Act 1984](#)
- [Data Protection Act 2018](#)
- [Local Government Act 2000](#)
- [Criminal Procedures Investigation Act 1996](#)
- [Criminal Justice and Public Order Act 1994](#)
- [Human Rights Act 1998](#)
- [Fraud Act 2006](#)
- [Theft Act 1968 & 1978](#)
- [Prevention of Social Housing Fraud Act 2013](#)
- [Proceeds of Crime Act 2002](#) (POCA)
- [Equality Act 2010](#)

## 10. Sanctions available to the Local Authority

10.1 When the Local Authority is able to prove an offence beyond reasonable doubt, or the offender makes a full confession that they have committed a criminal offence against the authority, the Council has the following sanctions available to it:

- Administer a Local Authority Formal Caution
- Administer a fixed penalty
- Prosecution through the Magistrates Court
- Seizure and liquidation of assets via POCA

## 11. Standards of Evidence

11.1 The Council will use the most appropriate deterrent against future fraudulent activity. This requires each referred case to be looked at on its individual merits; making reference to any previous sanction or convictions if applicable, before deciding on any further action.

11.2 Prosecution and the alternatives to prosecution have to follow the rules of law. Criminal offences have to be proved “beyond reasonable doubt” and not on the “balance of probability” rules applied to civil matters.

11.3 Substantive evidence is essential before the Council can determine if a sanction is justified. Evidence must be legally admissible and put forward in a legally acceptable form. The Council must therefore be satisfied that evidence is of a quality which would withstand scrutiny in a court of law. In the first instance the Counter Fraud Team Manager will assess the quality of evidence gained in the course of an investigation, ensuring that the evidence is:

- Clear
- Admissible
- Substantial
- Reliable

11.4 The Counter Fraud Team Manager will also check the case in the first instance to ensure:

- That there is sufficient evidence to show action, knowledge and, where appropriate, intent, by the individual concerned;
- That all the evidence has been obtained in accordance with the relevant legislation.

## **12. Formal Cautions**

12.1 Formal cautioning is based on the principle that no prosecuting authority is under an obligation to prosecute. The use of formal cautions is purely administrative and there is no legislation covering their use.

12.2 A Formal Caution may only be offered if an admission of guilt has been made, and cannot be offered if the claimant refutes or denies the allegation. It is given as an official warning to a person who has committed a fraud related offence against the Council.

12.3 A Formal Caution will only be considered and administered when:-

- There is sufficient evidence to justify instigating criminal proceedings;
- The offence has been admitted during an interview under caution (A caution should never be considered purely on the basis that the claimant "will accept a caution");
- The offender has no unspent relevant previous convictions, cautions etc;
- The person agrees to sign documentation in which they admit the offence;
- The person agrees to be cautioned and acknowledges the caution;
- Cautions will not be administered to a person under the age of 18.

12.4 For a case where the Investigating Officer has recommended a caution, the recommendation will be reviewed and sanctioned by the Counter Fraud Team Manager. The caution may be administered by the Counter Fraud Team Manager (an appropriate Accredited Counter Fraud Specialist may administer a caution in the absence of the aforementioned).

12.5 If the person is subsequently prosecuted for another offence, the caution may be cited in court. If the person refuses to accept a caution, the alternative course of action should be criminal proceedings. Therefore, the quality of evidence for a caution must be of the same standard as that required for a prosecution.

## **13. Administering a fixed or civil penalty**



13.1 Currently the DAP Counter Fraud Team has not been authorised to administer fixed or civil penalties for offences. However, this may change in the future depending on changes in overarching policies.

## 14. Prosecutions

14.1 The Council recognises that it is likely to be appropriate to prosecute where there is clear evidence that an offence has been committed. In taking such action, the Council will make fair and consistent decisions, and will ensure that there is sufficient evidence to make conviction more likely than acquittal.

14.2 If one or more of the following factors are apparent within a case, that case may be considered for prosecution as the first option:

- The defendant is alleged to have committed the offence while under an order of the Court;
- The gross adjudicated cost to Mid-Devon District Council or its partners is £5000 or over. (In line with the minimum sentencing guidelines for fraud offences);
- False identities or other personal details have been used;
- False or forged documentation has been used;
- Official documents have been altered or falsified;
- The person concerned occupied a position of trust;
- The person concerned assisted or encouraged others to commit offences;
- There is evidence of premeditated or organised fraud;
- The person concerned has relevant previous convictions;
- The person has previously been convicted of fraud;
- The offer of a formal caution or other sanction or solution has been refused;
- There is evidence of collusion.

## 15. Factors for consideration by the officer responsible for the final case review and decision on whether to prosecute

15.1 In all cases where the Investigating Officer and the Counter Fraud Team Manager have, based on evidence, concluded that an individual should be prosecuted, a number of factors need to be taken into consideration when deciding whether to instigate the prosecution action.

15.2 The presence within a case of any of the Public Interest factors referred to in 16.1 below may preclude it from prosecution, downgrade it to an alternative sanction or a decision to take no further action; each case will be assessed individually.

## 16. Public Interest

16.1 If the evidence obtained justifies proceedings, the Council must then consider whether this would be in the public interest, taking into account [The Code for Crown Prosecutors](#) which gives guidance on the general principles to be applied when making a decision regarding prosecutions.

Common factors include:

- Age
- Social factors
- Mental illness
- Physical illness
- Voluntary disclosure
- Technical factors

## 17. Summary

- 17.1 The guidelines outlined in this strategy cover the main areas that the Council consider when dealing with alleged fraudulent activity. As well as the above Mid-Devon District Council is committed to improving fraud awareness throughout its own organisation and those of its partners.
- 17.2 Whilst the Council appreciates the majority of people are honest, it will continue to fight abuse of the 'Public Purse' by those who falsely claim/apply for money/property/support to which they are not entitled. All investigations will be undertaken by trained staff that will respect the rights of all customers, abide by the law and act in the public interest.

# Internal Audit Progress Report 2022-23

Mid Devon District Council  
Audit Committee

Page 31

January 2022

Tony Rose  
Head of Audit Partnership

Auditing for achievement

Agenda Item 7.

## 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 2022-23 based on work undertaken to date in the Opinion Statement.

The Internal Audit plan for 2022-23 was presented and approved by the Audit Committee in March 2022. The following report and appendices set out the background to audit service provision; 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.

**Tony Rose**

**Head of Devon Audit Partnership**

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## Opinion Statement

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

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

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

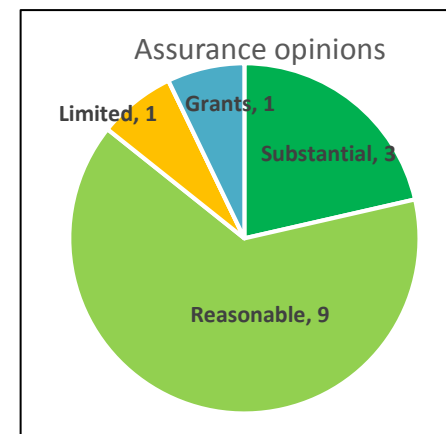
All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans is the responsibility of management yet may be reviewed during subsequent audits or as part of specific follow-ups.

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.

<b>Substantial Assurance</b>	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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

In support of our current overall assessment of Reasonable Assurance, this chart represents the opinions provided to date:



In this report, we provide two Substantial reports: on Treasury Management, and on Car Park Operations.

The remainder of our reports on Ground Management; Customer Care and Complaints; and Capital Asset Management, are assessed as Reasonable Assurance. We also provide detail on an advisory report on Void Management. A summary is contained in **Appendix 1**.

## Fraud Prevention and Detection

We continue to work with council officers on measures to identify and prevent fraud. We attach our recent Counter Fraud Resilience and Assessment report as **Appendix 2**. We are undertaking the same assessment for our other District partners.

We have helped the council to create an Anti-Fraud Bribery and Corruption Strategy, and Policy which is to be discussed at this Audit Committee.

We provided Counter Fraud training to the council managers in early January 2023.

We have received agreement from Devon Council to proceed with single tender action to engage a contractor to support review of Council Tax

Single Person Discounts by Devon District Councils. This will allow Mid Devon to participate in this activity if it decides to.

## Audit Coverage and Performance Against Plan

We have progressed a large proportion of the plan in the last few months. We do not currently anticipate any problem in substantially delivering this year's plan, to inform our Annual Assurance Opinion.

The Committee will be aware that the Internal Audit Plan is intended to cover the period April 2022 to March 2023. We know from our experience that the work we undertake does not start on the 1 April or finish on the 31 March. The delivery of the work plans leans towards commencing in April with the bulk of the work delivered within each financial year, concluding with our reports being finalised up to and including the following April and May. This timeframe helps to ensure the Annual Head of Internal Audit Assurance Opinion is based on the fullest possible breadth of work in line with each Internal Audit Plan.

## Audit Recommendations

**Appendix 3** - There are currently 19 overdue recommendations (3 High, 14 Medium, 2 Low) listed on Spar (See **Appendix 3**). This compares to the 12 recommendations reported at the last Audit Committee.

**Appendix 4** provides detail of recommendations that have been extended by management more than six months beyond the original agreed implementation date. Only High priority recommendations need Audit Committee agreement to extend target dates and that management can decide to extend Medium and Low recommendation target dates. We provide appropriate challenge if we have any concerns that the weakness has not been addressed. There is one Low recommendation in this area.

**Customer Satisfaction** – For each review we ask for feedback on the audit. This year we have received the following CSQ scores:

Audit	Percentage Satisfaction
Lord Meadows Leisure Centre	98%
Development Management	100%

Service Charges

99%

## 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.
- Undertaking similar audits across different councils to identify and share good practice, such as current audits of Climate Change being undertaken for North Devon, Torridge, South Hams, West Devon, and Mid Devon.
- Confirming that core controls continue to be effective despite changing work conditions and current pressure of work.

## Appendix 1 – Summary of audit reports and findings for 2022-23

Audit and Assurance Opinion	Summary, Risk Exposure and Management Actions	Summary of Actions High / Med / Low		
<b>Treasury Management</b>  <b>Substantial Assurance</b>	<p>The council has strong and clear procedures when it comes to Treasury Management. All the recommendations from our audit last year have been implemented. This has reduced the number of spreadsheets used to record and manage transactions. We provide a Substantial Assurance as core controls are in place which we consider effective, and we make no recommendations in this report.</p>			
	<p>The council has no current loans it needs to pay, and government grants have been well managed so that original reserves were not dipped into.</p> <p>Treasury management is conducted in accordance with the approved Treasury Management Strategy and designed to minimise investment risk. This includes placing loans only to UK registered banks and building societies with good credit scores, with a limit of £5m on the amount loaned to each individual bank. Expert advice and guidance are obtained from the Link Group to ensure that investments achieve the best interest rate. No long-term investments are held which means the council will be able to take advantage of increasing interest rates as they occur.</p> <p>There are appropriate arrangements to ensure the Current Account is maintained at the £5m figure excluding grant funds to ensure the council has appropriate cash to meet short term obligations and not to exceed that total. The cash and bank statements are checked daily which is good practice. The council has good segregation of duty restrictions to ensure appropriate approval of investment transactions from its current account.</p>	0	0	0
<b>Car Park Operations</b>  <b>Substantial Assurance</b>	<p>The recently appointed Environment and Enforcement Manager runs a well-established operation with staff using detailed and comprehensive guidance and procedures. Following his appointment an end of year report is now produced detailing all aspects of car park related performance. This includes the numbers of Penalty Charge Notices (PCNs) issued per District Officer; the value of PCNs issued, paid, written off, and outstanding; the total visits made to each location; the total amount of Pay &amp; Display revenue received and staff sickness levels. A monthly report is also provided to senior management with an overview of car parks activity and performance. This information is being used to manage the service and consider how to address issues and make improvements.</p>			
	<p>Actual expenditure for the first six months of 2022 was £334,243; this compares to a year budget of £648k, which indicates that income collected may exceed the budget.</p> <p>Review of PCNs indicates a resolution rate (paid or written off) of about 90% of PCNs. The number of PCNs issued appear to have gone back to pre-C19 levels.</p>	0	0	1



	<p>Different payment options exist for car park customers enabling payment to be made via cash, card or through the RingGo app. Customers may purchase a virtual parking permit via use of an online link upon the council's website. These payment options are in line with those found at other local authorities.</p> <p>Systems and processes in use remain effective with Pay &amp; Display cash machine boxes collected by a third party being emptied and counted remotely; the income then credited into the Council's bank account.</p> <p>An issue identified in the previous audit review regarding PCN reports and balances on certain individual PCN records appears to still be an issue requiring resolution and has therefore been reported again.</p> <p>The safety of the District Officers has been enhanced by the recent introduction of body worn videos allowing recording of any instances of anti-social behaviour, threats or abuse directed towards staff in undertaking their duties.</p>			
<p>Ground Maintenance</p> <p>Page 36</p> <p>Reasonable Assurance</p>	<p>The Ground Maintenance service is well managed, with good control over the GM programme.</p> <p>There was good financial management and oversight with forecasts produced through the year. Financial information is reasonable; budgets for fuel and agency costs are highlighted as a nationwide issue this year which were not allowed for when budget setting. The Service represents a net cost to the council of about £490k-£590k per year (Joint budget of HRA and General Fund).</p> <p>Various performance measures are used which are well measured and reported in spreadsheets. These are used to manage resources allocation in the different work areas. It is difficult to measure service performance over recent years given C-19 impacts. They are currently due to meet their targets this year.</p> <p>An extensive detailed programme is held of all the GM work requirements. This supports management of the work programme. Ad-hoc internal work is quickly accommodated when needed. The Service continues on-plan to deliver support to external and internal clients. Review of the complaints received indicates only three last year, and one compliment.</p> <p>The Service is fully staffed and there are no current concerns about resources. Management report staff are well motivated. Staff have undertaken the range of necessary training to help them in their duties and everyone has an annual H&amp;S risk assessment.</p> <p>The council has a detailed asset register of equipment recording cost, serial number, purchase date etc, which we identify as good practice. It includes dates of equipment service.</p> <p>Compared to a neighbouring council, there has been less consideration of Climate Change and Biodiversity aspects into the GM service. We encourage a closer working relationship between the</p>	0	2	0



	Climate and Sustainability Officer and GM to reducing the carbon footprint and encouraging biodiversity across the district.			
Customer Care and Complaints	The Customer Service Team (CST) team had a good ethos and approach, and training is good. Complaints about the standard of Customer Service provided are low. The CST continue to resolve circa 70% of calls.			
Reasonable Assurance	<p>The Council has a Customer Care Policy and a Complaints and Feedback Policy approved by Cabinet aligned with MDDC core values. The CST answer around 100,000 phone calls per annum; in 2021/22 this was over 96% of calls to the Council. In context, MDDC typically has 2 million+ customer interactions each year across all services. A new telephone system went live in April 2022 which has enabled collection of more data about incoming calls to the CST who fulfil 71% of all calls during 2021/22, rather than being referred onto Service areas. Where calls cannot be dealt with by the CST, a handover is necessary to the correct service area; we observed the good quality of handovers taking place.</p> <p>However, data is limited on the outcomes for those calls handed on to Service areas. The CRM system does not record what happens beyond the CST. There is therefore a risk that calls passed from the CST to the service areas are not then effectively addressed on a timely basis.</p> <p>A pilot is currently running within Revenues and Benefits with a Revenue Information Officer taking specialist calls for the department, owning the initial call and aiming to provide a one-stop solution for customers. Customers using this service are surveyed by email to help measure success of the pilot.</p> <p>Complaint handling is of a good standard; however, some training needs were evident from our sampling of the way complaints are processed on the system. There is a consistent approach to logging complaints via the CST, aided by scripted screens which are aligned with MDDC values. Complaint numbers are almost back to pre-pandemic levels. Feedback on council services is actively encouraged with a page dedicated to this and highlighting the multiple channels available for this on the public website. E-mail traffic has increased significantly in recent years which is requiring additional resources and consideration will be necessary on how this can be mitigated in the future e.g., use of smart forms.</p> <p>Resourcing of this area appears to have been challenging during the pandemic, however this has been overcome with sufficient staff in place. New-entrant training is intensive, structured, and well-organised.</p>	0	2	1
Capital Asset Management	We provide an overall 'Reasonable Assurance' rating as the Strategy is a clear, concise, stand-alone document that details how asset management will support the Authority in achieving its vision and meeting its long-term goals. This also includes detail on how asset management activities are implemented, measured, and continuously improved, and it contains clear long-term performance targets.	0	3	4

	<p>A detailed Asset Management Action Plan is Appendix 6 of the Strategy. Fourteen actions are listed in the action plan which is reviewed and discussed at Capital Strategy Asset Management Group (CSAG) meetings. We consider member involvement in this group is good practice that we have not seen in other councils. Given that CSAG meeting minutes are not published, we suggest updating the Strategy to report when each specific action/objective has been implemented. We have suggested that an official mid-point review of the progress to deliver the strategy would be beneficial to ensure it is achieving its goals.</p> <p>Assets and related performance are well managed along with a robust performance reporting process. Members are actively involved in asset management through the relevant CSAG meetings and Cabinet. We have not seen a full list of KPIs that are in place and from a recent audit conducted on Repairs and Maintenance we have concluded that basic KPIs are needed for effective management of the service. Benchmarking activity should also be undertaken against other relevant authorities.</p> <p>Improvements are possible to the Council's asset record base. This is held on the Uniform system but is only used to store lease information and does not have the facility to manage other aspects of asset management, including repairs and maintenance. We are unable to provide assurance that all asset information on the system is reliable with many fields being empty. This was a recommendation highlighted in our previous audit and needs to be addressed. Property Services have a budget available to acquire a new system which provides a good opportunity for a new system to manage all aspects of asset management.</p> <p>We looked at whether planned maintenance and compliance checks are undertaken including undertaking condition surveys in line with an agreed timetable. The Strategy states the importance of condition surveys to prolong the life of the Council's asset base. We confirmed that statutory compliance checks (i.e., Health and safety, Fire checks etc) and other condition surveys are undertaken on assets to review their condition. These reviews are used to help build the Council's 30-year maintenance programme and medium-term financial plan. However, further work is desirable to document the surveys required for each key building asset and list the planned work required to support a more strategic approach to planned maintenance.</p>			
Void Management arrangements	<p>We undertook this advisory work to support an internal review being undertaken by the business area on void management. As processes were being revised, we did not provide an assurance opinion, although the report includes management actions which have fed into the newly updated Voids Management Policy of December 2022.</p> <p>We note that the voids process has evolved and there were some processes no longer matching the Void policy. For instance, the policy states that 'the Council does not decorate properties before being let. It is the responsibility of the incoming tenant to decorate as they see fit.' The</p>	0	9	2

Advisory, so no assurance rating

Council provides a paint pack to the new tenant to help them start to decorate their new home. We viewed a recently vacated property and saw that the condition of the property was poor, and a full redecoration was required to restore the property to a relatable standard. We are advised that most voids are returned in a poor condition and require a full repaint. There are also other requirements for pest control services before starting void repairs. All these factors have an impact on timescales to complete void works. Historic turnaround time has been 14 days for a standard void. These timescales do not now reflect current reality given void property condition.

Our analysis indicates that the average number of days for each void was 76 working days. The number of void properties has increased every year since 2019/20 but is now starting to reduce. Various factors have contributed to this, including covid, staff shortages in the allocation team, and decarbonization work. Updated voids targets and categorisations have now been included in the updated Voids Management Policy and are based upon the current legal, strategic and operational context with realistic turnaround times encompassing the end – to – end voids management process for building services and tenancy management.

Pre-void inspections are mentioned within the void policy, these used to be carried out by tenancy/allocations but stopped during Covid. These were carried out to identify any works required upon the end of tenancy which are likely to be rechargeable works. Management has now agreed to recommence targeted inspections from April 2023.

The Orchard system is used to manage voids and repair work. All Council stock properties are on Orchard and tenancies are attached to each property. We found that the integrity of the information held in the void's module was not reliable. There are no procedure notes on data entry of voids and during a period of staff shortages an apprentice was adding voids information to the void's module. Dedicated officers have now been made responsible for raising all voids.

New tenants are asked to complete a satisfaction survey which includes questions about the standard of the property. We reviewed some survey forms and noted that most of the tenants said they were either very satisfied or fairly satisfied with the standard of the property.

## Appendix 2 – Counter Fraud Resilience and Assessment Report

### 1. Introduction

- 1.1 The following is the [Devon Audit Partnership](#) (DAP) [Counter Fraud Services Team](#) Report and Update 22/23. It outlines the ever-increasing fraud threats affecting all areas of public spending and the responses expected from Mid-Devon District Council. Our aim is to support Mid-Devon District Council in its continued efforts to ensure that appropriate processes are in place. This includes good governance processes, acknowledging the threats posed by fraud, preventing and pursuing those who would look to commit fraud and providing assurance that the Council, the public and the wider public purse are being protected from fraud wherever possible.
- 1.2 The Counter Fraud Services Team within Devon Audit Partnership (DAP) continues to support and facilitate the development of the Council's Counter Fraud processes and capability, which improves its resilience to fraud and related offences.

### 2. Fraud response / resilience assessment.

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) reports that local authorities have achieved success by taking a structured response to fraud and that they now need to respond to an ever-increasing fraud threat, and further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and focused on the key changes that will make the most difference.
- 3.2 A local authority is self-regulating in respect of counter fraud. It should aim to show that it undertakes realistic self-assessment and has identified and understands the major risks it faces. It should acknowledge the problems and put in place plans which can demonstrate that it is taking action with visible outcomes. It should aim to create a transparent process and report the results to the corporate management team and those charged with governance.
- 3.3 The table in Annex 1 shows the expected response from a local authority, and our assessment of Mid-Devon's arrangements against expectations. It is clear that the Council complies in almost all areas of Counter Fraud best practice. However further work in Joining up the 'Fraud Risk Management' process and Counter Fraud knowledge between DAP and MDDC will add further value to the Counter Fraud Activity.

### 4 National Fraud Initiative

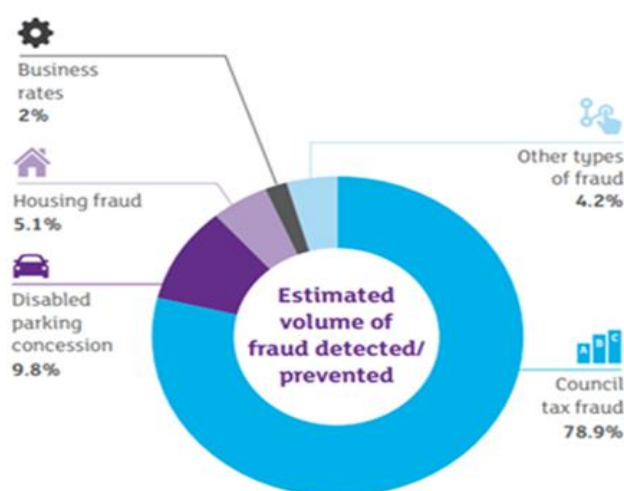
- 4.1 The [National Fraud Initiative](#) (NFI) is an exercise run and reported on by the [Cabinet Office](#); matches electronic data within and between public and private sector bodies to prevent and detect fraud and error.
- 4.2 Devon Audit Partnership acts as the point of contact between the Cabinet Office and the Council in matters relating to the National Fraud Initiative, this being a mandatory Biannual exercise in fraud prevention and detection.
- 4.3 The Biannual National Exercise for 22/23 has now started and data will be being uploaded to the Cabinet Office for inclusion in the exercise. It is anticipated that all matches will be returned for checking in Jan / Feb 2023.
- 4.4 The last National Exercise assisted the Council to identify changes in entitlement which resulted in an estimated (Figures supplied by the Cabinet Office) total of £21k in potential

savings. DAP is committed to supporting the Council in maximising savings from this exercise in the coming year.

4.5 Departments that complete the returned matches show that they are actively involved reducing fraud risk as well making sure that wherever possible their data management is compliant with the Data Protection Act 2018 by ensuring -

- **Data minimisation** by ensuring that MDDC only holds data that is required.
- **Accuracy** by ensuring that the data held is as accurate as it can reasonably be expected to be.
- **Data retention periods**, showing that data is not being held longer than is necessary for its intended use.

4.6 In the Chartered Institute of [Public Finance and Accountancy \(CIPFA\) survey in 2019](#), the most common types of fraud faced by all Councils in England and Wales were identified as per the graphic below, it remains imperative that the Council continues to maximise counter fraud activity in these areas to ensure the minimisation of any loss to fraud.



## 5 Information for Committee

5.1 Local Authorities are far from immune to fraud and its related offences. It is also clear that fraud activity is and has been increasing for some time. Local Authority defences must keep pace with developments or face increasing losses at a time when every penny counts. Every pound saved fighting fraud is a pound that can go back into front line services. Below are some of the most recent reports into the scale of fraud faced by the country and the respective views of those who produce them.

5.2 **Creation of the Public Sector Fraud Authority (Aug 2022)** - [The Public Sector Fraud Authority](#) is the UK government's Centre of Expertise for the management of fraud (and associated error) against the public sector. It leads the Government's Counter Fraud Function.

5.3 **The House of Commons Justice Committee Report (Oct 2022)** - [Fraud and the Justice System](#) is a wide ranging report setting out its recommendations for a new approach to, as the report puts it, 'an epidemic of fraud cases in England and Wales'. The scale is evident from the most recent Office of National Statistics report.

5.4 **The House of Lords Report (Nov 2022) - [How do we break the fraud chain?](#)** Highlights that Fraud is the most common crime in this country today. An adult aged 16 or over in England and Wales is more likely to become a victim of fraud than any other individual crime type.

## 6 Conclusion

6.1 Mid-Devon District Councils Counter Fraud resilience continues to improve, moving towards an ever-stronger assurance position. The benchmarking against best practice exercise is encouraging and supports the opinion that the Council is committed to reducing fraud losses to the minimum level possible. However constant vigilance and flexibility are required to ensure that wherever possible every pound of the public purse is protected and spent on those in genuine need of the Councils services.

6.2 The word unprecedented has been used many times over the past three years as a result of circumstances beyond Local Authority control, the current financial pressures on Councils and the people they serve remain unprecedented and the effects should not be underestimated. Financial pressure is a driver for fraud, and as such all Councils should, wherever possible look to increase their fraud resilience. It is noteworthy that Mid-Devon is committed to building further resilience.



**Ken Johnson**  
**Counter Fraud Services Manager**

**Tony Rose**  
**Head of Devon Audit Partnership**



Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, North Devon, Mid-Devon, South Hams and West Devon councils and Devon and Somerset Fire and Rescue Authority. We aim to be recognised as a high-quality assurance service provider in the public sector.

We work with our partners by providing a professional assurance services 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 [tony.d.rose@devon.gov](mailto:tony.d.rose@devon.gov).

**Confidentiality and Disclosure Clause** - This report is protectively marked in accordance with the Government Security Classifications. 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.

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.



## (Fighting Fraud and Corruption Locally 2020)



## Annex 1

### Counter Fraud resilience and Best Practice Checklist

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Mid-Devon current position and action
<p><b>1. The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.</b></p>	<p>The Authority annually prepares a Fraud and Corruption risk register. This identifies the risks and the controls in place to address these risks.</p> <p>This is considered by the Senior Management Team.</p> <p>The Corporate Risk Register, which incorporates the risk for fraud, is taken to the Audit &amp; Governance Committee.</p>
<p><b>2. The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community</b></p>	<p>The fraud risks to the Authority are assessed at least annually and are updated as and when new risks arise.</p> <p>In terms of horizon scanning, internal audit (DAP) provide updates on emerging fraud risks and the Devon Audit Group also helps to inform officers of locally developing issues.</p> <p>A local network of key contacts also helps to identify trends and developments.</p>
<p><b>3. There is an annual report to the audit committee, or equivalent detailed assessment.</b></p>	<p>It is proposed that each year a report is taken to the Audit &amp; Governance Committee, reporting the results of a self-assessment against the relevant updated and current requirements in line with Managing the Risk of Fraud and corruption. This being the first.</p>
<p><b>4. The relevant portfolio holder has been briefed on the fraud risks and mitigation</b></p>	<p>The Chair of the Audit &amp; Governance Committee will be briefed on fraud risks and the mitigations thereof.</p>
<p><b>5. The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources.</b></p>	<p>The Audit &amp; Governance Committee supports all officers in their work to prevent, detect and investigate fraud and corruption.</p> <p>Officers from partner organisations (e.g. Devon Audit Partnership) will be used to provide specialist skills and additional resources as and when required.</p>
<p><b>6. There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.</b></p>	<p>The Authority has in place an <a href="#">Anti-Fraud, Corruption Policy</a>. This was updated in 2021. The Policy has been taken to, and approved by, the Audit &amp; Governance Committee.</p> <p>It is recommended that this Policy is updated by an 'Accredited Counter Fraud Specialist' in future and that an appropriate Strategy and Response Plan are created and linked to the Policy on its review.</p>
<p><b>7. The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</b></p>	<p>Section 4 of the Strategy sets out various policy statements that cover staff, members, partner organisations and members of the public, which ensure probity and propriety are in place.</p> <p>However, no system or process can ever be 100% secure, and so employee diligence is always needed, and this referred to in section 6 "deterrence and prevention".</p> <p>The Council includes anti-bribery clauses in contracts with third parties and agents.</p>



CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Mid-Devon current position and action
8. The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.	A specific fraud and corruption risk entry is recorded in the risk register.
9. Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments, and this is reported upon to committee.	<p>The Authority does not have a dedicated "counter fraud" team and so this role is undertaken by a range of officers, including the Service Improvement Officer and Internal Audit (DAP).</p> <p>New policies and strategies are always considered in the light of possible fraud and corruption and are designed to limit such exposure.</p> <p><b>Access to the Counter Fraud Services Manager and Accredited Counter Fraud Specialist investigators at DAP will further strengthen this position.</b></p>
10. Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	<p>Successful cases of proven fraud / corruption would be reported in the local paper.</p> <p>The Policy also states that "The Council's Communications Team will liaise with the press to publicise any anti-fraud and corruption initiatives undertaken by the Council which will help act as a deterrent to others.</p>
11. The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.	<p>All systems are designed to prevent fraud occurring. The diligence of management and staff is also key in this.</p> <p>The annual Internal Audit plan is prepared taking in to account risks, which include fraud risks. Internal audit will provide assessment on the effectiveness of controls, and test controls to ensure that they are being complied with in practice.</p> <p>The Audit and Governance Committee is provided reports on risk, and the results of Internal Audit, and this, combined with management assessment of controls, is summarised in the Annual Governance Statement.</p>
12. The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:	
– codes of conduct including behaviour for counter fraud, anti-bribery and corruption	The Council has a <a href="#">Code of Conduct for Councillors and Co-Opted Members</a> which was updated in Oct 2021, this document does not include counter fraud, anti-bribery and corruption.
– register of interests	The Councils <a href="#">Code of Conduct for Councillors and Co-Opted Members</a> does cover the registration and recording of interests.( Section 1.3 onwards) This information is published on the <a href="#">Councils website</a> .
– register of gifts and hospitality.	<p>The Councils <a href="#">Code of Conduct for Councillors and Co-Opted Members</a> does cover the registration of gifts and hospitality. (Section 7)</p> <p>All gifts and hospitality over the value of £50 must be registered with the Councils Monitoring Officer.</p>

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Mid-Devon current position and action
<p><b>13. The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially dishonest employees from being appointed.</b></p>	<p>MDDC internet pages have the following - <a href="#">Recruitment process</a>, which covers the employee vetting and <a href="#">pre-employment checks</a> undertaken. All offers of employment are subject to satisfactory completion of these checks.</p> <p>Mandatory checks include: -</p> <ul style="list-style-type: none"> <li>• References</li> <li>• Verification of employment history Verification of professional qualifications and memberships</li> <li>• Verification of ID, nationality and immigration status and right to work in the UK</li> <li>• Medical clearance</li> </ul> <p>Some posts require additional checks including</p> <ul style="list-style-type: none"> <li>• DBS</li> <li>• Credit checks</li> </ul> <p>Checks on company directorships held, resigned, or disqualified from (not routinely undertaken)</p>
<p><b>14. Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality, and business. This is checked by auditors and reported to committee.</b></p>	<p>At the start of each meeting a declaration of interests is requested. See also 12 above.</p>
<p><b>15. There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.</b></p>	<p>As previously stated, the Council now also has access to an Accredited Counter Fraud Manager and Accredited Counter Fraud Specialists at DAP, which can be utilised as and when required.</p> <p>This report is designed to assist the organisation further improve its resilience.</p>
<p><b>16. There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.</b></p>	<p>A separate <a href="#">whistleblowing policy</a> is in place and was updated January 2020.</p> <p>This includes the Policy, employee guide and Manager's guide.</p> <p>All such alerts and reports will be monitored for intelligence purposes.</p>
<p><b>17. Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.</b></p>	<p>At present the whistleblowing policy applies to all Council workers, including elected and co-opted Members, employees, staff of Council contractors, suppliers of goods and services and agency staff.</p>
<p><b>18. Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.</b></p>	<p>Since the transfer of benefits counter fraud staff to Department for Work and Pensions (DWP), fraud resources have been limited.</p> <p>However, the internal audit provider (DAP) recently expanded its service provision by taking on the Counter Fraud Team, previously working solely at Plymouth. The team has fully trained and qualified fraud investigators. The Authority will look to "call off" resources as and when the need arises.</p>

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Mid-Devon current position and action
<p><b>19. There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.</b></p>	<p>There is no annual fraud plan as such.</p> <p>However, there are a range of "work programmes" that are prepared each year, including actions arising for the Annual Governance Review process, Risk Management and Internal Audit.</p> <p>The elements of each of these various plans enables senior management to be assured that suitable resources are being allocated to prevent, detect and investigate fraud.</p> <p>However, it should be noted that the current level of referrals of fraud and corruption are limited.</p>
<p><b>20. Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.</b></p>	<p>The S151 officer, will maintain a record of referrals.</p> <p>However, and as referred to above, there is no separate fraud team.</p>
<p><b>21. Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.</b></p>	<p>As stated above there are no dedicated "fraud officers" within the Council.</p> <p>However, in such instances then lawful access would be granted. For example, if DAP were asked to investigate using their Counter Fraud Team, then "full access" would be granted as per the service level agreement already in place and in accordance with Schedule 2 Part 1 2(1) of the Data Protection Act 2018</p>
<p><b>22. There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communication team.</b></p>	<p>Not a programme as such, but cases will be publicised in the local newspaper and via the internal newsletter and the Members bulletin.</p>
<p><b>23. All allegations of fraud and corruption are risk assessed.</b></p>	<p>Each referral or suspicion will be "risk assessed" before embarking upon a course of action proportionate to the issue and in line with Mid-Devon's "zero tolerance" policy.</p>
<p><b>24. The fraud and corruption response plan cover all areas of counter fraud work:</b></p> <ul style="list-style-type: none"> <li>• Prevention</li> <li>• Detection</li> <li>• Investigation</li> <li>• Sanctions</li> <li>• Redress</li> </ul>	<p>As mentioned above, there is no response plan as such, however the <a href="#">Anti-Fraud &amp; Corruption Policy</a> does lightly touch on these areas.</p>
<p><b>25. The fraud response plan is linked to the audit plan and is communicated to senior management and members.</b></p>	<p>There is currently no Strategic Response Plan for fraud. Counter Fraud Manager and the Audit Manager at DAP can ensure that the plans are created linked and communicated to senior management and members going forward if agreed.</p>
<p><b>26. Asset recovery and civil recovery is considered in all cases.</b></p>	<p>Currently Section 6.7 of the <a href="#">Anti-Fraud &amp; Corruption Policy</a></p> <p>2021 is the only reference to Sanctions and Redress.</p>
<p><b>27. There is a zero-tolerance approach to fraud and corruption which is always reported to committee.</b></p>	<p>Yes - there is a "zero tolerance" approach to fraud, as stated in section 3.3 of the Policy.</p> <p>Instances of fraud and corruption will be reported to the Audit &amp; Governance Committee via this</p>

<b>CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.</b>	<b>Mid-Devon current position and action</b>
	annualised report. Due to the sensitive nature of some instances, this may be in summary form.
<b>28. There is a programme of proactive counter fraud work which covers risks identified in assessment.</b>	Proactive counter fraud work is delivered in a variety of ways each year. Some examples of how this is achieved include: - <ul style="list-style-type: none"> <li>• Participation in the bi-annual National Fraud Initiative (NFI)</li> <li>• Elements of internal audit work focused on controls that may be more susceptible to fraud risk</li> <li>• Work by Service Managers – such as Council Tax Single Persons Discount review</li> </ul>
<b>29. The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.</b>	There is no “fraud team” as such, however early referral to the Police or other agencies will be considered as part of the risk assessment for each referral.
<b>30. The local authority shares data across its own departments and between other enforcement agencies.</b>	The main external data sharing is via the National Fraud Initiative (NFI). Where appropriate lawful sharing of data will be permitted in accordance with Schedule 2 Part 1 2(1) of the Data Protection Act 2018
<b>31. Prevention measures and projects are undertaken using data analytics where possible.</b>	Such examples include making good use of <ul style="list-style-type: none"> <li>• the NFI</li> <li>• Council Tax - Single persons discount review</li> </ul>
<b>32. The local authority actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising from it.</b>	Data is submitted every two years, with “matches” then investigated in accordance with the scoring of the match (e.g. higher scored matches reviewed first, lowest reviewed last and in accordance with resources available).
<b>33. There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.</b>	As mentioned earlier, the Authority does not have an in house counter fraud team. However, the Authority has access to, and will make use of, Counter Fraud Specialists as and when the need arises.  For example, the Counter Fraud Team of DAP are available to assist as and when required.
<b>34. The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.</b>	As above  The Counter Fraud Team at DAP are fully trained and accredited Counter Fraud Specialists and have dealt with and prosecuted hundreds of cases for Councils in the region.
<b>35. The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for:</b> <ul style="list-style-type: none"> <li>• Surveillance</li> <li>• Computer forensics</li> <li>• Asset recovery</li> <li>• Financial investigations.</li> </ul>	As above  The Counter Fraud Team and wider Devon Audit Partnership Team have access to specialist staff that can fully and professionally fulfil the legal requirements under all of the disciplines in this section. (Should the Council wish to buy in these skills as and when required)

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Mid-Devon current position and action
36. Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.	The Authority is committed to ongoing and continual improvement. Any weaknesses identified will be addressed wherever possible, although it should be noted that no system can ever be considered 100% free from the risk of fraud.
37. Counter Fraud Training is available for all staff and members to ensure that they are up to date with relevant threats and can identify and report fraud appropriately. Fraud awareness is specifically important for those involved in the Procurement process as highlighted in <a href="#">Review into the risks of fraud and corruption in local government procurement</a>	There is no formal training in place at this time however Fraud Awareness training is now being organised with the Counter Fraud professionals at DAP. Recommend - fraud awareness sessions are arranged for those in the highest risk positions in the Council. The Authority will look to “call off” resources as and when the need arises.
38. <a href="#">The Local Government Transparency Code</a> Identifies what information must be published annually (para 53) and what is suggested (para 68)	It does not appear that this information is currently published. As per 19 above, current referral levels are limited.

## Appendix 3 – Clearance of audit recommendations

Audits with open recommendations	Year	Total Number	High		Medium		Low		Totals		MANAGEMENT COMMENTS ON IMPLEMENTATION
			N	O	N	O	N	O	N	O	
Procurement	2020	2			1		1		0	2	DAP will review these recommendations as part of the Procurement audit starting shortly.
Care Services	2021	1			1				1	0	
Climate Change	2020&22	5			4	1			4	1	
Cyber Security	2021	4	3		1				0	4	DAP are completing ing a review and will report on the curent position on these recommendations.
Business Continuity	2021	3			3				0	3	
Emergency Planning	2021 & 2022	4			4				0	4	
Stores	2021	1			1		1		2	0	
Service charges	2021	1					1		0	1	
Housing Rents	2021	2			2					2	
Leisure Centre	2021	6	1		3		2		6	0	
Housing Benefit	2021	5			3		2		5	0	
Payroll	2021	3			1	2			1	2	
Car Parks	2022	1					1		1	0	
Capital Asset Management	2022	7			3		4		7	0	
Grounds Maintenance	2022	4			2		2		4	0	
Customer Care and Complaints	2022	7			2		5		7	0	
Void Mangement Arrangements	2022	11			9		2		11	0	
		67	1	3	29	14	19	2	49	19	

N= Not yet due 72%

O = Overdue 28%

## Appendix 4 - Recommendations more than six months beyond original agreed implementation date

Priority	Audit	Recommendation	Management Action	Priority	Original Action Date	Current Planned Date	Last Management Update
3	Service Charges	A meter reference number is required to monitor electrical costs for communal areas. The electrical costs are divided by the number of flats in a block and costs are invoiced to leaseholders. Reference numbers for three of the blocks is not known. A serial number for one of the blocks has been recently supplied by Housing Repairs. This is being looked into and may resolve one of the block communal electrical costs. For those with no meter reference, it is not possible to charge leaseholders for the electric costs in these blocks of flats.	We are in discussions with Npower about installing AMR Meters into the remaining blocks that do not have them, this will enable us to see any charges remotely as we do for the other blocks. There is usually no charge for these additional installations although we will need to confirm this, but any potential charge would be less than the physical inspections that are currently required.	Low	30/6/2022	30/6/2022	We have allowed N Power and also SSE access to convert some of our communal supplies to smart meters. We will continue to allow access to suppliers to do this as it allows more accurate and timely billing.

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## AUDIT COMMITTEE 24 January 2023

### FINAL Statement of Accounts 2021/22

<b>Cabinet Member Responsible Officer</b>	Cllr Bob Deed, Leader and Cabinet Member for Finance Andrew Jarrett, Deputy Chief Executive (S151)
<b>Reason for Report:</b>	To present the <u>final</u> version of the annual Statement of Accounts to Members following the conclusion of the external audit.
<b>RECOMMENDATION:</b>	<b>That the final Statement of Accounts be approved as a true and fair view of the financial position of the Council as at 31 March 2022.</b>
<b>Relationship to Corporate Plan:</b>	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.
<b>Financial Implications:</b>	Good financial management and administration underpins the entire document.
<b>Legal Implications:</b>	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.
<b>Risk Assessment:</b>	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 2021/22.
<b>Equalities Impact Assessment:</b>	No equality issues identified with this report.
<b>Impact on Climate Change:</b>	No impacts identified for this report.

#### 1.0 Introduction

- 1.1 The Statement of Accounts for 2021/22 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 2021/22 in the Accounting Standards.

## **2.0 The Statement of Accounts**

- 2.1 The Unaudited Statement of Accounts 2021/22 were signed off by the Council's S151 Officer in May 2022 – well within the currently relaxed statutory deadline and before the start of the external audit review due to begin in September. The draft accounts have been available on-line since the 01 June 2022. The period of public inspection ran between 6 June to 15 July 2022 and no requests were made to view the accounts or objections have been received. Audit Committee reviewed the draft accounts at its August 2022 meeting.

## **3.0 The Audit**

- 3.1 The Council's external auditor began the main audit in early September. The audit will conclude if the Accounts have been compiled in line with regulations and accounting standards. The finance team have worked closely with the audit team to ensure all evidence is provided in a timely manner, along with further evidence provided by third parties, for example the Actuary and the District Valuer.
- 3.2 Whilst the information has been provided, some elements of the audit assessment continue at this time, although no material issues are expected. Therefore the audit is now substantially complete and an unqualified opinion has been given. Grant Thornton's report is included separately on the agenda for this meeting and will cover in detail their findings.

## **4.0 Key Differences from the prior year**

- 4.1 There have been some minor changes to the draft account previously reviewed by the Committee in August, along with some minor corrections to narrative, grammar and improving the explanation of the values within the Accounts. In summary, these are:
- Note 1 – increased clarification around IFRS 16; that the council has not implemented it and therefore has not assessed the likely impact at this time;
  - Note 11 – £10,000 amendment to Rental Income within "Other GF Land and Buildings to remove income from People's Park incorrectly declared;
  - Note 14 – clarification in the narrative that the audit fee for 2021/22 is £62,080;
  - Note 21 – Amendment to the "Rate for discounting scheme liabilities" from 2.0% to 2.6%;
  - Note 55 – clarification of the treatment of prior year grant income;
  - Group Accounts – amendment of two figures consolidated into the group accounts following adjustments to the draft financial statements of 3 Rivers Developments Ltd as a result of their audit. This is explained within the Audit Findings report.

## **5.0 The Council's Governance Arrangements**

- 5.1 The Annual Governance Statement (AGS) was also reviewed by the Committee at its meeting in August 2022. The report was written by Devon Audit Partnership 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. As the AGS is approved alongside the accounts, it has been updated to give more clarity on the outcomes and resulting actions arising from the Peer Review (para 6.3).

## **6.0 The Value for Money Audit**

- 6.1 Our external auditors, Grant Thornton, will also be reviewing our arrangements to secure economy, efficiency and effectiveness in our use of resources. The audit is due to commence shortly and aims to conclude in time for the March Audit Committee.

## **7.0 Conclusion**

- 7.1 Members are asked to approve that the 2021/22 Statement of Accounts reflect a true and fair view of the financial position of the Council as at 31 March 2022.

**Contact for more  
information:**

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[ajarrett@middevon.gov.uk](mailto:ajarrett@middevon.gov.uk)

**Background Papers:**

**Audited Statement of Accounts 2021/22**

**Circulation of the Report:**

Cllr Bob Deed

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# STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2022

(Audited)



Version 1  
Version 2

31 May 2022  
24 January 2023

Draft Statement of Accounts  
Audited Statement of Accounts

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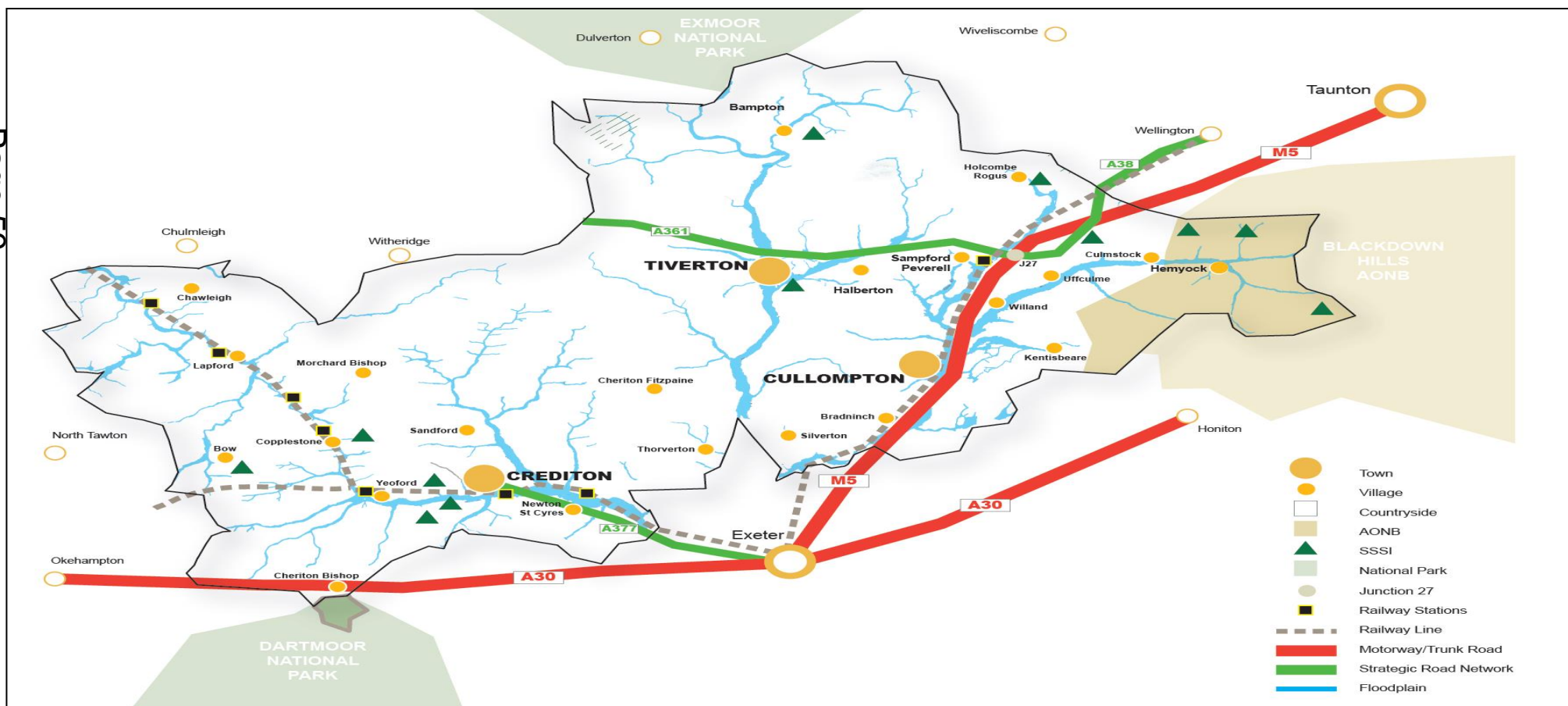


# 1 Introduction to Mid Devon District Council

Mid Devon District Council serves a rural location covering an area of 353 square miles (914 km<sup>2</sup>) in the agricultural heartland of Devon, between Dartmoor, Exmoor and the Blackdown Hills. More than half the population of some 82,000 people is scattered in villages in the rural hinterland, with the balance divided between the three main towns of Tiverton, Cullompton and Crediton.

While it is the 23rd-largest district council in England by area, it is also the 34th-smallest by population. Our main offices lie to the North East of the city of Exeter, one of the most rapidly expanding economies in the country, and as a district council Mid Devon has sought to maximise this opportunity by delivering quality growth in a high-quality environment.

In 2019 Mid Devon District Council joined other local authorities in the county and became part of the Devon Climate Emergency Response Group, following Devon County Council's declaration of a climate emergency.



## Council Structure

Mid Devon District Council is a progressive council committed to providing high quality and sustainable services, creating an environment where communities and businesses can flourish and grow together.

The Council has 42 Elected Members (or 'Councillors'), elected by the public to represent a particular local area. Collectively they are responsible for the democratic structure of the Council. No single political party has overall control of the Council. The Council has adopted the Cabinet model of governance. During the year, the Cabinet was a coalition of six Conservative and two Independent Councillors. Supporting the Cabinet are four Policy Development Groups overseeing the four priorities identified within the Corporate Plan formed from various back-bench Councillors. The Scrutiny Committee holds the Cabinet to account, while the Audit Committee provides assurance over the governance arrangements and risk management.

The Council's strategic direction is driven by the Leadership team which is formed from the Chief Executive, Deputy Chief Executive (S151) Monitoring Officer and two Corporate Directors. The day-to-day operations of the Council are managed by six Corporate Managers. Our Constitution sets out the rules and procedures by which the Council operates.

## Link to the Corporate Plan

The [Corporate Plan for 2020-2024](#) retains the four key priority areas that were identified in 2016 and for the next four years our Elected Members and Officers will work together to ensure these areas continue to be the focus of our work. These four priorities are split down into three key strands, for which there are a number of aims:

Priority	Strand	Aims
Homes	Sustainable and prosperous communities	Deliver more affordable housing and greater numbers of social rented homes
		Work with Community Land Trusts and other organisations to deliver homes retained in perpetuity for local need
		Work with landlords to ensure the high quality of homes in the private rented sector
		Lobby to see the abolition of the 'Right-to-Buy' or the devolvement of discounting powers to individual local housing authorities
		Promote the regeneration of our town centres by working with landlords and property developers to improve and increase the supply of quality housing
	A sustainable planet	Introduce zero carbon policies for new development
		Encourage the piloting of Modern Methods of Construction (MMC) and self-build opportunities
		Use new development as opportunities to help communities to become increasingly sustainable and self-sustaining at neighbourhood level (district heating, energy use, recycling/re-use systems etc.)
	Sustainable participation	Work with local stakeholders to initiate delivery of the new garden village at Culm
		Support and grow active tenancy engagement
		Support the establishment of Community Land Trusts in partnership with parish councils and other local bodies



Priority	Strand	Aims
Environment	Sustainable and prosperous communities	Encourage retro-fitting of measures to reduce energy use in buildings
		Encourage “green” sources of energy, supply new policies and develop plans to decarbonise energy consumption in Mid Devon
		Identify opportunities to work with landowners to secure additional hedgerow planting, biodiversity and reforestation
		Consider promoting the designation of the Exe Valley as an Area of Outstanding Natural Beauty (AONB)
		Encourage new housing and commercial developments to be “exemplars” in terms of increasing biodiversity and reducing carbon use
	A sustainable planet	Increase recycling rates and reduce the amounts of residual waste generated
		Explore large-scale tree-planting projects and re-wilding to enhance biodiversity and address carbon pressures
		Promote sustainable farming practices in partnership with local farmers, district and county councils; including research into best practice re better soil management and animal husbandry
	Sustainable participation	Work with parish and town councils to promote the development and retention of parks and play areas across the district
		Support community activities that improve the environment such as litter-picks, guerrilla gardening, or community adoption of assets

Priority	Strand	Aims
Community	Sustainable and prosperous communities	Work with developers and Devon County Council to deliver strategic cycle routes between settlements and key destinations
		Secure decent digital connectivity for all of Mid Devon
		Work with education providers to secure appropriate post-16 provision within the district to minimise the need to commute out for A/T level studies
		Lobby Devon County Council and others to introduce 20mph speed limits where children play, and take opportunities to pilot car-free days/routes
		Promote new, more integrated approaches to promoting good health and healthier living especially in the context of planned new developments
		Seek opportunities to address public health issues and disparities to improve the health and wellbeing of everyone in Mid Devon
	A sustainable planet	Encourage communities to deliver their own projects to reduce carbon emissions
		Facilitate networking across volunteer and community groups to spread knowledge, expertise and awareness on climate issues
	Sustainable participation	Work with the NHS and other health bodies to promote use of our leisure centres
		Promote community involvement in Council activity
		Promote new approaches to rural transport in partnership with town and parish councils through the deployment of emerging technologies
		Work with county, town and parish councils to identify safer walking journeys to school

Priority	Strand	Aims
Economy	Sustainable and prosperous communities	Work with developers to secure our ambitious plans for the J27 'Devon Gateway' development site
		Consider acquiring or creating new business parks to accelerate economic growth, and creating new opportunities for incubator and start-up space
		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
		Facilitate the creation of exciting new commercial opportunities within strategic developments at Culm Garden Village and Tiverton Eastern Urban Extension
		Produce business plans for the creation of a commercial Economic Development function perhaps in partnership with other agencies
		Explore commercial opportunities that deliver new or innovative services for customers that can generate revenue for the council
	A sustainable planet	Promote zero carbon exemplar sites within commercial settings
		Use car park pricing mechanism to effectively balance the needs of vehicular access with those of reducing car use
	Sustainable participation	Promote the development of the farming economy and local food production. Working in partnership with farmers to develop and grow markets on the principle of reducing carbon emissions and sustainability
		Support 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
		Develop and deliver regeneration plans for all three main towns in partnership with town and parish councils, private and third sector and communities

## Core Values

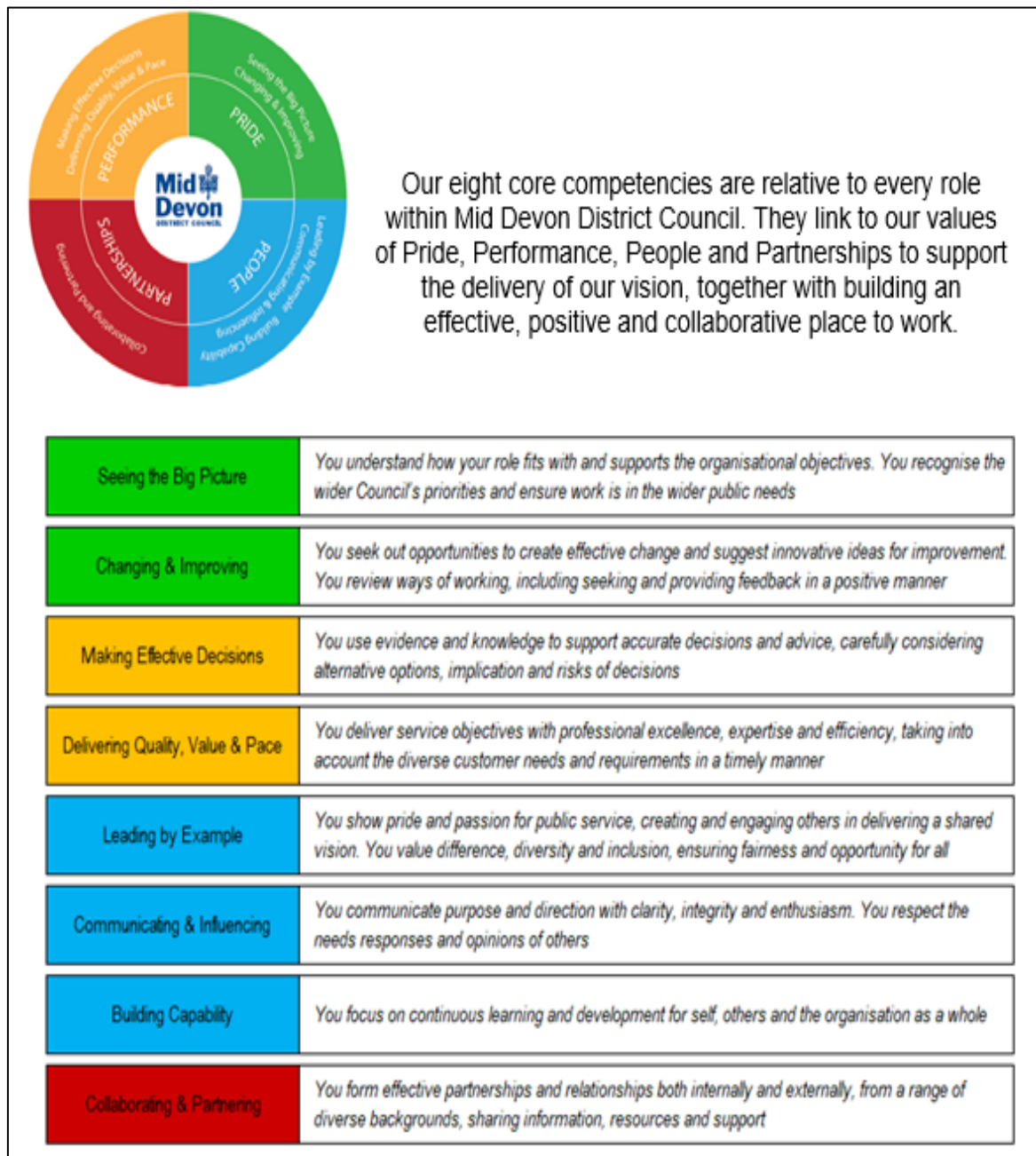
The organisation has an agreed set of core values that underpin the way we work and how we fulfil our aspirations. These values are known as the four Ps and set out what we believe should be the basis for the type of organisation we are. These values are:

### The Medium Term Financial Plan (MTFP)

The Medium Term Financial Plan (MTFP) is based upon the long term vision included within the Council's Corporate Plan for 2020-2024. It is the vehicle by which the Council identifies resources to deliver the Corporate Plan. The MTFP covers both General Fund revenue resources and those for the Housing Revenue Account. Both are supported with resources in the Capital Programme. The MTFP aims to:

- Ensure the level of reserves remains appropriate;
- Identify service delivery trends, changes in legislation etc. to accurately predict levels of spend in the future;
- Identify whole life costs of capital projects and ensures all projects are adequately funded and resourced;
- Provide efficiency savings where possible to fund new investment or enhanced services;
- Increase value for money;

The Government's austerity measures over recent years significantly reduce the level of Government funding. When combined with ever increasing demand for our services from families and businesses, there is considerable pressure on our budgets.



## 2 Introduction by the Leader of the Council:



I am pleased to introduce the Council's annual accounts for 2021/22. This, again, is a year where the Council's finances have been significantly affected by the Covid-19 pandemic. Despite this, once again the Accounts show a healthy position with our overall service delivery on budget. This is a credit to the financial management of our staff who have worked tirelessly throughout the two years of this pandemic.

During the year there were material variations in our finances, with income continuing to be greatly reduced across car parking and leisure. However, planning income was much higher than budgeted, reflecting the buoyant housing market.

The Council also continued to have additional costs supporting our businesses and communities. The Government's multitude of grant schemes were all administered through the Council, which has stretched our teams. This work is still ongoing but has been a huge financial help and essential package of support to many of our businesses and residents. We are also administering the Government's Homes for Ukraine Support scheme which will enable our area to provide some much needed support for those fleeing the terrible situation in their homeland.

It has been a tough year for our staff. We have seen high staff absence and turnover which has required additional temporary staff to be brought in to ensure our vital services continue to operate effectively.

However, the Council has continued to deliver on its priorities. Our work on tackling climate change has increased. We have successfully attracted significant grant funding to enable our buildings to utilise renewable energy and reduce their carbon footprint.

We continue to progress plans for the Tiverton Eastern Urban Extension and Cullompton Town Centre Relief Road. We are also finalising plans for a development of 70 sustainable and affordable homes built to a PassivHaus (net-zero) standard at Post Hill, Tiverton. The Council has also embarked on a multi-year development of 500 new council houses using highly efficient (net-zero) modular buildings across the district, the design of which has been shortlisted for multiple construction awards. We are also working with local businesses to ensure that the full economic recovery from the Covid-19 restrictions is swift, seeking additional funding to support this wherever possible.

We continually strive to improve our performance. We have launched our combined Mid Devon Housing Service that will put tenants at the heart of everything it does. Our next exciting development will be the introduction of our 1-2-3 Recycle, Reuse, Reduce waste scheme which will improve our waste collection efficiency, reduce our carbon footprint and increase recycling rates.

As we emerge from the restrictions, we look forward to continuing these improvements and making the most of future opportunities.

**Robert Deed, Leader of the Council**

## Views from the Chief Executive:



I thank and commend the many Officers who contributed to compiling these financial accounts, and to the Auditors who review and check them in order to deliver public confidence in the sound financial management of the Council.

The last year marked a phasing out of the dedicated 'Covid-19 related support' that had been a feature of local government finances since the pandemic began. As the income protection scheme ended and the organisation tapered back to a version of post-pandemic financial normality we wondered, as so many did, what the aftermath would feel like and how long the long tail of recovery might be.

As the year progressed, we learnt that the wider economic recovery would be swifter than feared and that the economic forecasts and modelling of Mid Devon's recovery were, fortunately, more pessimistic than the reality. Nevertheless, the recovery was unequal and its legacy continues to be felt today and no doubt for a number of years hence. We are also starting to see what community and behavioural changes might be 'bouncing back' and where the pandemic is likely to have been a point of inflection. This can be seen through our accounts as income streams recover at different rates and as costs start to vary considerably more than previously due to wider shortages and spiking demand in the labour market and with background inflation now running higher than it has for a generation.

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Having hosted a Local Government Association (LGA) corporate peer review in March 2022, our financial position has also been assessed by our peers in the sector and it is pleasing to see our prudence and responsibility over the years recognised, with acknowledgement that this gives us a strong platform to deal with the coming financial turbulence – whether that be the need to continue (and no doubt accelerate) our corporate digital investment, or dealing with inflationary cost shocks as they inevitably start to hit us in the coming months.

The resources that the Council draws upon to deliver successful outcomes are many and varied and our financial accounts make up just one aspect of that. However, alongside the hard work of our talented colleagues, the ambitions of our Elected Members, the collaboration of our many partners, and the efforts of a vast landscape of voluntary and community sector organisations, we are committed to delivering better outcomes for the people and businesses of Mid Devon.

**Stephen Walford**  
**Chief Executive**



## Financial Commentary by Deputy Chief Executive (S151)



The Covid-19 Pandemic has once again had a significant impact on the Council's finances within 2021/22. Significantly less financial support was made available to Councils in 2021/22 compared with the previous year, but many additional expectations were placed upon us to help business and local communities.

The Council has made over £8,000k in payments to approximately 1,700 local businesses and residents on behalf of the Government who have been effected by the lockdown restrictions. This seems to be a continuing trend as at the time of writing, the Council is now administering thousands of payments to residents through the Government's Energy Rebate scheme. We are also putting into place the necessary arrangements to enable the Government's Home for Ukraine scheme.

Despite the economic impact the virus has had on both businesses and residents, our collection rates for both Business Rates and Council Tax exceeded expectations. Similarly, the recovery of our fee income was in many cases quicker than we expected. However, income from Leisure Centres and Car Parks continues to be much lower than pre-pandemic levels. More positively, our estate of commercial properties was fully occupied, including a NHS Covid-19 Vaccine Hub which also provides additional income.

During 2021/22 the Council continued to deliver excellent services and deliver good value of money. In our recent residents' survey, 81% of residents said they were very or fairly satisfied with the local area as a place to live, with the same percentage very or fairly satisfied with our Waste Collection Service. In respect of the Waste Service, we will soon be investing in and implementing our 1-2-3 Recycle, Reuse, Reduce scheme that will make our collections more efficient and further reduce our CO2 footprint and increase recycling rates in line with Government expectations. Similarly, we are investing in our ICT infrastructure to improve how we work and adapt to the new ways of working.

During the year, the Council reviewed and refreshed the operation of its subsidiary company, 3 Rivers Developments Ltd. The company develops housing at sites where main housing companies won't achieve the normal financial returns. This provides an income to the Council that helps offset the cuts in funding over recent years and also the benefit of ensuring sufficient social and affordable homes are delivered. Furthermore, in February the Council approved a large scale multi-year programme to develop 500 new Council Houses using highly efficient (net-zero) modular buildings across the district, the design of which has been shortlisted for multiple construction awards. Planning permission has also been sought for 70 PassivHaus (net-zero) standard affordable homes at Post Hill, Tiverton.

With the help of this additional income and through excellent budgetary control by service management, the Council has delivered very close to budget without depleting reserves.

## 2021/22 Financial Highlights

Despite an excellent collection rate for Business Rates, the actual income collected was reduced due to the Government's relief schemes. However, additional s31 Grant was received in lieu of that income. The collection rate for Council Tax was higher than budgeted resulting in a surplus for the year. As stated above, our income for Car Parks and Leisure was £688k lower than budget although the Council has been able to claim £363k of this lost income through the Government's Income Compensation scheme. It is anticipated that this income will continue to recover in 2022/23 and beyond and not reset to this lower level.

Our treasury performance continued to be low as the Base Rate was at 0.10% for the majority of the year, generating investment income of £54k equivalent to a return of 0.18%. However, our Church Charities and Local Authority (CCLA) Local Authorities' Mutual Investment Trust (LAMIT) Property Fund investment of £5,000k made a return of 3.67% and paid £183k in interest. Interest generated from loans to 3 Rivers Developments Ltd returned £558k. During the year, the Council lent £2,175k to help build the new NHS hub known as Redlands Primary Care, Crediton. Interest of £47k has been earned from this loan during the year.

The Council has also incurred additional expenditure across many services particularly through the need for short term agency staffing to cover absences through vacancies, holiday, sickness and training and the additional requirements placed upon us by the Government. Recruitment has been particularly difficult with few seeking to change jobs in the economic circumstances. With inflation at its highest for a generation, the Council is likely to continue to experience cost pressures in 2022/23.

The Council successfully secured an additional £2,835k of Salix grant funding to enable energy performance upgrades and move to renewable energy sources in its buildings. The Council has also planted 650 trees during the year to help offset our carbon usage. Our Climate Action Plan currently projects the need to invest over £25,000k in projects that will save an estimated 61,415 tCO<sub>2</sub>e between now and 2030. More information can be found on our dedicated website: [www.SustainableMidDevon.org.uk](http://www.SustainableMidDevon.org.uk)

A further £113k was spent on the Cullompton High Street Heritage Action Zone (HAZ) project out of the Historic England £1,103k grant offer, and £746k was spent out of the £18,200m of Housing Infrastructure Grant to enable new housing sites across the District. £85k of Welcome Back funding has been spent 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. Covid-19 Business Government funded Recovery Grants totalling over £8,000k was distributed.

## Summary of the key elements from the Core Financial Statements

### 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 £3,416k to £56,745k in 2021/22. This is largely related to planned increases in the HRA Housing Maintenance Reserve and Capital Receipts raised from the sale of Council Houses.

### The Comprehensive Income and Expenditure Statement (CIES)

The Comprehensive Income and Expenditure Statement (CIES) shows an overall surplus of £16,250k. 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 £29k surplus on the General Fund and a £67k surplus on the HRA and these amounts have adjusted the General Reserve and HRA Earmarked Reserves accordingly.

### Balance Sheet

The Council instructed the District Valuer to undertake a valuation of a fifth of its asset portfolio and review the remaining assets in order to establish a “true and fair” view for the 31 March 2022 Balance Sheet. The Property, Plant and Equipment valuation, after adjustment for additions, disposals, and finance leases increased by £1,668k during 2021/22. This is mainly due to new housing developments under construction and a buoyant house market increasing the value of our housing stock. The overall Pension Scheme deficit decreased by £5,532k due to Pension Fund assets increasing in value by £3,666k and Pension Liabilities decreasing by £1,866k mainly due to a higher discount rate being applied.

### Cash Flow Statement

The Council had a net cash reduction during 2021/22 of £1,028k.

### The Collection Fund

The Council set a Band D equivalent Council Tax rate of £213.84 in 2021/22. There was a closing surplus of £2,274k on the Council Tax Collection Fund in 2021/22 due to a higher than budgeted collection rate achieved in the year of 96.6% (97.0% in 2020/21). 13.3% is due to Mid Devon District Council, amounting to £303k.

There was a £4,348k deficit on the Business Rates Collection Fund in 2021/22, of which 40% is due to Mid Devon District Council, amounting to £1,739k. The Business Rates collection rate achieved in the year was 98.6% (96.8% in 2020/21).

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.” The Council accounted for the full deficit in 2020/21 and therefore in 2021/22 has benefitted by the release of £3,171k



from the Business Rates Smoothing Reserve and £115k from the Council Tax Smoothing Reserve. A further £152k will be drawn down for Business Rates in 2022/23 and 2023/24, and £62k in each year for Council Tax.

## **The Financial Outlook**

The 2022/23 budget was approved at Council on 23 February 2022 with the detailed proposals presented to Cabinet on 1 February 2022. This budget and Medium Term Financial Plan were set with the assumption of a reduction in the financial implications of Covid-19 pandemic as national restrictions relax. This has meant that there is a little greater financial certainty and should see further recovery in our fee income. The impact on the Council Tax and Business Rates funding baselines remain difficult to predict as the Government may announce further reliefs to companies financially disadvantaged.

Following the May 2023 local elections the Council will be refreshing its Corporate Plan in 2023; considering national and local economic recovery, alongside confirmation of the extent of any increased cost pressures or reductions in income. The plans for 2022/23 are robust and the Medium Term Financial Plan confirms the commitment to continue to resource the Council's Corporate Plan priorities while retaining healthy Earmarked Reserves and General Fund Balances.

The financial future is still a challenging one, with a Medium Term Financial Plan deficit of £2,165k by 2026/27 compounded by the continued uncertainty generated by further delays in the Government's reviews of Fair Funding, New Homes Bonus and Business Rates Retention. Further pressure from the emerging cost of living crisis will no doubt push that funding deficit further. 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)**

## 3 Narrative and Performance Report 2021/22

### 3.1 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 2022. The purpose of the Narrative Report is to provide a commentary on the main financial highlights and to identify any significant events that may affect the reader's interpretation of the Accounts. It also provides non-financial highlights to provide a more holistic view of the performance of the Council.

## Financial Performance

### 3.2 In year forecast position

During the year regular monthly financial monitoring information has been produced and reported to Senior Management and Elected 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 8 March 2022 Cabinet meeting forecast Service expenditure to be an estimated £983k under budget.

This under spend was offset by a transfer to the Business Rates Smoothing Reserve to mitigate the impact of the deficit on Business Rates income resulting from the various reliefs awarded by the Government to help businesses reduce the impact of Covid-19 restrictions. These reliefs were funded by additional Section 31 Grant funding from the Government.

Therefore, the overall forecast outturn position for the Council was a small under spend of £30k on the General Fund (this detailed report can be found on the Council's website).

### 3.3 Outturn Summary

The table below shows the summary of Service expenditure against budget. 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 and a slower return to "normality" than expected. Additional expenditure was incurred in services such as Waste where additional agency costs were incurred to maintain services while staff suffered, or isolated from, Covid-19. There was also a national pay award for employees which was not expected at the time of setting the budget.

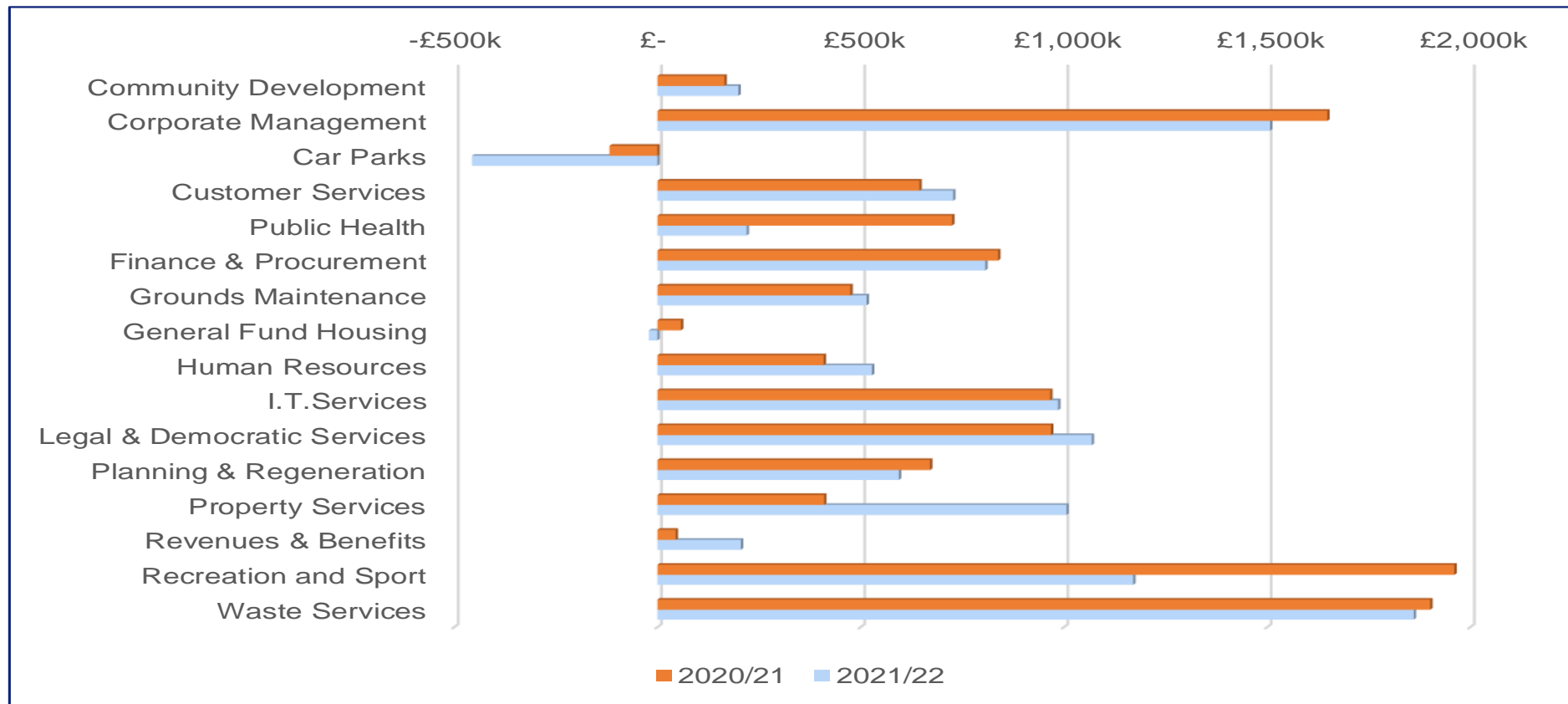
The Council took steps wherever possible to minimise the impact of this, redirecting staff where possible or furloughing if not. Other savings were made on costs such as utilities where the buildings were closed, not filling vacancies as they arose or by reducing service provision such as Grounds Maintenance.

### 3.4 Significant Service Variances

Overall, the Council's actual expenditure in 2021/22 was £10,085k, against funding of £10,113k which results in a reported net service under spend of £29k.

	Budget 2021/22 £	Actual 2021/22 £	Variance 2021/22 £	Net contributions To / (From) Earmarked Reserves 2021/22 £	variation after Earmarked Reserves 2021/22 £
Community Development	217,920	199,271	(18,649)	(5,621)	(24,270)
Corporate Management	1,434,470	1,507,435	72,965	-	72,965
Car Parks	(529,250)	(456,339)	72,911	51,340	124,251
Customer Services	774,360	727,608	(46,752)	10,791	(35,961)
Public Health	977,744	219,887	(757,857)	600,897	(156,960)
Finance and Procurement	832,210	806,895	(25,315)	20,000	(5,315)
Grounds Maintenance	555,436	514,917	(40,519)	(11,811)	(52,330)
General Fund Housing	396,640	(20,808)	(417,448)	375,305	(42,143)
Human Resources	501,100	528,057	26,957	-	26,957
I.T. Services	1,038,930	985,919	(53,011)	70,622	17,611
Legal and Democratic Services	1,103,783	1,068,826	(34,957)	44,572	9,615
Planning and Regeneration	2,025,473	594,177	(1,431,296)	1,068,054	(363,242)
Property Services	798,180	1,006,599	(124,021)	48,968	(75,053)
Revenues and Benefits	618,080	205,228	(412,852)	134,279	(278,572)
Recreation and Sport	906,999	1,170,626	263,627	173,985	437,612
Waste Services	2,033,339	1,860,916	160,017	(133,978)	26,039
<b>ALL GENERAL FUND SERVICES</b>	<b>13,685,414</b>	<b>10,919,215</b>	<b>(2,766,199)</b>	<b>2,447,403</b>	<b>(318,797)</b>
Net recharge to HRA	(1,501,410)	(1,476,150)	25,260	-	25,260
Statutory Adjustments (Capital Charges)	731,720	670,935	(60,785)	-	(60,785)
<b>NET COST OF SERVICES</b>	<b>12,915,724</b>	<b>10,114,000</b>	<b>(2,801,724)</b>	<b>2,447,403</b>	<b>(354,322)</b>
Net Interest Payable / (Receivable)	(379,640)	(615,560)	(235,920)	141,147	(94,773)
Net Transfers To / (From) Reserves	(3,934,470)	408,242	4,342,712	369,000	4,711,712
Revenue contribution to fund 2021/22 Capital Programme	-	178,184	178,184	(178,184)	0
<b>TOTAL EXPENDITURE</b>	<b>8,601,614</b>	<b>10,084,866</b>	<b>1,483,252</b>	<b>2,779,366</b>	<b>4,262,617</b>
<b>Funded by:</b>					
Net Business Rates	21,340	(1,635,700)	(1,657,040)	1,563,344	(93,696)
Council Tax	(6,017,511)	(6,023,731)	(6,220)	-	(6,220)
Un-Ringfenced Grants	(1,627,744)	(1,648,273)	(20,529)	-	(20,529)
Covid-19 Related Funding	(977,699)	(805,712)	171,987	-	171,987
<b>NET INCOME AND EXPENDITURE</b>	<b>-</b>	<b>(28,550)</b>	<b>(28,550)</b>	<b>4,342,710</b>	<b>4,314,159</b>

The chart below compares Actual Net Expenditure for 2021/22 with 2020/21.



Some of the key variance explanatory narrative is as follows:

- Car Parks** – Car parking income is reduced due to lower activity as a result of Covid-19 restrictions and less travel to work or shops. Part of this has been reclaimed under the government's sales, fees and charges re-imbursement scheme which only ran for the first Quarter of 2021/22. Therefore the lost income for the year is £118k.
- Public Health** – This large underspend is largely due to additional S106 income mainly related to Pollution. In addition there were additional Covid-19 related grants received to offset costs incurred. The majority of these variances have been earmarked to offset expenditure in 2022/23.

- **General Fund Housing** – This variance is due to a mechanical change in the funding of the expenditure. Previously, the Homelessness Grant funding received was added to an earmarked reserve for the following year, therefore there was a lag in the use of the grant. The 2021/22 grant has been now used in 2021/22 and the planned drawdown from reserves is not required and has been returned to the Earmarked Reserve.
- **Planning and Regeneration** – similar to Public Health, significant additional S106 income has been received which is proposed to be added to an earmarked reserve. Planning income has also over achieved by nearly £200k on budget, reflecting the current boom in the housing market. Delays incurred in the HAZ project and the Statutory Plan along with additional funding received have contributed £375k to the under spend.
- **Property Services** – Salary underspends and delays in completing maintenance projects are partially offset by reductions in rental income from the commercial property portfolio.
- **Revenues and Benefits** – As stated above, additional grant funding has been received to compensate for the additional workload required to make the payments for the various Covid-19 related grant schemes. Housing Benefit overpayment recovery has been better than forecast.
- **Recreation and Sport** – Similar to Car Parks, fee income is significantly lower than budget (£570k) as a result of Covid-19 restrictions in the early part of the year and lower usage during the remainder of the year. This has been partially offset by savings on utility bills and delays in maintenance projects. These savings have been earmarked for 2022/23.
- **Waste Services** – the main reason for this overspend is the need for additional agency staffing to cover absences through vacancies, holiday, sickness and training. This is partially offset by a significant increase in the income from recycling materials, particularly for aluminium and cardboard. However, the return from the Shared Savings Scheme across Devon was lower than expected. This also includes the reduction experienced in 2020/21 but notified to the Council after the year end.

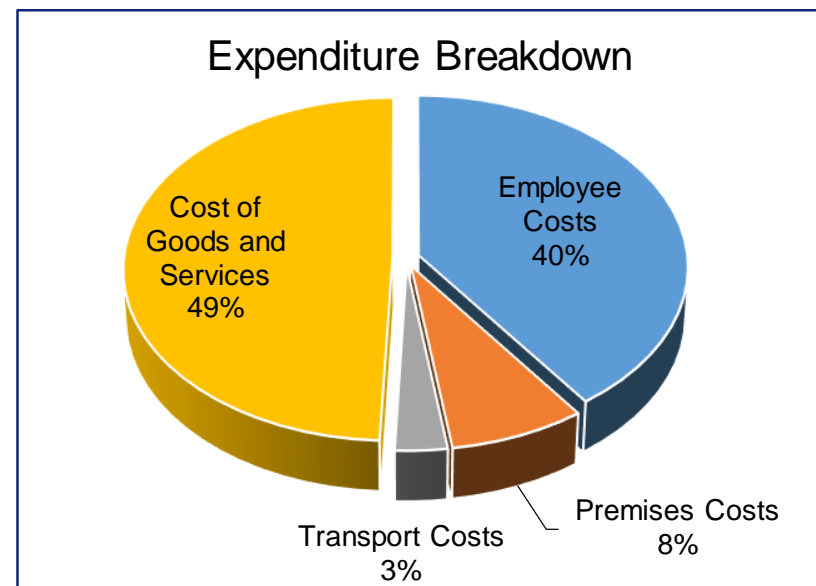
The overall General Fund position delivered in 2021/22 reflects the continued efforts of both Officers and Elected Members to provide high quality services at an affordable cost. It demonstrates the Council's ongoing commitment to reducing operational cost to mitigate against cuts in Central Government funding.

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

### 3.5 Types of Expenditure

The Chartered Institute of Public Finance and Accountancy (CIPFA) defined a common subjective analysis that would improve consistency within local government financial reporting and enable authorities to make effective comparisons and benchmarking analyses for service income and expenditure. Below is a breakdown of the Council's expenditure over the main subjective groupings.

<b>GENERAL FUND REVENUE ACCOUNT OUTTURN SUBJECTIVE SPENDING ANALYSIS 2021/22</b>			
	<b>Budget 2021/22 £</b>	<b>Actual 2021/22 £</b>	<b>Variance 2021/22 £</b>
Employee Costs	14,272,239	14,710,660	438,421
Premises Costs	2,730,380	2,234,455	(495,925)
Transport Costs	1,049,180	1,184,033	134,853
Cost of Goods and Services	17,575,833	18,683,523	1,107,690
Income	(21,942,218)	(25,893,457)	(3,951,239)
<b>TOTAL NET DIRECT SERVICE EXPENDITURE</b>	<b>13,685,414</b>	<b>10,919,215</b>	<b>(2,766,199)</b>

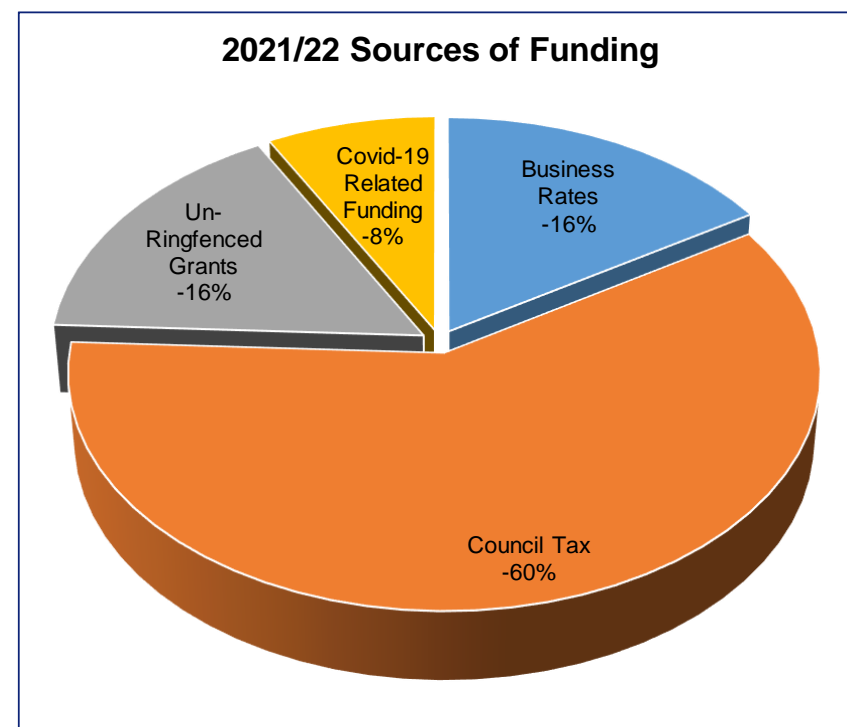


### 3.6 Sources of Income

The Council's funding streams for 2021/22 are detailed below and contrasted with 2020/21. It shows that the Council is largely funded through localised taxation, namely Council Tax and Business Rates. In setting the budget for 2021/22 the Council increased Council Tax by £5 or 2.39% for a Band D property. This meant that the Band D Council Tax rate became £213.84. As stated above, retained Business Rates were significantly adjusted by the award of national Covid-19 reliefs and the Council received additional Section 31 Grant to compensate. Similarly, the Council has been partially compensated for the reduced income collected from fees and charges such as Car Parking and Leisure and the additional tasks it has performed during the pandemic. Only 16% of our overall funding now comes via Un-ringfenced Grant following a decade of austerity measures.

The Council received £10,114k of funding, some £1,511k above budget. This increase relates to additional Section 31 Grant funding to offset the reduction in Business Rates income due to Covid-19 reliefs awarded by the Government. Overall, our income significantly reduced from 2020/21 as we received less financial support from the Government to offset the financial impacts of Covid-19.

Sources of Funding	2020/21		2021/22	
	Budget £k	Actual £k	Budget £k	Actual £k
<b>Business Rates</b>	<b>(3,463)</b>	<b>(6,811)</b>	<b>21</b>	<b>(1,636)</b>
National Non-Domestic Rates	(3,313)	(1,583)	(3,150)	(1,874)
S31 Grant associated with Covid-19 Reliefs*	-	(4,868)	-	(2,787)
National Non-Domestic Rates (Surplus)/Deficit	-	(192)	3,171	3,171
Business Rates Benefit from Devon Pool	(150)	(168)	-	(145)
<b>Council Tax</b>	<b>(6,177)</b>	<b>(6,192)</b>	<b>(6,018)</b>	<b>(6,024)</b>
Council Tax	(6,065)	(6,064)	(6,115)	(6,115)
Collection Fund (Surplus)/Deficit	(112)	(128)	115	115
S31 Grants Council Tax Annexes	-	-	(18)	(24)
<b>Unringfenced Grants</b>	<b>(1,885)</b>	<b>(1,893)</b>	<b>(1,628)</b>	<b>(1,648)</b>
New Homes Bonus Grant	(1,418)	(1,418)	(959)	(959)
Rural Services Delivery Grant	(467)	(467)	(490)	(490)
Lower Tier Services Grant	-	-	(179)	(179)
Other Grants	-	(8)	-	(20)
<b>Covid-19 Related Funding</b>	<b>-</b>	<b>(3,203)</b>	<b>(978)</b>	<b>(806)</b>
Covid-19 Grant	-	(1,184)	(408)	(392)
Covid-19 Income Compensation Scheme	-	(2,019)	(570)	(414)
<b>Total Funding</b>	<b>(11,525)</b>	<b>(18,099)</b>	<b>(8,603)</b>	<b>(10,114)</b>



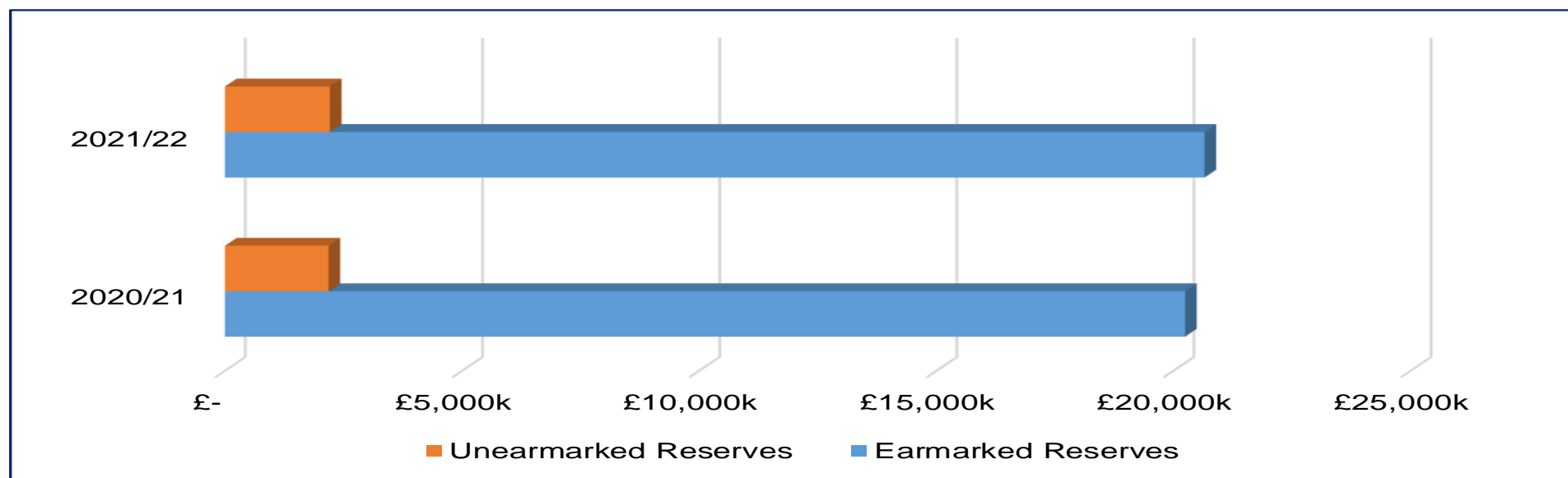
### 3.7 Revenue Reserves

The Financial Strategy is to retain sufficient General Fund balances to meet our major financial risks. The greater the level of uncertainty and risk, the more likely it is that these may be needed. Consideration has been given to the levels of reserves as these are the means by which the Council can manage any movements from the planned position in the short term. Risks are reviewed annually, and for the 2021/22 financial year, the Cabinet decision taken on 16 January 2020 agreed that the minimum General Fund balance held should be £2,000k.

The outturn position resulted in an overall surplus of £29k. Therefore, the General Fund Reserves have slightly increased from £2,186k at the start of the year to £2,215k at 31 March 2022.

The Council also holds a number of reserves earmarked for specific purposes or known events that will happen in the future. An example of such a reserve is the amount set aside annually to meet the cost of the District Council elections that occur every four years. Cabinet set aside a budgeted amount annually to cover any exceptional or unforeseen events that may arise during the financial year.

The outturn position resulted in an overall movement across the various General Fund Earmarked Reserves of £408k from the start of the year. Therefore, in total they now stand at £20,655k at 31 March 2022.



The Council (in common with other public bodies) continues to face a difficult financial climate and continues to believe that it is prudent to retain robust balances to smooth the potential effect to the tax payer of further cuts.



### 3.8 Housing Revenue Account (HRA) – Revenue Expenditure

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 2021/22	Budget £k	Outturn £k	Variance £k	%
Gross Income	(13,081)	(12,949)	132	-1.01%
Service Expenditure	6,723	6,223	(500)	-7.44%
Other Operating Costs and Income	68	64	(4)	-5.37%
Earmarked Reserve Transfers	5,113	5,445	332	6.49%
Capital Financing and Debt Repayment	1,026	1,023	(4)	-0.36%
Technical Accounting Adjustments	150	127	(23)	-15.20%
(Gain) / Loss on Sale of Fixed Assets	0	0	0	
<b>Net Variance</b>	<b>0</b>	<b>(67)</b>	<b>(67)</b>	

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 £13,081k for the year. The HRA has reported a net surplus of £67k for 2021/22, which is 0.5% of gross income. The surplus is retained within the HRA and relates mainly to savings made within staffing due to unfilled vacancies. The surplus will increase the Renewable Energy Fund and the Affordable Rent Surplus so that the HRA reserve will remain at £2,000k. When the surplus is added to the budgeted transfers to reserves, the HRA Earmarked Reserves will then total £22,583k (of which £21,166k is revenue and £1,417k 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.

#### 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.

	2020/21 £k	2021/22 £k
Brought Forward	548	1,207
Transfer to MRR	2,596	2,621
Utilisation	(1,938)	(2,410)
<b>Carried Forward Balance</b>	<b>1,207</b>	<b>1,418</b>

During 2021/22, the Council credited £2,621k to the MRR. After utilisation of £2,410k a balance of £1,418k was carried forward at 31 March 2022.

### 3.9 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 £11,623k (£7,054k 2020/21). Capital expenditure comprised £7,427k in General Fund schemes and £4,196k on HRA capital works, as summarised in the table below.

The General Fund capital spend related to a wide range of projects which included £3,707k of net additional loans to 3 Rivers Developments Ltd to enable a number of housing development sites. During the year, the Council also lent £2,175k to help build the new NHS hub known as Redlands Primary Care, Crediton. This year renovations to private sector homes funded through the Disabled Facilities Grant have cost £471k. Progressing major infrastructure works on the Cullompton Town Centre Relief Road cost £371k and £375k was spent on the junction on the A361 as part of the Tiverton Eastern Urban Extension (EUE). Both will enable the opportunity for greater development of business properties and housing. Smaller amounts were lent through the Lendology Scheme and £129k was spent on upgrading the ICT hardware and equipment.

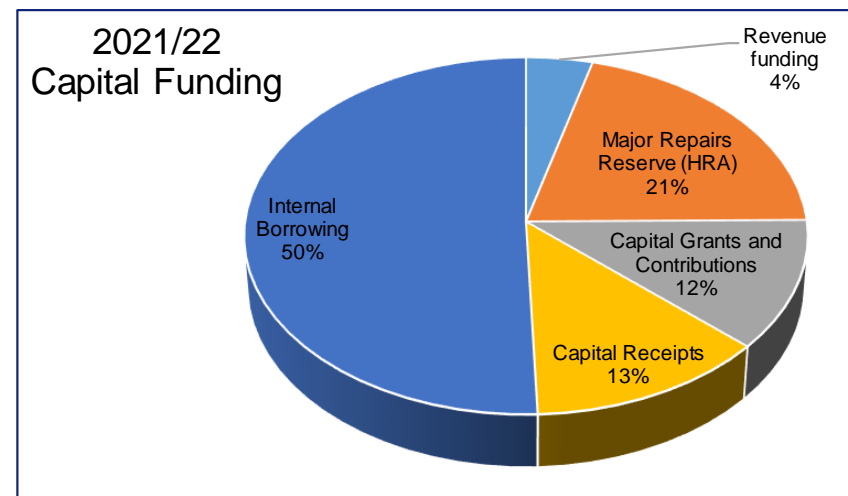
Within the HRA, £2,411k was spent on maintaining housing standards, including replacing kitchens, bathrooms, windows, doors, heating systems and other related works. Alongside that, £325k of Disabled Facilities Grant was also spent enabling tenants to remain in their homes longer before needing to go into hospital or care. 29 homes were sold to tenants through the Right-to-Buy scheme and 4 were repurchased. During the year the Council began their ambitious programme of building 500 new modular homes to increase the housing stock and reduce the carbon footprint. £636k was spent on sites at Shapland Place, Tiverton and St Andrews, Cullompton. A small amount was spent on increasing the use of Renewable Energy.

The below tables show how the capital expenditure was split across the various schemes, and how it was funded from a variety of sources:

General Fund Capital Schemes	£k
Loans to 3 Rivers for Development schemes	3,707
Loans to GP Surgery Hub	2,175
Disabled Facilities Grants – Private Sector	471
Cullompton Relief Road	371
Tiverton EUE Junction Phase 2	375
Lendology Reinvestment Grants	150
ICT Hardware and Equipment	129
Other Small Projects	49
<b>General Fund Capital Schemes - Total</b>	<b>7,427</b>

HRA Capital Schemes	£k
Major repairs to Housing Stock	2,411
2 Right-To-Buy buyback House Purchases	791
New Modular Housing schemes	636
Disabled Facilities Grants - Council Houses	325
Renewable Energy Fund Spend	33
<b>HRA Capital Schemes - Total</b>	<b>4,196</b>

Sources of Capital Funding	2020/21 £k	2021/22 £k
Revenue funding	4,161	478
Major Repairs Reserve (HRA)	1,937	2,411
Capital Grants and Contributions	580	1,367
Capital Receipts	376	1,484
Internal Borrowing	-	5,883
<b>Total</b>	<b>7,054</b>	<b>11,623</b>

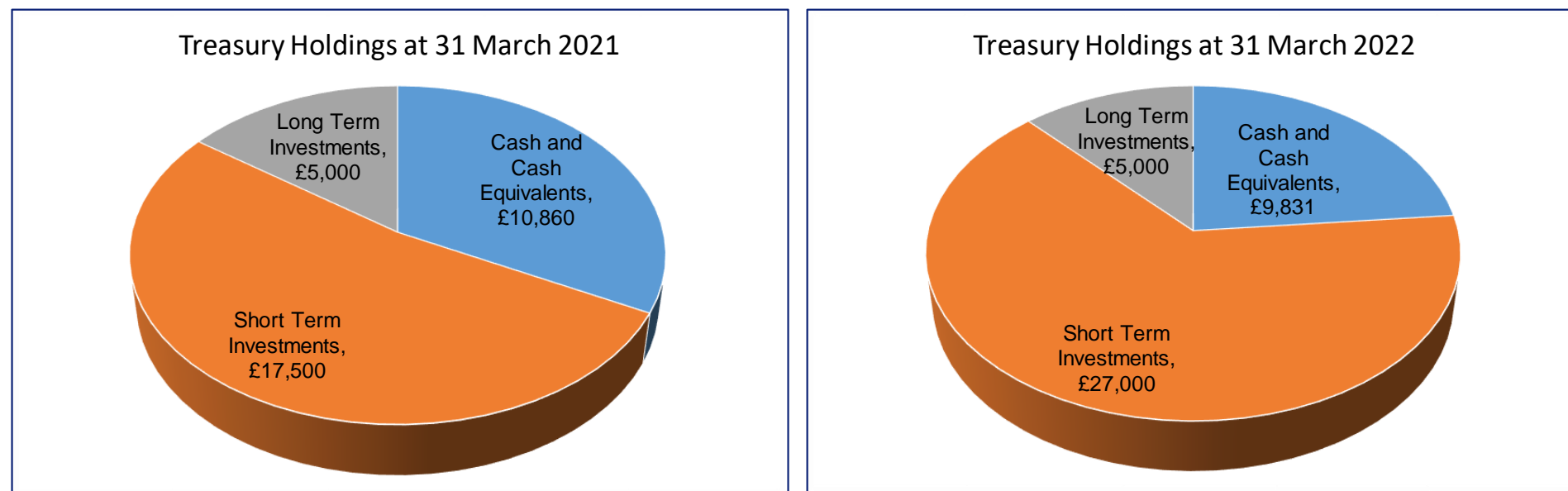


### 3.10 Borrowing

At the end of 2021/22, the Council had four Public Works Loan Board loans with total principal outstanding of £35,234k. No new loans were taken out during the year. The Council has paid off £1,870k of the outstanding principal during the year and interest of £1,065k (£90k GF and £975k HRA). The interest rates on these loans range from 1.70% to 2.94% pa and give a weighted average of 2.91%.

### 3.11 Treasury Activities

The charts below gives an overview of the Council's treasury holdings at the 2021/22 financial year end and that held at the end of the previous financial year (2020/21):



From the Short Term investments the Council generated investment interest of £54k (£124k 2020/21), which gave an average rate of return of 0.18% (0.25% 2020/21). The dividends received from the Long Term investments, held with CCLA totalled £183k or 3.67% (4.13% 2020/21).

### Non-Financial Performance

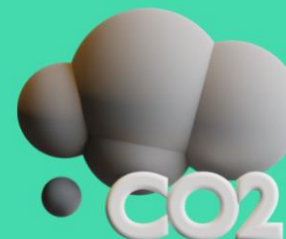
When reviewing the performance of the Council in 2021/22, it is important to not only see performance against budget, it is also important to assess performance against the operational/strategic targets set within the context of the Corporate Plan during the year. The full Performance and Risk Report for 2021/22 will be presented to Audit Committee alongside these Statements. Below are some of the key performance statistics:

# Non-Financial Performance 2021/22



**£8M+** grants given to  
c. 1,700 local businesses

**500+** new highly efficient  
(zero carbon) modular  
affordable homes to be built



**347tCO<sub>2</sub>e**  
reduction in  
carbon footprint

**82tCO<sub>2</sub>e** saved by cars  
using our EV chargers  
at our leisure centres



**250m<sup>2</sup>** of solar panels on  
our Carlu Close depot



**£2.8M** funding  
secured to  
improve energy  
efficiency



**81%** of residents are  
very or fairly  
satisfied with their  
local area as a place  
to live

**96.6%** of Council  
Tax collected



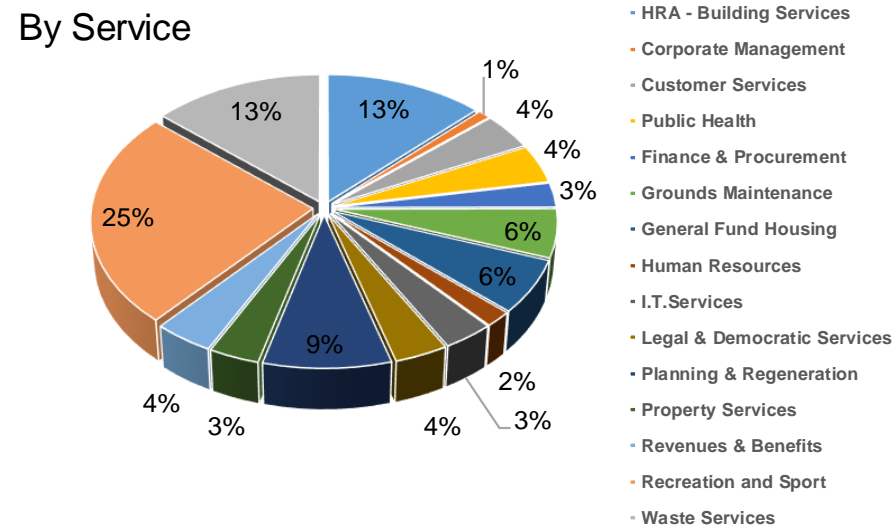
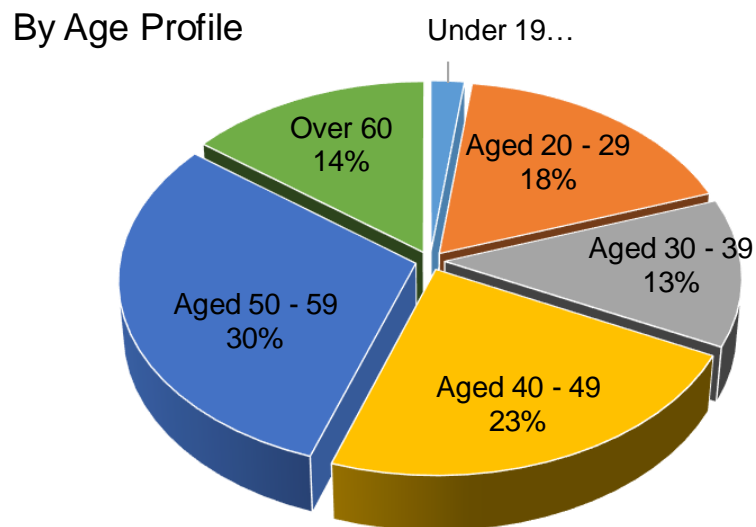
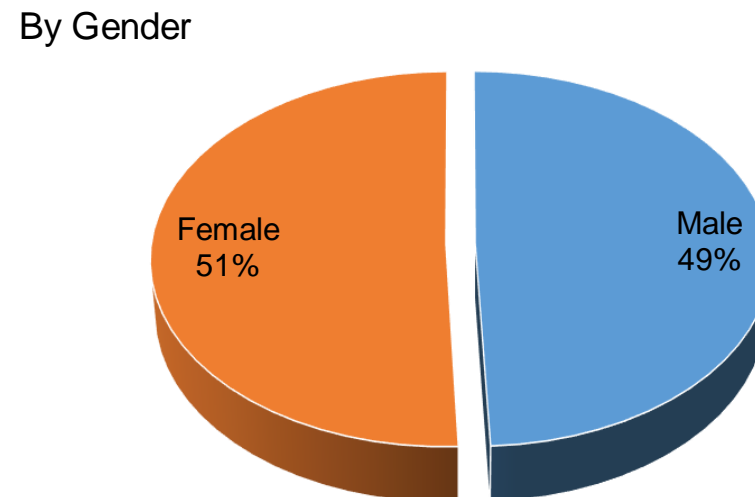
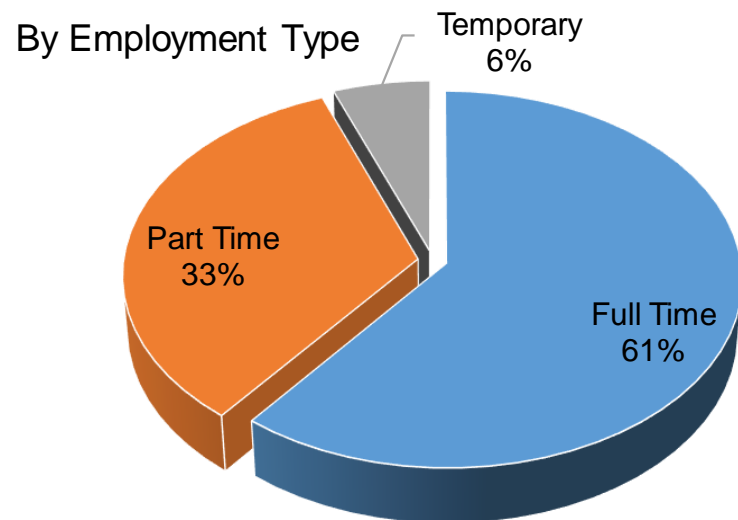
**98.6%** of Business  
Rates collected



**53.4%** of household waste  
reused, recycled and composted

### 3.12 Workforce Data

The Council employed 536 people in full and part time contracts on 31 March 2022. Employees are a valued significant resource within the Council and employees' costs account for 40% of the total gross expenditure. The Council's workforce profile can be seen in the charts below.



### 3.13 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 2022 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 on working;
- Ensuring that our ICT infrastructure provides robust defence against cyber security and avoids breaches of confidential information, damaged or corrupted data;
- Having sufficient resources to support an increased homeless population;
- Ensuring the Council has the resources to deliver key transport infrastructure and unlock opportunities to maximise economic growth;
- The continuation of the Council's subsidiary company, 3 Rivers Developments Ltd

### 3.14 The Council's Governance Arrangements

The Council has a well-established and robust corporate governance framework. This includes the statutory elements such as the posts of Chief Executive (as Head of Paid Service), Monitoring Officer and Chief Finance Officer (as S151 Officer).

Significant change happened in the Council's governance arrangements, as a result of Covid-19. These changes were the result of social distancing measures that required the Council to work remotely where possible and relied on ICT infrastructure. Throughout 2020/21 Mid Devon held public meetings virtually via Zoom under the revised DLUHC regulations. However, from 7 May 2021, the regulations reverted back to requiring public meetings to be held face-to-face. Varying health related restrictions continued hindering face-to-face public participation, therefore the meetings continued to be live-streamed to allow engagement in decision making.

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.

### 3.15 Covid-19 Pandemic

The Covid-19 pandemic continues 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 have meant that many businesses have suffered 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. One of the most significant tasks undertaken over the last year has been the payment of varying grants to residents and businesses that have suffered financial hardship resulting from the pandemic or imposed restrictions. Over £8,000k has been paid out which has had a significant impact on the Council's staffing.

#### Financial Impact

These additional costs and reductions in income continue to have a significant impact on the financial outturn for 2021/22. The Council experienced substantial losses across many of its largest income streams, most notably Leisure Centres which were closed in the beginning of the year and along with Car Parks which have not recovered to pre-Covid-19 levels of usage. This, along with reduced interest on investments, substantial relief payments to businesses and increased benefit claimants has had a 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.

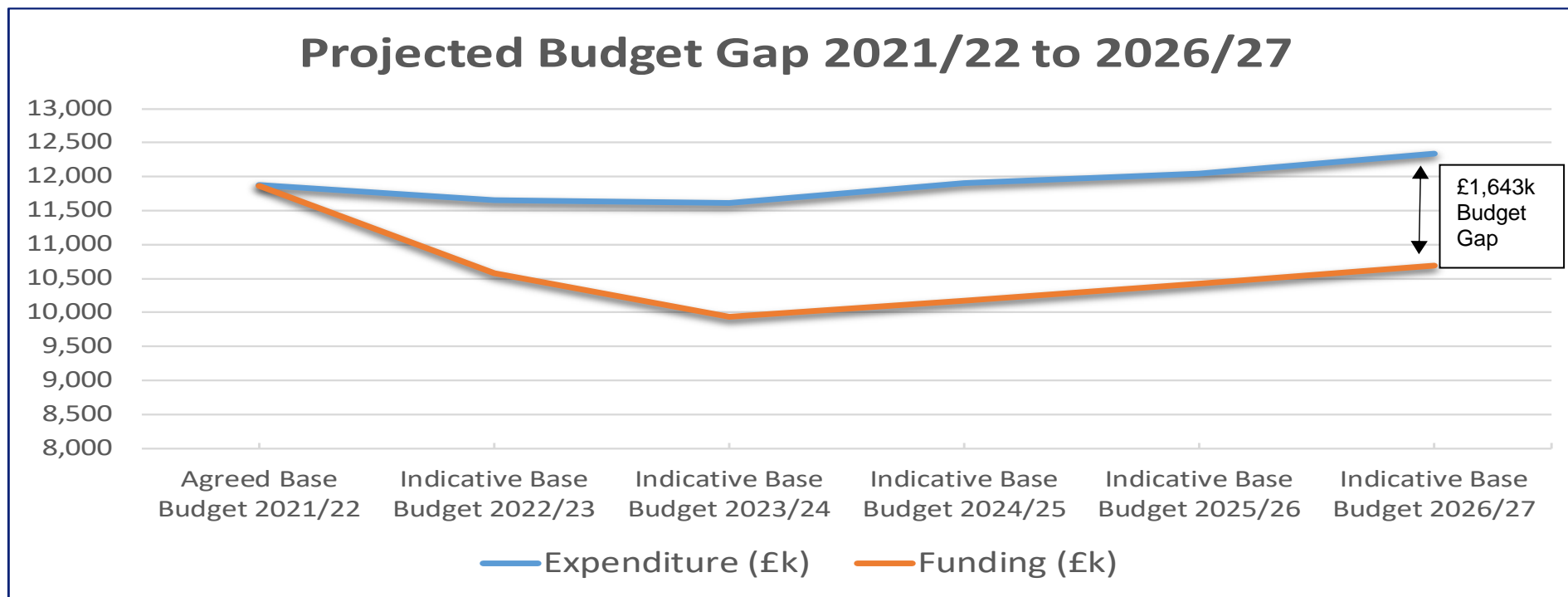
Helping to offset this impact, the Council has received £408k emergency Covid-19 funding and a further £363k from the Sales, Fees and Charges Compensation Scheme. The Council has prudently sought to build up the General Fund balance and Earmarked Reserves in recent years to ensure the Council is financially 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 2021/22, 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.

### 3.16 Medium Term Forecast Expenditure and Funding

The Medium Term Financial Plan (MTFP) update report to Cabinet in October 2021, 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 £1,643k by 2026/27.





Funding is expected to dip after 2023/24 largely due to the reduction in Business Rates expected following the combination of the Revaluation and Reset of growth. New Homes Bonus is expected to be phased out by 2023/24, leaving the Rural Services grant as the only grant funding received from Government. With the increasing demands on services this puts increased pressure on our ability to generate Business Rates and Council Tax or income from Fees and Charges as the only 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. Rising inflation will also impact on the position, particularly as increases in income is not expected to keep pace with increases in costs. The movement to and from Earmarked Reserves lessens as time progresses through the MTFP timeframe as to be expected.

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.

### 3.17 The Financial Future of Mid Devon

2021/22 was yet another successful year for the Council which saw our General Fund Services and Housing Revenue Account delivered within budget. Importantly, this was also 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 significantly reduced since 2010/11.

We continue to work collaboratively with neighbouring councils in areas as diverse as: Building Control, Spatial Planning, Economic Delivery, Internal Audit, Procurement etc. These partnerships have importantly delivered financial savings but have also built up additional operational capacity and resilience.

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 recovers economically. 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 any adverse consequences emanating from 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)**

## 4 Statement of Accounting Policies

### 4.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year ending 31 March 2022. 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 2021/22 ("the Code"), supported by International Financial Reporting Standards (IFRS).

Following its emergency consultation on exploratory proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom and agreement by the Government's Financial Reporting Advisory Board (FRAB), CIPFA/LASAAC (The Chartered Institute of Public Finance and Accountancy / The Local Authority (Scotland) Accounts Advisory Committee) has deferred the implementation of IFRS 16 until 1 April 2024. However, councils may adopt the standard in 2022/23 or 2023/24.

Therefore, there have been no material changes to the accounting policies for 2021/22 and therefore there are no significant changes to the production of the accounts as a result of changes to the Code.

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.

### 4.2 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.

### 4.3 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 Code.

### 4.4 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.

### 4.5 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.

#### **4.6 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.

#### **4.7 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.

#### **4.8 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.

#### **4.9 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.

#### **4.10 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.

#### **4.11 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.

There are no adjustments to prior period figures.

#### **4.12 Property, Plant and Equipment**

##### **Recognition**

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.

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 2022.

### 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
- IT equipment and Intangible Assets – straight-line allocation over the life of the asset as estimated by suitably qualified and experienced officers.

Examples of time scales are given below:

Plant	Expected asset life of 10 years
Vehicles	Expected asset life of 3 to 7 years
ICT Equipment	Expected asset life of 3 to 5 years
Specialist equipment	Expected asset life of 3 to 10 years
Phoenix House boilers	Expected asset life of 15 years
Pool filters at LMLC	Expected asset life of 20 years
CVSC Boilers & Solar Panels	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.

#### 4.13 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.

Sales proceeds 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.

#### **4.14 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.

## 4.15 Leases

Following CIPFA/LASAAC's decision to further delay of the adoption IFRS 16 Leases in the Public Sector until the 2024/25 financial year, the Council continues to account for leases as it has previously.

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. The Council 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.

#### **4.16 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.

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.

#### 4.17 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.

#### 4.18 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.

#### 4.19 Financial Instruments

##### Financial Assets

Financial assets are 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), with interest credited to the CIES being 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. 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)**

The Council does not hold any investments that are required to be measured as FVOCI.

## **4.20 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.

#### **4.21 Contingent Assets or Liabilities**

A contingent asset or liability arises where an event has taken place that gives the Authority a possible benefit or 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 assets or liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts where applicable.

The Council has no contingent assets and liabilities to report at the 31 March 2022.

#### **4.22 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.

#### **4.23 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 2022 was £2,215k.

#### **4.24 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 2021/22.



## 5 The Statement of Responsibilities for the Statement of Accounts

### 5.1 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.

### 5.2 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.

### 5.3 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 2022.

.....  
Signature

.....  
Date

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

## 6 Chief Finance 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 2022.

The date on which the draft Statement of Accounts was authorised for issue by the Deputy Chief Executive (S151) was 31 May 2022.

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

.....  
Cllr Neil Davey

.....  
Dated

### Approved by the Leader of the Council

.....  
Cllr Robert Deed

.....  
Dated

## **7 Independent Auditor's Report to the Members of Mid Devon District Council**

### **Report on the Audit of the Financial Statements**

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## Introduction to the Core Financial Statements

Below is a list of the Core Financial Statements and other key areas within the Accounts along with a brief description that outlines the purpose of each component. 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 2021/22”.

- **Movement in Reserves Statement**

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

- **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.

- **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.

- **Cash Flow Statement**

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

- **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.

- **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 the Council’s share of any Collection Fund surplus or deficit.

- **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.

## 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.

2021/22	Note	USABLE RESERVES								Total Usable Reserves	Unusable 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			
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Balance at 31 March 2021		(2,187)	(20,247)	(22,434)	(2,000)	(20,774)	(22,774)	(5,498)	(2,625)	(53,329)	(68,848)	(122,176)
Movement in Reserves during year												
(Surplus) or deficit on the provision of services		1,789	-	1,789	(5,623)	-	(5,623)	-	-	(3,834)	-	(3,834)
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	(12,415)	(12,415)
Total Comprehensive Income and Expenditure		1,789	-	1,789	(5,623)	-	(5,623)	-	-	(3,834)	(12,415)	(16,250)
Adjustments between accounting basis and funding basis under regulations	5	(2,226)	-	(2,226)	3,958	(211)	3,747	(1,031)	(72)	418	(418)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves		(437)	-	(437)	(1,665)	(211)	(1,876)	(1,031)	(72)	(3,416)	(12,833)	(16,250)
Transfers (to) / from Earmarked Reserves	6	408	(408)	-	1,665	(1,665)	-	-	-	-	-	-
(Increase) / Decrease in year		(29)	(408)	(437)	-	(1,876)	(1,876)	(1,031)	(72)	(3,416)	(12,833)	(16,250)
Balance at 31 March 2022 Carried forward		(2,215)	(20,655)	(22,870)	(2,000)	(22,650)	(24,650)	(6,529)	(2,697)	(56,745)	(81,681)	(138,426)
Held for Revenue Purposes		(2,215)	(20,655)	(22,870)	(2,000)	(21,233)	(23,233)	-	-	(46,102)	-	-
Held for Capital Purposes		-	-	-	-	(1,417)	(1,417)	(6,529)	(2,697)	(10,643)	-	-

## Movement in Reserves Statement (Continued)

2020/21	Note	USABLE RESERVES								Total Usable Reserves	Unusable 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			
		£'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		(401)	-	(401)	(7,759)	-	(7,759)	-	-	(8,159)	-	(8,159)
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	16,444	16,444
Total Comprehensive Income and Expenditure		(401)	-	(401)	(7,759)	-	(7,759)	-	-	(8,159)	16,444	8,285
Adjustments between accounting basis and funding basis under regulations	5	(6,093)	-	(6,093)	5,954	(659)	5,295	(340)	(978)	(2,116)	2,116	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves		(6,494)	-	(6,494)	(1,805)	(659)	(2,464)	(340)	(978)	(10,277)	18,560	8,285
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)	18,560	8,285
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)	(68,848)	(122,176)
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)	-	-

## Comprehensive Income and Expenditure Statement

This section is a summary of our spending on services.

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Gross Expenditure £'000	2020/21 Gross Income £'000	Net Expenditure £'000	Service Area	Note	Gross Expenditure £'000	2021/22 Gross Income £'000	Net Expenditure £'000
1,025	(31)	994	Community Development		330	(80)	250
1,847	-	1,847	Corporate Management		1,765	(92)	1,673
690	(382)	308	Car Parks		781	(738)	43
80	(37)	43	Customer Services		137	-	137
2,556	(939)	1,617	Environmental Services		3,029	(1,716)	1,313
40	(6)	34	Finance and Performance		114	(15)	99
105	(70)	35	Grounds Maintenance		63	(51)	12
849	(659)	190	General Fund Housing		1,040	(913)	127
4,941	(13,366)	(8,425)	Housing Revenue Account		7,667	(13,139)	(5,472)
31	(7)	24	Human Resources		120	(6)	114
69	(16)	53	I.T. Services		123	(79)	44
987	(71)	916	Legal and Democratic Services		1,404	(257)	1,147
3,615	(2,279)	1,336	Planning and Regeneration		4,707	(3,285)	1,422
1,089	(1,077)	12	Property Services		1,489	(665)	824
14,590	(14,042)	548	Revenues and Benefits		12,790	(12,120)	670
4,210	(985)	3,225	Recreation and Sport		4,728	(1,961)	2,767
5,481	(2,650)	2,831	Waste Services		5,995	(2,746)	3,249
<b>42,208</b>	<b>(36,617)</b>	<b>5,591</b>	<b>Costs of Services</b>		<b>46,281</b>	<b>(37,862)</b>	<b>8,418</b>
		1,778	Other Operating Expenditure	8			1,061
		1,784	Financing and Investment Income and Expenditure	9			1,078
		(17,311)	Taxation and Non-Specific Grant Income	10			(14,392)
		<b>(8,159)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>(3,834)</b>
		-	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets				-
		15,888	Remeasurements of the Net Defined Benefit Liability	21			(11,272)
		556	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment	44			(1,143)
		<b>16,444</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(12,415)</b>
		<b>8,285</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(16,250)</b>

## Balance Sheet

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

2020/21 £'000	Balance Sheet	Notes	2021/22 £'000
198,601	Property, Plant & Equipment	22	200,269
330	Heritage Assets	25	330
4,725	Long-term Investments	31	5,554
9,220	Long-term Debtors	32	7,422
<b>212,876</b>	<b>Non-Current Assets</b>		<b>213,575</b>
17,500	Short-term Investments	33	27,000
525	Assets held for sale	34	470
315	Inventories	35	322
11,410	Short-term Debtors	36	12,840
10,860	Cash and Cash Equivalents	38	9,831
<b>40,610</b>	<b>Current Assets</b>		<b>50,463</b>
(14,942)	Short-term Creditors	39	(17,846)
(869)	Provisions	41	(856)
(1,870)	Short-term Borrowing	28	(1,924)
<b>(17,681)</b>	<b>Current Liabilities</b>		<b>(20,625)</b>
(2,994)	Long-term Creditors	40	(2,138)
(35,234)	Long-term Borrowing	28	(33,310)
(75,401)	Other Long Term Liabilities	47	(69,539)
<b>(113,629)</b>	<b>Long Term Liabilities</b>		<b>(104,987)</b>
<b>122,176</b>	<b>Net Assets</b>		<b>138,426</b>
53,329	Usable Reserves	42	56,745
68,848	Unusable reserves	43	81,681
<b>122,176</b>	<b>Total Reserves</b>		<b>138,426</b>

## Cash Flow Statement

This section shows what cash we spend and receive.

2020/21			2021/22
£'000	Cash Flow	Note	£'000
8,159	Net surplus or (deficit) on the provision of services		3,834
(841)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	50	9,823
(616)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	51	(1,199)
4,141	Adjustments for operating activities processed through the Balance Sheet	52	1,518
<b>10,843</b>	<b>Net cash flows from Operating Activities</b>		<b>13,976</b>
(1,704)	Investing Activities	53	(12,791)
(2,123)	Financing Activities	54	(2,213)
<b>7,016</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(1,028)</b>
3,843	Cash and cash equivalents at the beginning of the reporting period		10,859
<b>10,859</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	38	<b>9,831</b>



## 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.

2020/21			2021/22		
Net Expenditure Chargeable to the GF and HRA Balances	Adjustments	Net Expenditure in the CIES	Service Area	Net Expenditure Chargeable to the GF and HRA Balances	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000
165	829	994	Community Development	199	51
1,648	199	1,847	Corporate Management	1,507	166
(118)	426	308	Car Parks	(456)	500
645	(601)	43	Customer Services	728	(591)
725	892	1,617	Environmental Services	220	1,093
839	(804)	34	Finance and Performance	807	(708)
475	(440)	35	Grounds Maintenance	515	(502)
58	132	190	General Fund Housing	(21)	147
(6,921)	(1,504)	(8,425)	Housing Revenue Account	(6,865)	1,393
409	(385)	24	Human Resources	528	(415)
967	(913)	53	I.T. Services	986	(942)
968	(52)	916	Legal and Democratic Services	1,069	77
671	665	1,336	Planning and Regeneration	594	827
411	(398)	12	Property Services	1,007	(183)
45	503	548	Revenues and Benefits	205	464
1,961	1,265	3,225	Recreation and Sport	1,171	1,596
1,901	930	2,831	Waste Services	1,861	1,389
<b>4,849</b>	<b>742</b>	<b>5,591</b>	<b>Cost of Services</b>	<b>4,054</b>	<b>4,364</b>
(4,784)	(8,965)	(13,749)	Other Income and Expenditure	(4,083)	(8,170)
<b>65</b>	<b>(8,223)</b>	<b>(8,159)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(29)</b>	<b>(3,806)</b>
<b>(36,250)</b>	<b>Opening General Fund and HRA Balances as at 1 April</b>			<b>(45,208)</b>	
(9,023)	Transfers (to)/from Earmarked Reserves			(2,284)	
-	Transfer from Capital Grants Unapplied to Earmarked Reserve			-	
65	(Surplus) or Deficit on Provision of Services			(29)	
<b>(45,208)</b>	<b>Closing General Fund and HRA Balances as at 31 March</b>			<b>(47,520)</b>	

## Adjustments Showing within the Expenditure and Funding Analysis

	2020/21							Service Area	2021/22						
	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	(0)	144	683	-	829	Community Development	-	15	4	66	(33)	-	51	
-	342	6	(149)	-	-	199	Corporate Management	-	108	0	57	-	-	166	
-	-	-	218	208	-	426	Car Parks	-	-	-	280	220	-	500	
-	34	10	(645)	-	-	(601)	Customer Services	-	138	(9)	(719)	-	-	(591)	
-	44	13	689	146	-	892	Environmental Services	-	170	(12)	749	186	-	1,093	
-	27	8	(839)	-	-	(804)	Finance And Performance	-	110	(7)	(810)	-	-	(708)	
-	16	2	(488)	30	-	(440)	Grounds Maintenance	-	73	3	(616)	38	-	(502)	
-	13	5	114	-	-	132	General Fund Housing	-	52	(4)	99	-	-	147	
-	218	-	-	(1,968)	247	(1,504)	Housing Revenue Account	-	604	-	-	457	332	1,393	
-	15	5	(406)	-	-	(385)	Human Resources	-	74	(1)	(488)	-	-	(415)	
-	24	5	(1,014)	71	-	(913)	I.T. Services	-	106	(6)	(1,120)	78	-	(942)	
-	29	6	(86)	-	-	(52)	Legal & Democratic Services	-	112	(5)	(30)	-	-	77	
-	93	35	536	-	-	665	Planning And Regeneration	-	338	(26)	515	-	-	827	
-	34	8	(759)	319	-	(398)	Property Services	-	108	(3)	(691)	404	-	(183)	
-	36	7	460	-	-	503	Revenues And Benefits	-	136	(8)	336	-	-	464	
-	98	1	457	708	-	1,265	Recreation And Sport	-	381	7	474	735	-	1,596	
-	125	33	327	446	-	930	Waste Services	-	497	(18)	422	487	-	1,389	
-	1,149	143	(1,440)	643	247	742	Net Cost of Services	-	3,022	(85)	(1,476)	2,571	332	4,364	

## 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.

		2020/21	2021/22
Expenditure and Income	Note	£'000	£'000
Expenditure			
Employee benefits		17,567	20,319
Other services		24,126	23,678
Depreciation, amortisation and impairment	18	643	2,487
Interest payments	9	2,577	2,750
Precepts and levies	8	1,837	1,984
Total Expenditure		46,750	51,218
Income			
Fees, charges and other service income		(36,518)	(37,830)
Interest and investment income	9	(793)	(1,672)
Income from Council Tax, NDR, RSDG and other government grants including NHB	10	(17,311)	(14,392)
Gain on the disposal of assets	8	(287)	(1,158)
Total Income		(54,909)	(55,052)
(Surplus) or deficit on the provision of services		(8,159)	(3,834)

## 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

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 2022 for 2021/22).

Previously, IFRS 16 Leases in the Public Sector was due to be implemented from 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). However, following a late emergency consultation to help alleviate delays to the publication of audited financial statements, CIPFA/LASAAC recommended the deferral of the implementation of IFRS 16 Leases in the Public Sector for a further two years until the 2024/25 financial year, with an effective date of 1 April 2024. This was considered and supported by the Government's Financial Reporting Advisory Board (FRAB). As a result the council has not implemented IFRS 16. It has not undertaken an initial assessment of the implications, but will do so prior to the implementation on 1 April 2024.

The other minor changes, that have no material impact on these Accounts, are:

- Definition of a Business: Amendments to IFRS 3 issued in October 2018;
- Interest Rate Benchmark Reform: Amendments to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments), IFRS 7 (Financial Instruments);
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments), IFRS 7 (Financial Instruments), IFRS 4 (Insurance Contracts).

The change in Interest Rate Benchmark Reform relates to the change to requirements arising from the demise of LIBOR (London InterBank Offered Rate). Where LIBOR was the reference interest rate for calculating (e.g.) the carrying amount of a financial instrument, then its replacement by an alternative reference rate would (in the normal course of IFRS 9) trigger a recalculation of amortised cost based on discounting the revised cash flows over the original effective interest rate. This recalculation would normally result in an instant gain or loss that would be posted to CIES. The Code has been amended to allow any such recalculation to be carried out using the new effective rate, which should remove the instant gain/loss. This change does not affect the Council as it doesn't have investments that use LIBOR.

Therefore in compiling the 2021/22 accounts there are no material effects in relation to these standards.

### 2 Critical Judgements in Applying Accounting Policies

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

- 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 the year. 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) 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 some 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.

### **Material Items of Income and Expenditure**

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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 2022 - £1,388k) during 2019/20. A further review during 2021/22 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 2022 - £7,790k). Again, a further review during 2021/22 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. If the estimates used in the calculations prove to be inaccurate then there will be further income or expenditure incurred by the General Fund.

The items in the Authority's Balance Sheet at 31 March 2022 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.	<p>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 £36,173k would increase by £219k for every year that useful lives had to be reduced.</p> <p>The gross value of £36,173k is the carrying value of the Council's assets excluding assets held for sale, land, council dwellings and assets under construction, as these do not attract depreciation. The values also excludes finance leases.</p>
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 £148,656k and a 1 year increase in life expectancy assumptions would increase the closing defined benefit obligation to £154,706k. 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.

Note	Item	Uncertainties	Effect if Actual results Differ
	Arrears	At 31 March 2022, the Authority had a gross sundry debtors balance of £971k, although only £289k is over 30 days old. A review of significant balances suggested that a provision for doubtful debts of £294k or 30% was appropriate (£110k of which relates to the Deposit and Rent Scheme (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 the Council were to provide for 1% more of the arrears, the provision value would increase by approximately £10k.
	Fair Value Asset Valuation	The Authority engages the District Valuer, a qualified Royal Institution of Chartered Surveyors (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, 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 restricted 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

2021/22	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	(1,958)	(2,629)	-	-	-	4,588
Revaluation (losses)/gains on Property, Plant and Equipment	(71)	2,172	-	-	-	(2,102)
Amortisation of intangible assets	-	-	-	-	-	-
Impairment of current assets	-	-	-	-	-	-
Capital grants and contributions applied	746	-	-	-	-	(746)
Income in relation to donated assets	-	-	-	-	-	-
Useable Capital Receipts applied in year	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(1,367)	-	-	-	-	1,367
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	(4)	(1,626)	-	-	-	1,630
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	671	962	-	-	-	(1,633)
Capital expenditure charged against the General Fund and HRA balances	178	300	-	-	-	(478)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	693	-	-	-	(693)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	621	(621)
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	17	2,771	(2,788)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,484	-	-	(1,484)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(37)	37	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(235)	-	235	-	-	-
Right to Buy Discounts repaid	-	-	-	-	-	-
Balance carried forward	(1,330)	1,913	(1,032)	-	(72)	521

2021/22 - 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
<b>Balance brought forward</b>	(1,330)	1,913	(1,032)	-	(72)	521
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	2,621	-	(2,621)	-	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	-	2,411	-	(2,411)
Interest credited to the Major Repairs Reserve	-	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account</b>						
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	829	-	-	-	-	(829)
<b>Adjustment involving the Pensions Reserve</b>						
Actuarial past service gain adjustment	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,835)	(604)	-	-	-	7,439
Employer's pension contributions and direct payments to pensioners payable in the year	2,887	-	-	-	-	(2,887)
<b>Adjustment involving the Collection Fund Adjustment Account</b>						
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	395	-	-	-	-	(395)
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	1,744	-	-	-	-	(1,744)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>						
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	85	28	-	-	-	(113)
<b>Total Adjustments</b>	<b>(2,226)</b>	<b>3,958</b>	<b>(1,031)</b>	<b>(211)</b>	<b>(72)</b>	<b>(418)</b>

2020/21	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
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
<b>Adjustments involving the Capital Adjustment Account</b>						
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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
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)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
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)
<b>Adjustments involving the Capital Receipts Reserve</b>						
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	-	-	-	-	-	-
<b>Balance carried forward</b>	<b>(31)</b>	<b>3,613</b>	<b>(340)</b>	<b>-</b>	<b>(978)</b>	<b>(2,262)</b>

2020/21 - 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
<b>Balance brought forward</b>	(31)	3,613	(340)	-	(978)	(2,262)
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
<b>Adjustment involving the Major Repairs Reserve</b>						
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	-	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
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
<b>Adjustment involving the Pensions Reserve</b>						
Actuarial past service gain adjustment	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,065)	(217)	-	-	-	5,282
Employer's pension contributions and direct payments to pensioners payable in the year.	2,787	-	-	-	-	(2,787)
<b>Adjustment involving the Collection Fund Adjustment Account</b>						
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 NNDR income credited to the Comprehensive Income and Expenditure Statements is different from NNDR income calculated for the year in accordance with statutory requirements	(3,454)	-	-	-	-	3,454
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>						
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
<b>Total Adjustments</b>	<b>(6,093)</b>	<b>5,954</b>	<b>(340)</b>	<b>(659)</b>	<b>(978)</b>	<b>2,116</b>

## 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 2021/22. Reserves indicated with an asterisk (\*) are held for capital purposes.

General Fund Revenue Earmarked Reserves	Balance at 1/4/2020 £'000	Movement £'000	Balance at 31/3/2021 £'000	Movement £'000	Balance at 31/3/2022 £'000
New Homes Bonus Reserve	3,499	(438)	3,061	233	3,295
Maintenance & Amenity Reserve (S106 Funds)	1,815	(59)	1,755	1,061	2,816
NDR smoothing Reserve	721	3,325	4,046	(1,658)	2,388
Waste Infrastructure Reserve	1,250	778	2,028	-	2,028
Property Maintenance Reserves	1,506	239	1,745	279	2,024
Vehicle, Plant & Equipment Sinking Funds	705	364	1,068	145	1,214
ICT Equipment Sinking Fund	379	167	546	61	607
Statutory Development Plan Reserve	477	30	506	82	588
Homelessness Support Reserve	307	53	360	145	505
Cost of Living Reserve	-	300	300	200	500
Garden Village Reserve	678	(26)	652	(221)	431
ICT Reserves	23	307	330	-	330
Economic Development Reserves	198	165	363	(50)	313
Climate Change Reserve	-	299	299	(25)	275
RCCO* Earmarked Reserves	301	(46)	255	-	255
PSH Grant Reserves	305	(52)	253	(53)	200
General Revenue Earmarked Reserve	-	224	224	(25)	199
NDR New Burdens Grants Reserve	-	60	60	136	196
Cullompton Rail Station Reserve	40	121	161	(6)	155
Planning Improvement Programme Reserve	-	250	250	(99)	152
Recycling Plant Sinking Fund	91	20	111	20	131
Council Tax Smoothing Reserve	-	240	240	(115)	125
Rough Sleeping Initiative	34	58	92	24	116
Community Housing Reserve	111	(3)	108	(1)	108
Other General Fund Reserves <£100k	1,249	184	1,432	274	1,706
<b>Total Revenue Earmarked Reserves</b>	<b>13,688</b>	<b>6,559</b>	<b>20,247</b>	<b>408</b>	<b>20,655</b>

\*RCCO – Revenue contributions to capital outlay.

The table on the prior page shows the General Fund earmarked reserves balances held at 31 March 2022. The Other General Fund Reserves <£100k relate to a large number of smaller reserves that are for specific projects that will be delivered in 2022/23 and future years e.g. Resurfacing amenity car parks (£70k), Flood Defences Bampton (£67k) and, a Building Control reserve to support additional costs for the Building Control Partnership in complying with changes in regulations (£48k). The £3,295k 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. NDR Smoothing Reserve is s31 grant that will offset business rates deficits that will unravel in future years. 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 June Cabinet meeting.

<b>Housing Revenue Account Revenue Earmarked Reserves</b>	<b>Balance at 1/4/2020 £'000</b>	<b>Movement £'000</b>	<b>Balance at 31/3/2021 £'000</b>	<b>Movement £'000</b>	<b>Balance at 31/3/2022 £'000</b>
Housing Maintenance Fund	14,198	923	15,121	742	15,863
HRA - PWLB Loan Premium Deficit	2,811	706	3,516	754	4,270
Renewable Energy Fund	674	27	701	113	814
HRA Affordable Rent surplus	49	150	199	56	255
Sewage Treatment Works	30	-	30	-	30
<b>Total Revenue Earmarked Reserves</b>	<b>17,762</b>	<b>1,805</b>	<b>19,567</b>	<b>1,665</b>	<b>21,233</b>

The table above shows the Housing Revenue Account (HRA) earmarked reserves balances held at 31 March 2022. 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 and will be used to maintain and replenish the housing stock. In 2021/22 the fund has increased by £742k. 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 1/4/2020 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31/3/2021 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31/3/2022 £'000
Repaid PSH Grants	73	84	-	158	-	-	158
Affordable Housing Contributions	686	408	-	1,094	156	-	1,250
Devon County Council Funding	20	-	-	20	-	-	20
MHCLG Disabled Facilities Grant	867	957	(471)	1,353	537	(621)	1,269
<b>Total Capital Grants Unapplied</b>	<b>1,646</b>	<b>1,449</b>	<b>(471)</b>	<b>2,625</b>	<b>693</b>	<b>(621)</b>	<b>2,697</b>

## 8 Other Operating Expenditure

This note summarises the payments made to Parish Councils in respect of the Precepts collected on their behalf. It also shows the element of the Housing capital receipts due to Government and any gains or losses on current assets.

Other Operating Expenditure	2020/21 £'000	2021/22 £'000
Parish Council precepts payable	1,837	1,984
Payments to the Government housing capital receipts pool	227	235
(Gains)/Losses on the disposal of non current assets	(287)	(1,158)
<b>Total</b>	<b>1,778</b>	<b>1,061</b>

## 9 Financing and Investment Income and Expenditure

This includes interest from temporarily investing the Council's revenue balances, interest received from our long-term investment in Pooled Property Funds the surplus/deficit on our trading activities.

Financing and Investment Income and Expenditure	2020/21 £'000	2021/22 £'000
Interest payable and similar charges	1,230	1,220
Net interest on the net defined benefit liability	1,347	1,530
Interest receivable and similar income	(827)	(843)
(Gains)/Losses recognised under IFRS 9 Financial Instruments*	34	(829)
<b>Total</b>	<b>1,784</b>	<b>1,078</b>

\* 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 £5,554k; this is an overall gain of £554k since the investment in 2015/16. The in-year gain of £829k 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

This note breaks down the various sources of taxation retained by the Council and the funding received from Government to support service provision.

Taxation and Non Specific Grant Income	2020/21 £'000	2021/22 £'000
Council Tax income (including Parish Council Precepts receivable)	(7,879)	(8,402)
Non Domestic Rates	(3,358)	(3,380)
Non-ringfenced Government grants*	(5,096)	(2,454)
Capital grants and contributions	(978)	(156)
<b>Total</b>	<b>(17,311)</b>	<b>(14,392)</b>

\* Further detail of non-ringfenced Government grants is shown in Note 55.



## 11 Operating Leases

### Authority as a Lessee

The Authority holds a number of land and buildings under the terms of operating leases. Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from 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. there is a rent-free period at the commencement of the lease).

#### *Payments under Operating Leases*

The Authority has made payments of £178k under operating leases in 2021/22 (£140k in 2020/21) comprising of the following elements:

Authority as Lessee	2020/21 £'000	2021/22 £'000
Land & Buildings	140	178
Vehicles, Plant & Equipment	-	-
<b>Total</b>	<b>140</b>	<b>178</b>

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 2022 was £11,109k (£11,314k at 31 March 2021)

Authority as Lessor	2020/21			2021/22		
	Gross Value £'000	Net Book Value £'000	Rental Income £'000	Gross Value £'000	Net Book Value £'000	Rental Income £'000
HRA Shops	1,215	1,215	(107)	1,214	1,214	(111)
General Fund Shops	3,361	3,361	(374)	3,417	3,417	(336)
Other GF Land & Buildings	5,306	5,306	(109)	4,989	4,989	(112)
Industrial Units	1,432	1,432	(97)	1,489	1,489	(106)
<b>Total</b>	<b>11,314</b>	<b>11,314</b>	<b>(687)</b>	<b>11,109</b>	<b>11,109</b>	<b>(665)</b>

The Council also received £375k from the rental of garages and £12,291k from Council Houses (£12,325k 2020/21). 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	2020/21		2021/22	
	Number of Employees	Left During Year	Number of Employees	Left During Year
£50,000 - £54,999	3	-	5	-
£55,000 - £59,999	4	-	2	-
£60,000 - £64,999	1	1	4	-
£65,000 - £69,999	2	-	-	-
£70,000 - £74,999	-	-	-	-
£75,000 - £79,999	-	-	-	-
£80,000 - £84,999	3	1	2	-
£85,000 - £89,999	-	-	-	-
£90,000 - £94,999	-	-	-	-
£95,000 - £99,999	-	-	-	-
£100,000 - £104,999	-	-	-	-
£105,000 - £109,999	-	-	-	-
£110,000 - £114,999	1	-	-	-
£115,000 - £119,999	-	-	1	-

Some employees in the above table are not categorised as Senior Officers and therefore are not part of the Council's Leadership Team and have been excluded from the Senior Officers table below.

## 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 £150k or more and the post title of any officers earning £50k or more who occupy statutory roles or are responsible for managing the strategic direction of services, i.e. Leadership Team. The Council had no officers earning at or in excess of £150k during the year.

Post Title	Financial Year	Salary (Including Allowances) £	Total Remuneration exc pension contributions £	Pension Contributions £	Total Remuneration inc pension contributions £
<b>Chief Executive</b>	<b>2021/22</b>	116,443	116,443	19,288	135,731
	<b>2020/21</b>	114,131	114,131	18,946	133,077
<b>Deputy Chief Executive (S151)</b>	<b>2021/22</b>	83,704	83,704	14,075	97,779
	<b>2020/21</b>	82,616	82,616	13,825	96,441
<b>Director of Corporate Affairs &amp; Business Transformation</b>	<b>2021/22</b>	83,375	83,375	13,799	97,173
	<b>2020/21</b>	80,910	80,910	13,431	94,342
<b>Director of Place. Note 3</b>	<b>2021/22</b>	38,367	38,367	6,322	44,689
	<b>2020/21</b>	-	-	-	-
<b>Head of Planning &amp; Regeneration. Note 4</b>	<b>2021/22</b>	34,001	34,001	5,257	39,257
	<b>2020/21</b>	69,629	69,629	11,558	81,187
<b>District Solicitor and Monitoring Officer. Note 5</b>	<b>2021/22</b>	36,747	36,747	6,059	42,806
	<b>2020/21</b>	-	-	-	-
<b>Head of Legal and Monitoring Officer. Note 6</b>	<b>2021/22</b>	16,838	16,838	2,795	19,633
	<b>2020/21</b>	66,925	66,925	11,110	78,035

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 2021/22 pension contributions figures.
3. The Director of Place is a new post. Joined the Authority on 18 October 2021.
4. The Head of Planning and Regeneration left the Authority on 10 September 2021. Post not replaced.
5. The District Solicitor and Monitoring Officer joined the Authority on 25 September 2021 and replaced Head of Legal and Monitoring Officer post.
6. The Head of Legal and Monitoring Officer left the Authority on 28 June 2021. Post changed to District Solicitor and Monitoring Officer.

### 13 Termination Benefits

During 2021/22 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.

<b>2021/22</b>				
<b>Exit Package Cost Band</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages in each band £'000</b>
<b>£0 - £19,999</b>	<b>2</b>	<b>9</b>	<b>11</b>	<b>65</b>
<b>£20,000 - £39,999</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>£40,000 - £59,999</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>£60,000 - £79,999</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2</b>	<b>9</b>	<b>11</b>	<b>65</b>

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

## 14 External Audit Costs

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

External Audit Costs	2020/21 £'000	2021/22 £'000
Fees payable with regard to the annual audit fee	37	40
Fees payable for the certification of claims and returns	20	20
Additional Fee relating to previous year's audit	7	22
Additional Fee relating to current year's audit	21	30
PSAA Surplus Fund distribution	-	(7)
<b>Total</b>	<b>85</b>	<b>105</b>

The fees shown include estimates for additional fees relating to the current year 2021/22 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 included within the audit report provided by Grant Thornton. The audit fee for 2021/22 is £62,080.

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## 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 Elected Members to declare their interests in related parties in a register of interests, which is available for public inspection via our website. In addition, Elected Members 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 previous financial year. An independent Director replaced this Officer during a governance restructure. In addition, one Councillor of Mid Devon District Council is appointed as a Director of 3 Rivers Developments Ltd. In 2021/22 a net £3,373k (£1,102k 2020/21) was loaned to the Company and the total outstanding loan value at this date was £13,590k. These loans will be repaid on a commercial basis.

## 16 Members' Allowances and Expenses

This table shows the payments made to, and expenses claimed by, the Elected Members.

<b>Members Allowances and Expenses</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Allowances	306	321
Expenses	7	8
<b>Total</b>	<b>313</b>	<b>329</b>

## 17 Acquired and/or Discontinued Activities

The Council did not acquire any new activities or discontinue any existing ones during 2021/22.

## 18 Depreciation and Impairment of Non Current Assets

House values have increased during 2021/22. This has been reflected in the values applied to our council houses and this is the primary reason for a net reversal of prior year impairment of £2,101k. Council houses are valued at a vacant possession value and then have a discount factor applied to adjust the valuation to Existing Use Value - Social Housing (EUV-SH). The discount factor of 65% has been used in 2021/22. See Notes 27 and 58 for further details.

<b>Depreciation and Impairment of Non Current Assets</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation	4,455	4,588
Net reversal of impairment of non current assets	(3,812)	(2,101)
<b>Total</b>	<b>643</b>	<b>2,487</b>

## 19 Minimum Revenue Provision

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to make an annual charge to revenue to contribute towards the reduction in its overall borrowing requirement – known as a Minimum Revenue Provision (MRP). The Council has adopted the asset life method of calculating MRP where the charge is spread in equal annual instalments over the life of each asset that creates a borrowing requirement. MRP commences in the financial year following either the year in which the expenditure was incurred or the year when the asset becomes operational. Any interest costs charged to the Comprehensive Income and Expenditure Statement in relation to finance leases will also be mitigated by a corresponding MRP adjustment.

Minimum Revenue Provision	2020/21 £'000	2021/22 £'000
<b>Housing Revenue Account - Minimum Revenue Provision</b>		
HRA self-financing settlement	911	911
Housing developments after 1/4/13	43	43
Finance leases	4	8
	<b>958</b>	<b>962</b>
<b>General Fund - Minimum Revenue Provision</b>		
Assets acquired prior to 1/4/13	61	59
Assets acquired by PWLB loans after 1/4/13	155	141
Assets funded from internal borrowing	201	136
Finance leases	285	335
	<b>703</b>	<b>671</b>
<b>Total</b>	<b>1,661</b>	<b>1,633</b>

## 20 Insurance

All major risks have been identified and are insured with applicable excesses. There were no major claims outstanding as at 31 March 2022. A reserve of £86k is held in respect of our liability going back some years with Municipal Mutual Insurance Limited (MMI).

## 21 Pensions

All of the pension figures included in the 2021/22 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 Officers, 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. A defined benefit pension scheme is a fixed sum of money that is paid out from the employer's pension scheme when the employee retire. The scheme is fully funded, meaning that the Council and its Employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with the investment assets. Governance of the scheme is the responsibility of the Investments and Pension Fund Committee of Devon County Council and is assisted by the Pensions Board, also 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 Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. Although the Tribunal ruled against the Government and the Supreme Court denied their appeal, the outcome of these matters is still to be agreed so the exact impact they will have on LGPS benefits is unknown. Remedial regulations are expected in 2022 and the uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised. The McCloud remedy may impact the value of the liabilities in respect of accrued benefits and therefore an allowance may need to be included. The Council requested this adjustment in 2019/20, therefore no further adjustment has been made in this year.



### *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 the Actuary does 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 Employees 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 Note 5 – 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*

The standard approach is to use demographic assumptions in line with the latest actuarial valuation. For the assumptions as at 31 March 2022, the Continuous Mortality Investigation Bureau Model (CMI) is continued to be used as the update to CMI 2021 is not expected to have a significant impact on the value of the liabilities.

### *Impact of Covid-19*

The Covid-19 pandemic has led to a sharp increase in reported deaths in the general population. The Actuary expect that the pensioner mortality experience will continue to be heavier in the short as a result of the pandemic. In the medium term mortality rates could be expected to be higher possibly due to future waves of coronavirus, but more significantly the effects of economic contraction and the long-term health implications of lockdowns. In 2020, the CMI data introduced a 2020 weight parameter so that the exceptional mortality experienced due to the coronavirus pandemic could be incorporated without having a disproportionate impact on results. In 2021, the standard approach is to continue with a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. This means that mortality experience is estimated through the benefits paid out to members. The difference between this estimate and the employer's actual mortality experience will then be incorporated once the next actuarial valuation of the fund is complete.

## Pensions – Comprehensive Income and Expenditure Statement

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement - Cost of Services	Local Government Pension Scheme	
	2020/21	2021/22
	£'000	£'000
<b>Service cost comprising:</b>		
Current service cost	3,901	6,210
Past service costs	35	10
(Gain) / loss from settlements	-	(311)
<b>Financing and Investment Income and Expenditure</b>		
Net interest expense	1,300	1,483
Administrative expenses	47	47
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,283</b>	<b>7,439</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(14,556)	(4,456)
Actuarial gains and losses arising on changes in demographic assumptions	(1,328)	-
Actuarial gains and losses arising on changes in financial assumptions	31,772	(6,816)
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>15,888</b>	<b>(11,272)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	5,283	7,439
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employer's contributions payable to the scheme	2,787	2,887
Retirement benefits payable to pensioners	3,442	5,009

## Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

Pension Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme	
	2020/21	2021/22
	£'000	£'000
Present value of the defined benefit obligation	152,836	150,752
Fair value of plan assets	(78,412)	(82,078)
Present value of the unfunded obligation	977	898
<b>Net liability from defined benefit obligation</b>	<b>75,401</b>	<b>69,572</b>

## Reconciliation of the Movements in the Fair Value of Scheme Assets

The following impacted on the fair value of the scheme's assets during the year:

Reconciliation of the Movements in the Fair Value of Scheme Assets	Local Government Pension Scheme	
	2020/21	2021/22
	£'000	£'000
Opening fair value of scheme assets	60,635	78,412
Interest income	1,474	1,539
<b>Remeasurement gain / (loss):</b>		
The return on plan assets, excluding the amount included in the net interest expense	14,556	4,456
Administrative expense	(47)	(47)
Contributions from employer*	4,535	1,996
Contributions from employees into the scheme	701	731
Benefits paid	(3,442)	(5,009)
<b>Closing fair value of scheme assets</b>	<b>78,412</b>	<b>82,078</b>

\*Excludes £34k in contributions relating to the pay award made in March 2022 after payroll data was given to the actuary.

**Local Government Pension Scheme assets comprised:**

Local Government Pension Scheme assets comprised	Fair value of scheme assets			
	2020/21		2021/22	
	£'000	%	£'000	%
Cash and cash equivalents	809	1%	969	1%
<b>Equities:</b>				
UK	8,684	11%	7,316	9%
Overseas	40,494	52%	41,278	50%
<b>Sub-total equities</b>	<b>49,178</b>		<b>48,594</b>	
<b>Bonds:</b>				
Gilts	2,667	3%	10,917	13%
Other Bonds	3,516	4%	1,679	2%
<b>Sub-total bonds</b>	<b>6,183</b>		<b>12,596</b>	
<b>Other investments:</b>				
Infrastructure	3,177	4%	4,634	6%
Property	6,298	8%	7,733	9%
Target Return Portfolio	7,382	9%	7,587	9%
Alternative Assets	5,385	7%	(35)	0%
Private Equity	-	0%	-	0%
<b>Sub-total other investment funds</b>	<b>22,242</b>		<b>19,919</b>	
<b>Total assets</b>	<b>78,412</b>		<b>82,078</b>	

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

The following impacted on the present value of the scheme's liabilities during the year:

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	Funded Liabilities	
	2020/21 £'000	2021/22 £'000
<b>Opening balance at 1 April</b>	119,400	153,813
Current service cost	3,901	6,210
Interest cost	2,774	3,022
Contributions from scheme participants	701	731
<b>Remeasurement (gains) and losses:</b>		
Actuarial gains and losses arising on changes in demographic assumptions	(1,328)	-
Actuarial gains and losses arising on changes in financial assumptions	33,343	(7,187)
Experience loss/(gain) on defined benefit obligation	(1,571)	371
Liabilities assumed / (extinguished) on settlements	-	(953)
Past service cost	35	10
Benefits paid	(3,356)	(4,285)
Unfunded Pension Payments	(86)	(82)
<b>Closing balance at 31 March</b>	<b>153,813</b>	<b>151,650</b>

## Basis for Estimating Assets and Liabilities

As required under the IAS19 and FRS102 accounting standards, 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 the 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 2022.

The significant assumptions used by the Actuary have been:

Mortality assumptions	Local Government Pension Scheme	
	2020/21	2021/22
Longevity at 65 for current pensioners		
Men	22.6	22.7
Women	23.9	24.0
Longevity at 65 for future pensioners		
Men	24.0	24.0
Women	25.4	25.4
Rate of increase in salaries	2.9%	3.8%
Rate of increase in pensions (CPI)	1.9%	2.8%
Rate for discounting scheme liabilities	2.4%	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. 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
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	148,656	151,650	154,706
Projected service cost	5,843	6,053	6,271
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	151,945	151,650	151,357
Projected service cost	6,056	6,053	6,050
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	154,390	151,650	148,963
Projected service cost	6,269	6,053	5,844
<b>Adjustment to mortality age rating assumption</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	158,450	151,650	145,154
Projected service cost	6,310	6,053	5,806

## Impact on the Authority's Cash Flows

The objectives of the scheme are to keep Employer's Contributions at as constant a rate as possible. Funding levels are monitored on an annual basis and the next triennial valuation was completed on 31 March 2022, the results of which will form the basis of the contribution due in the financial years 2023/24 to 2025/26. 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)

### 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 - 2021/22	954	-	-	3,757	336	142	-	5,189
Valued at Fair Value - 2021/22		152,646	42,256	-	45	100	33	195,080
<b>Total Valuation - 2021/22</b>	<b>954</b>	<b>152,646</b>	<b>42,256</b>	<b>3,757</b>	<b>381</b>	<b>242</b>	<b>33</b>	<b>200,269</b>
<b>Previous Fair Valuations</b>								
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

At 31 March 2022 the Council held £954k of Assets Under Construction, £152,646k in respect of Council House Dwellings, £42,256k of other Council Land and Buildings, such as the main offices at Phoenix House and the depots at Old Road and Carlu Close. The Council's vehicle fleet is moving from being purchased outright to a leasing model as they need to be replaced – (See Note 57 for finance lease information). £381k of Community Assets, the Cridton Town Square and £242k infrastructure assets such as sewage treatment works, along with a £33k asset that the Council has identified as Non-Operational Land.



The following table shows the movement in the balances held by asset type:

2021/22	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
<b><u>Historic Cost or Fair Valuation</u></b>								
<b>At 1 April 2021</b>	<b>34</b>	<b>150,862</b>	<b>42,602</b>	<b>7,901</b>	<b>516</b>	<b>303</b>	<b>33</b>	<b>202,250</b>
Additions	835	3,558	(10)	204	-	-	-	4,586
Revaluation increases/(decreases) recognised in the Revaluation reserve	-	(2,406)	(90)	(306)	-	2	-	(2,800)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	2,171	(70)	-	-	-	-	2,101
Derecognition - Disposals	-	(1,539)	(87)	(4)	-	-	-	(1,630)
Reclassification	86	-	(88)	2	-	-	-	-
<b>At 31 March 2022</b>	<b>954</b>	<b>152,646</b>	<b>42,256</b>	<b>7,797</b>	<b>516</b>	<b>306</b>	<b>33</b>	<b>204,507</b>
<b><u>Accumulated Depreciation and Impairment</u></b>								
<b>At 1 April 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,469)</b>	<b>(125)</b>	<b>(55)</b>	<b>-</b>	<b>(3,649)</b>
Depreciation charge	-	(2,408)	(1,282)	(877)	(10)	(11)	-	(4,588)
Depreciation written out to the Revaluation Reserve	-	2,408	1,282	306	-	2	-	3,998
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,040)</b>	<b>(135)</b>	<b>(64)</b>	<b>-</b>	<b>(4,239)</b>
<b><u>Net Book Value</u></b>								
<b>At 31 March 2022</b>	<b>954</b>	<b>152,646</b>	<b>42,256</b>	<b>3,757</b>	<b>381</b>	<b>242</b>	<b>33</b>	<b>200,269</b>
<b>At 31 March 2021</b>	<b>34</b>	<b>150,862</b>	<b>42,602</b>	<b>4,432</b>	<b>391</b>	<b>248</b>	<b>33</b>	<b>198,601</b>
<b><u>Nature of asset holding</u></b>								
Owned	954	152,646	42,256	1,568	381	242	33	198,080
Subject to Finance Leases	-	-	-	2,189	-	-	-	2,189

2020/21	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
<b><u>Historic Cost or Fair Valuation</u></b>								
<b>At 1 April 2020</b>	<b>69</b>	<b>146,558</b>	<b>43,702</b>	<b>7,300</b>	<b>516</b>	<b>305</b>	<b>60</b>	<b>198,510</b>
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)
<b>At 31 March 2021</b>	<b>34</b>	<b>150,862</b>	<b>42,602</b>	<b>7,901</b>	<b>516</b>	<b>303</b>	<b>33</b>	<b>202,250</b>
<b><u>Accumulated Depreciation and Impairment</u></b>								
<b>At 1 April 2020</b>	-	-	-	(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
<b>At 31 March 2021</b>	-	-	-	(3,469)	(125)	(55)	-	(3,649)
<b><u>Net Book Value</u></b>								
<b>At 31 March 2021</b>	<b>34</b>	<b>150,862</b>	<b>42,602</b>	<b>4,432</b>	<b>391</b>	<b>248</b>	<b>33</b>	<b>198,601</b>
<b><u>Nature of asset holding</u></b>								
Owned	34	150,862	42,602	1,996	391	248	33	196,165
Subject to Finance Leases	-	-	-	2,436	-	-	-	2,436

## 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.

Description	Balance at 1 April 2020 £'000	Expenditure £'000	Transfer in Year £'000	Amount Financed or Written Off £'000	Balance at 31 March 2021 £'000	Expenditure £'000	Transfer in Year £'000	Amount Financed or Written Off £'000	Balance at 31 March 2022 £'000
Private Sector Housing Grants & DFG's	-	471	-	(471)	-	621	-	(621)	-
Cullompton Relief Road	-	325	-	(325)	-	371	-	(371)	-
Tiverton A361 Phase 2	-	121	-	(121)	-	375	-	(375)	-
<b>Total</b>	<b>-</b>	<b>916</b>	<b>-</b>	<b>(916)</b>	<b>-</b>	<b>1,367</b>	<b>-</b>	<b>(1,367)</b>	<b>-</b>

Capital Grants received in 2021/22 to finance these projects amounted to £1,283k (2020/21 £916k).

## 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	2020/21	2021/22
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>56,112</b>	<b>57,845</b>
<b>Capital investment</b>		
Property, Plant and Equipment	6,566	4,586
Other Capital Expenditure	-	-
Revenue Expenditure Funded from Capital under Statute	916	1,367
Loans to Third parties	678	4,703
<b>Sources of Finance</b>		
Capital receipts applied	(376)	(1,484)
Use of Major Repairs Allowance to finance HRA new capital expenditure	(1,938)	(2,411)
Government grants and contributions	(917)	(1,367)
Direct revenue contributions	(1,537)	(478)
Statutory provision for the financing of capital investment	(1,661)	(1,633)
<b>Closing Capital Financing Requirement</b>	<b>57,845</b>	<b>61,127</b>
<b>(Decrease)/Increase in Capital Financing Requirement</b>	<b>1,733</b>	<b>3,282</b>

## 25 Heritage Assets

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

	2020/21	2021/22
Heritage Assets Movements	£'000	£'000
<b>Cost or Valuation</b>		
<b>At 1 April 2020</b>	<b>330</b>	<b>330</b>
Additions	-	-
Donations	-	-
Disposals	-	-
Revaluation increases/(decreases)	-	-
<b>Total</b>	<b>330</b>	<b>330</b>

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 item identified within the collection is 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 with a valuation of £250k.

### 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 greater than £250k committed to at 31 March 2022.

Commitments under Capital Contracts	2020/21 £'000	2021/22 £'000
Various Major Repairs Allowance Works to Maintain Council Housing Stock	1,600	1,688
Queensway, Beech Road Development Project	-	473
St Andrews, Cullompton Modular Housing Development Project	-	532
<b>Total</b>	<b>1,600</b>	<b>2,693</b>

Contracts relating to Major Repairs Works to Council Housing stock include 2022/23 planned maintenance spend together with relevant slippage rolled forward from 2021/22: Roofing £728k, Window Replacement £560k and Modernisation of Kitchens and Bathrooms £400k.

## 27 Non-Current Asset Valuation

The Council instructed the District Valuer to complete a full property valuation exercise for a fifth of its freehold properties and a review of all other freehold properties. Where applicable property assets are therefore included in the accounts at their 31 March 2022 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.

Peter McGuigan, a Senior Surveyor, with the Valuation Office, and MRICS qualified, also undertook a valuation exercise to reassess the value of the housing stock as at 31 March 2022. These revised values have been incorporated into the Council's Balance Sheet. This valuation was undertaken based on a Beacon Basis (with a fifth of these having had a full valuation and a review of all other Beacons); where a standard valuation has been applied across the Council's housing stock against similar groups of property. The adjustment factor of 65% to adjust the value of Council House values to EUV-SH has been used as the discount factor for the year.

Properties regarded by the Council as operational were valued based on Current Value in existing use (Current Value has regard to the service potential that an asset provides in support of the entity's service delivery); where this could not be assessed because there was no market for the asset; the Depreciated Replacement Cost method 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 also undertaken a comprehensive impairment review of the Council's assets as at the 31 March 2022.

## 28 Short-Term and Long-Term Borrowing

As at the 31 March 2022 the Council had four long-term loans outstanding from the Public Works Loan Board (PWLb) with an outstanding balance of £35,234k.

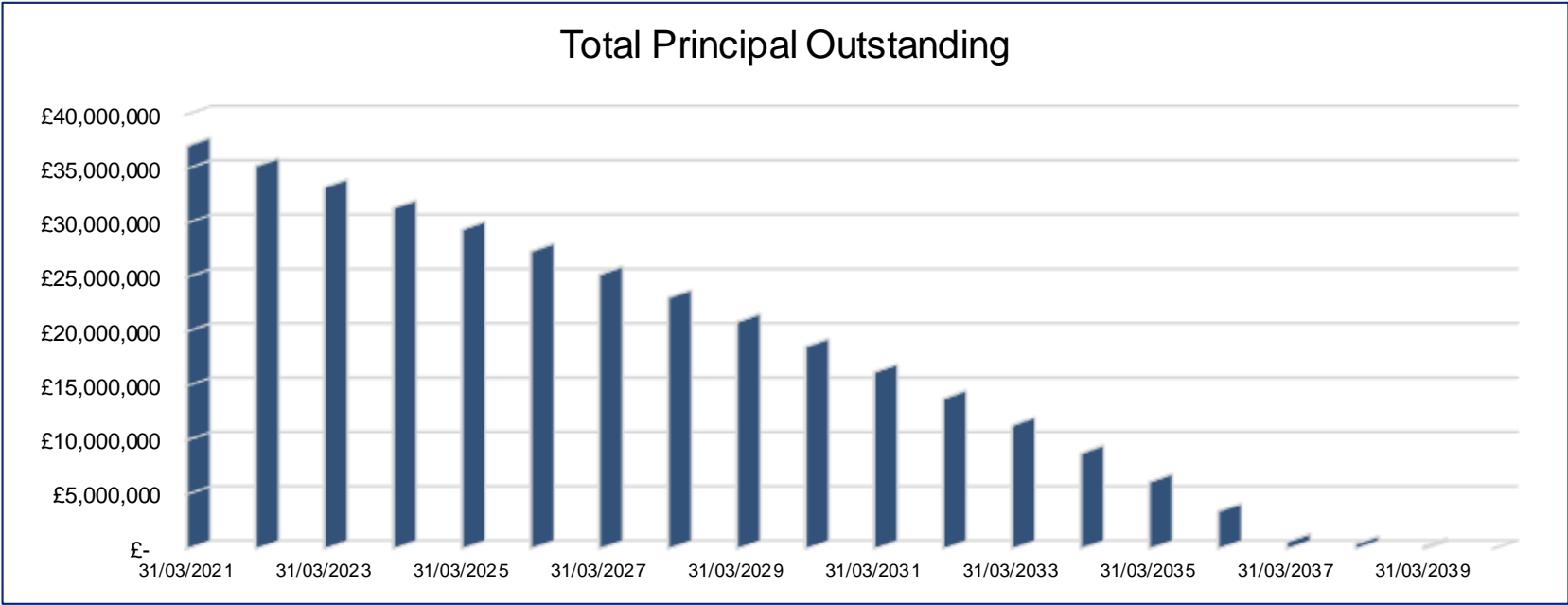
- 1 - £31.893m to fund the Housing Revenue Account stock purchase - 25 year loan @ 2.94% maturing 28 March 2037;
- 2 - £36k to fund a recycling baler - 10 year loan @ 2.68% maturing 25 March 2024;

- 3 - £3.263m 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 - £43k 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	Balance at
		31/03/2021	31/03/2022
		£'000	£'000
Public Works Loan Board	< 1 year	1,870	1,924
	2 - 5 years	7,868	8,036
	Over 5 years	27,366	25,273
Total loan value outstanding		37,104	35,234

The following chart shows the outstanding loan balances over the loan term:



## 29 Trusts for which the Council is the Sole Trustee

The 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 as at 31 March 2022 and comprised of land and buildings.

Peoples Park Land & Buildings	2020/21	2021/22
	£'000	£'000
Park Lodge - Land	95	95
Park Lodge - Building	175	175
<b>Total</b>	<b>270</b>	<b>270</b>



### 30 Financial Instruments

#### 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 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 Authority only deals in these kinds of instruments.

The fair values calculated are as follows:

Financial Assets	2020/21		2021/22	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
Long term investment	4,725	4,725	5,554	5,554
Short term investment	17,500	17,500	27,000	27,000
Cash and cash equivalents	10,860	10,860	9,831	9,831
Loans and trade receivables	11,900	11,900	16,863	16,863
<b>Total</b>	<b>44,985</b>	<b>44,985</b>	<b>59,248</b>	<b>59,248</b>
<b>Financial Liabilities</b>				
Long term borrowing	(37,104)	(44,437)	(35,234)	(39,327)
Finance leases	(2,436)	(2,436)	(2,189)	(2,189)
Trade payables	(1,061)	(1,061)	(993)	(993)
<b>Total</b>	<b>(40,601)</b>	<b>(47,934)</b>	<b>(38,416)</b>	<b>(42,509)</b>

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

2021/22	Liabilities measured at amortised cost £'000	Finance lease assets £'000	Loans and receivables £'000	Financial assets measured at fair value through Profit or Loss £'000	Total £'000
Interest payable	1,065	-	-	-	1,065
Interest payable on finance leases	-	155	-	-	155
<b>Interest payable and similar charges</b>	<b>1,065</b>	<b>155</b>	<b>-</b>	<b>-</b>	<b>1,220</b>
Interest income	-	-	(659)	-	(659)
<b>Interest and investment income</b>	<b>-</b>	<b>-</b>	<b>(659)</b>	<b>-</b>	<b>(659)</b>
Fair Value adjustment	-	-	-	(829)	(829)
<b>Net (gain)/loss for the year</b>	<b>1,065</b>	<b>155</b>	<b>(659)</b>	<b>(829)</b>	<b>(268)</b>

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

## **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 by Full Council of Treasury and Investment Strategy reports that include Prudential Indicators), 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 for the year allowed the Council to invest with the main UK Banks and Building Societies, with a FITCH credit rating of F1 or higher, up to a maximum value of £5,000k 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 £5,000k plus the balance of any emergency grant funds being administered. At 31 March 2022, the total balance being held for the administration of Covid-19 grants to businesses and the council tax energy scheme rebates amounted to £4,694k.

### **Fair Value Disclosure of PWLB Loans**

The Fair Value of Public Works Loan Board (PWLB) loans of £39,327k 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 (£4,093k) 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 2022 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	2020/21 £'000	2021/22 £'000
CCLA Property Fund	4,725	5,554
<b>Total</b>	<b>4,725</b>	<b>5,554</b>

At the 31 March 2022, the Council held 1,634,480 units in the CCLA Local Authorities' Mutual Investment Trust Commercial Property Fund. During 2021/22, the income received amounted to £183k, a 3.67% return for the year. The carrying value of the investment in the Balance Sheet at 31 March 2022 based upon the Fair Value amounted to £5,554k.

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

Income is recognised in the accounts when it becomes due. Income that is due but has not been received at the end of the financial year is carried under the debtors heading in the Balance Sheet.

This debtor balance is reviewed at each year end to assess the recoverability of the sums due and where it is doubtful that debts will be settled the balance of debtors is written down and an impairment charge made to the relevant account for the income that might not be collected. This assessment is carried out using the Council's experience and current knowledge of collection rates for different groups of debtors.

Long Term Debtors (amounts due in more than 12 months)	2020/21 £'000	2021/22 £'000
Other entities and individuals	9,220	7,422
<b>Total</b>	<b>9,220</b>	<b>7,422</b>

Within the Long Term Debtors figure is £4,362k the Council has lent on a long-term basis (more than 1 year) to 3 Rivers Developments Ltd, being total loans of £13,536k less the short term debtor of £8,383k and impairments of £790k.

### 33 Short Term Investments

Below are the temporary investments that the Council held at the end of the financial year:

Bank/Building Society/Local Authority/PCC	Term		Fixed Interest Rate %	2020/21	2021/22
	From	To		Principal £'000	Principal £'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	
Surrey Heath Borough Council	10/12/2021	10/06/2022	0.10%		2,000
Thurrock Council	26/04/2021	25/04/2022	0.40%		2,000
NBK International PLC	27/07/2021	27/07/2022	0.23%		1,500
NBK International PLC	22/10/2021	21/10/2022	0.56%		1,500
Lancashire County Council	25/10/2021	24/10/2022	0.15%		3,000
Coventry BS	24/11/2021	24/05/2022	0.17%		4,000
Surrey Heath Borough Council	16/12/2021	16/06/2022	0.10%		2,000
Thurrock Council	16/12/2021	16/09/2022	0.18%		2,000
Thurrock Council	14/01/2022	14/07/2022	0.20%		2,000
Goldman Sachs International Bank	01/02/2022	01/08/2022	0.82%		3,000
NBK International PLC	04/02/2022	03/02/2023	1.30%		2,000
Slough Borough Council	15/02/2022	14/02/2023	1.10%		2,000
<b>Total</b>				<b>17,500</b>	<b>27,000</b>

### 34 Assets Held for Sale

Assets classified as held for sale:

<b>Assets Held for Sale</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Opening Balance</b>	<b>-</b>	<b>525</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(616)	(55)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(508)	-
Reclassification	1,650	-
<b>Net Book Value</b>	<b>525</b>	<b>470</b>

The following assets were held under the classification "Assets Held for Sale" during 2021/2022:

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

Moorhayes Community Centre was subsequently transferred to the Moorhayes Community Association on 5 April 2022 for nil value. The other two sales are anticipated to complete later in 2022/23.

### 35 Inventories

The Council holds stock of fuel for its fleet vehicles and material (such as recycling boxes and maintenance supplies) for its services. At the end of the year, that stock was valued at £322k:

<b>Inventories</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Raw materials	315	322
<b>Total</b>	<b>315</b>	<b>322</b>

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

Debtors are amounts owed to the Council as at 31 March 2022.

Short Term Debtors (amounts due in less than 12 months)	2020/21 £'000	2021/22 £'000
Trade Receivables	1,987	1,147
Central Government Bodies	1,338	562
Other Local Authorities	941	871
Non Domestic Rates Preceptors	4,398	1,054
Council Tax Preceptors	1,873	860
Housing Benefits	446	475
Other Receivable Amounts	1,737	9,335
Prepayments	256	274
Less Impairment Allowances	(1,567)	(1,739)
<b>Total</b>	<b>11,409</b>	<b>12,840</b>

The main movements between the 2021/22 debtors and those of 2020/21 are:

- Other Receivable Amounts – this is largely loan repayments due from 3 Rivers Developments Ltd within 12 months of the balance sheet date. The amount attributable to 3 Rivers Developments Ltd has increased from £1,142k in 2020/21 to £8,383k in 2021/22, an increase of £7,242k. This is due to a large project completing in 2022/23.
- Non Domestic Rates Preceptors – the movement mainly relates to a reduction in the overall deficit on the Collection Fund in 2021/22 to £4,347k (from £8,925k in 2020/21) and represents the movement in amounts due to Central Government, Devon County Council and Devon & Somerset Fire authorities.
- Council Tax Preceptors – £860k is the MDDC share of the resident's arrears. Other Precepting Authorities are in an overall creditor position in 2021/22.
- Central Government Bodies – the 2020/21 figures included a claim for £764k on the Government's Income Compensation Scheme, this scheme ceased as of the first quarter of 2021/22 and has been settled during the year.
- Trade Receivables - these amounts vary due to timing differences in when invoices are raised.

### 37 Debtors for Local Taxation

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

Debtors for Local Taxation	Non-Domestic Rates		Council Tax Precepts	
	2020/21	2021/22	2020/21	2021/22
	£'000	£'000	£'000	£'000
<b>Up to one year</b>	<b>150</b>	<b>106</b>	<b>384</b>	<b>463</b>
Less impairment allowance	(66)	(46)	(95)	(114)
Up to one year	84	60	289	349
<b>One to three years</b>	<b>169</b>	<b>209</b>	<b>227</b>	<b>305</b>
Less impairment allowance	(138)	(177)	(130)	(176)
One to three years	31	32	97	129
<b>Over 3 years</b>	<b>25</b>	<b>53</b>	<b>67</b>	<b>92</b>
Less impairment allowance	(24)	(52)	(66)	(91)
Over 3 years	1	1	1	1
<b>Total Debtors for Local Taxation</b>	<b>344</b>	<b>368</b>	<b>678</b>	<b>860</b>
Total Debtors for Local Taxation less impairment allowance	116	93	387	479



### 38 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.

The council holds large amounts of cash and cash equivalents due to the very low interest rates where Bank of England Base Rate was 0.1% for much of the year. The advice given by our treasury advisors is to keep liquidity short and not invest for more than 1 year.

<b>Cash and Cash Equivalents</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Cash held by the Authority	3	3
Bank current accounts	10,857	9,828
Short-term deposits with financial institutions	-	-
<b>Total</b>	<b>10,860</b>	<b>9,831</b>

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

Creditors are amounts owed by the Council as at 31 March 2022.

<b>Short Term Creditors (amounts due in less than 12 months)</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Central Government Bodies	(10,491)	(11,628)
Non Domestic Rates Preceptors	(683)	(1,298)
Council Tax Preceptors	(162)	(1,074)
Other Local Authorities	(232)	(565)
Trade Payables	(1,863)	(2,242)
Other Payables	(1,511)	(1,038)
<b>Total</b>	<b>(14,942)</b>	<b>(17,846)</b>

The main movements between the 2021/22 creditors and those of 2020/21 are:

- Central Government Bodies – These figures are mainly made up of Covid-19 grants attributable to local businesses. The balance includes £4,229k received 30 March 2022 in respect of the Council Tax Energy Rebate Scheme that will be administrated during 2022/23. Many of these grants are subject to a reconciliaton process with Central Government that will be completed during 2022/23.
- Council Tax Preceptors – The movement relates to the Precepting Authorities (Devon County Council, Devon & Cornwall Police & Crime Commissioner and Devon & Somerset Fire and Rescue) share of the Collection Fund surplus.
- Non Domestic Rates Preceptors – The movement between 2021/22 and 2020/21 mainly relates to additional Government support (CARF – Covid-19 Additional Relief Fund) awarded during quarter 4 2021/22. This has created additional credit balances that will be carried forward into 2022/23. This amount represents the Council's 40% share.

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

Long Term Creditors (amounts due in more than 12 months)	2020/21 £'000	2021/22 £'000
Finance Lease Liability	(2,088)	(1,839)
S106 Contributions	(750)	(143)
Central Government Bodies	(118)	(118)
Other Payables	(38)	(38)
<b>Total</b>	<b>(2,994)</b>	<b>(2,138)</b>

The S106 contributions held as creditors have decreased by £607k during 2021/22 and the finance lease liability has decreased by £250k in 2021/22. Note 57 gives more details on the finance lease liability.

Monies advanced as contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the contribution is credited to the relevant service line (attributable revenue grants and contributions) in the Comprehensive Income and Expenditure Statement.

#### 41 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the Provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a Provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

<b>Provisions</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Various General Fund	(85)	(200)
Non Domestic Rates (NDR) Appeals	(784)	(656)
<b>Total</b>	<b>(869)</b>	<b>(856)</b>

#### **Various General Fund**

The Provision in 2020/21 largely related to a Covid related Income Compensation Scheme payment that was received during the year. In terms of 2021/22 there has been an adjustment to an ongoing appeal provision.

#### **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 make a Provision for Appeals for refunding ratepayers who have appealed against the rateable value of their properties on the rating list. The Council has used its best estimate of the expenditure required to settle the present obligation which totals £1,639k in respect of the Non Domestic Rates Collection Fund. The Council's 40% share of this being £656k. The Council continues to take a prudent approach to evaluating the risk.

## Reserves

Reserves are reported in two categories:

1. Usable Reserves – those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
2. Unusable Reserves – those that the Council is not able to use to provide services. This includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### 42 Usable Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The categories of reserves are:

- General Fund – the primary fund of the Council. It records all assets and liabilities of the council that are not assigned to a special purpose fund. It provides the resources necessary to sustain the day-to-day activities and thus pays for all administrative and operating expenses;
- Earmarked Reserves – the Council has a number of earmarked reserves, split for use between the General Fund and the HRA, the overall balances are shown below with more detail shown in Note 6;
- Capital Receipts Reserve – represents the capital receipts available to finance capital expenditure in future years, after setting aside any statutory amounts for the repayment of loans. The receipt arising from the disposal of an asset will be classed as a capital receipt, to be used to finance capital expenditure, if it is greater than £20k. If the receipt falls below this threshold it will fall to the Comprehensive Income and Expenditure Statement, in accordance with the Local Government Act 2003;
- Capital Grants Unapplied Reserve – where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution shall be transferred to the Capital Grants Unapplied Reserve. These balances are a capital resource available to finance expenditure.

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

Usable Reserves	Balance at 1/4/2020 £'000	Movement £'000	Balance at 31/3/2021 £'000	Movement £'000	Balance at 31/3/2022 £'000
General Fund Balance	(2,251)	65	(2,186)	(29)	(2,215)
Earmarked General Fund Reserves	(13,688)	(6,559)	(20,247)	(408)	(20,655)
<b>General Fund Total</b>	<b>(15,939)</b>	<b>(6,494)</b>	<b>(22,433)</b>	<b>(437)</b>	<b>(22,870)</b>
Housing Revenue Account	(2,000)	-	(2,000)	-	(2,000)
Earmarked HRA Reserves	(17,762)	(1,805)	(19,567)	(1,666)	(21,233)
Capital HRA Reserves	(548)	(659)	(1,207)	(210)	(1,417)
<b>HRA Total</b>	<b>(20,310)</b>	<b>(2,464)</b>	<b>(22,774)</b>	<b>(1,876)</b>	<b>(24,650)</b>
Capital Receipts Reserve	(5,157)	(340)	(5,498)	(1,031)	(6,529)
Capital Grants Unapplied	(1,646)	(978)	(2,625)	(72)	(2,697)
<b>Capital Total</b>	<b>(6,804)</b>	<b>(1,319)</b>	<b>(8,123)</b>	<b>(1,103)</b>	<b>(9,226)</b>
<b>Total Usable Reserves</b>	<b>(43,053)</b>	<b>(10,277)</b>	<b>(53,329)</b>	<b>(3,416)</b>	<b>(56,745)</b>

#### 43 Unusable Reserves

Unusable Reserves	Note	2020/21 £'000	2021/22 £'000
Revaluation reserve	44	(15,383)	(15,985)
Capital Adjustment Account	45	(134,771)	(137,202)
Deferred Capital Receipts Reserve	46	(39)	(39)
Pensions Reserve	47	77,149	70,429
Collection Fund Adjustment Account	48	3,551	1,412
Accumulating Compensated Absences Adjustment Account	49	371	258
Financial Instruments Adjustment Account	9	275	(554)
<b>Total</b>		<b>(68,846)</b>	<b>(81,681)</b>

#### 44 Revaluation Reserve

The revaluation reserve contains the net 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.

<b>Revaluation Reserve</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>At 1 April</b>	<b>(16,359)</b>	<b>(15,383)</b>
Upward revaluation of assets	(960)	(2,192)
Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	1,515	1,049
<b>Total of revaluations (surplus)/deficit</b>	<b>556</b>	<b>(1,143)</b>
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services</b>	<b>(15,803)</b>	<b>(16,526)</b>
Accumulated gains on assets sold	18	73
Difference between fair value depreciation and historical cost depreciation	402	468
<b>Amount written off to Capital Adjustment Account</b>	<b>420</b>	<b>541</b>
<b>At 31 March</b>	<b>(15,383)</b>	<b>(15,985)</b>

#### 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.

<b>Capital Adjustment Account</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>At 1 April</b>	<b>(130,151)</b>	<b>(134,771)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Charges for Depreciation and Impairment of Non Current Assets	4,455	4,588
Revaluation gains on Property, Plant and Equipment	(3,812)	(2,102)
Revenue Expenditure Funded from Capital Under Statute	916	1,367
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	651	1,557
Adjusting amounts written out of the Revaluation Reserve	(402)	(468)
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(128,343)</b>	<b>(129,830)</b>
<b>Capital financing applied in the year</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(376)	(1,484)
Use of the Major Repairs Reserve to finance new capital expenditure	(1,938)	(2,411)
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	(446)	(746)
Application of grants to capital financing from the Capital Grants Unapplied Account	(471)	(621)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,661)	(1,633)
Capital expenditure charged against the General Fund and HRA balances	(1,537)	(478)
<b>At 31 March</b>	<b>(134,771)</b>	<b>(137,202)</b>

## 46 Deferred Capital Receipts Reserve

	2020/21	2021/22
Deferred Capital Receipts Reserve	£'000	£'000
<b>At 1 April</b>	(39)	(39)
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
<b>At 31 March</b>	<b>(39)</b>	<b>(39)</b>

This Deferred Capital Receipts Reserve relates to the rent to mortgage scheme that operated some time ago. Under the scheme, homeowners 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 will receive the balance outstanding, although part of the proceeds will be payable to the Department for Levelling Up, Housing and Communities 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.

	2020/21	2021/22
Pensions Reserve	£'000	£'000
<b>At 1 April</b>	58,765	77,149
Remeasurement of net defined liability	15,888	(11,272)
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	5,283	7,439
Employer's pension contributions and direct payments to pensioners payable in the year	(2,787)	(2,887)
<b>At 31 March</b>	<b>77,149</b>	<b>70,429</b>

\*Pension reserve balance includes £890k relating to the secondary rate contribution for 2022/23 paid in advance during 2020/21. This will be released during 2022/23.



## 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.

<b>Collection Fund Adjustment Account - Council Tax</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>At 1 April</b>	(60)	92
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	151	(395)
<b>At 31 March</b>	<b>92</b>	<b>(303)</b>

The balance of £303k represents MDDC's share (13.31%) of the overall Council Tax Collection Fund surplus of £2,274k at 31 March 2022 (£673k at 31 March 2021) (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.

<b>Collection Fund Adjustment Account - Non Domestic Rates</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>At 1 April</b>	6	3,460
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	3,454	(1,744)
<b>At 31 March</b>	<b>3,460</b>	<b>1,715</b>

The balance of £1,715k represents MDDC's share (40%) of the overall NDR Collection Fund deficit of £4,348k at 31 March 2022 (£8,925k deficit at 31 March 2021), which is £1,739k; reduced by the element retained from Renewable Energy Schemes of £24k.

#### 49 Accumulated Compensating Absences Adjustment Account

Accumulating Compensating Absences Adjustment Account		2020/21	2021/22
		£'000	£'000
<b>At 1 April</b>		<b>189</b>	<b>371</b>
Settlement or cancellation of accrual made at the end of the preceding year		(189)	(371)
Amounts accrued at the end of the current year		371	258
<b>At 31 March</b>		<b>371</b>	<b>258</b>

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 Accumulated Absences Account.

The year-on-year reduction in this year's accrual is due to Annual Leave balances across the Council reducing to more normal levels. In 2020/21, these balances increased reflecting the additional demands placed on the Council as a result of Covid-19. Management decided that up to 10 days Annual Leave could be carried forward, instead of the normal 3 working days to reflect this.

## Notes to Support the Cash flow Statement

### 50 Cash Flow – Non-Cash Items

The Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement has been adjusted for the following non-cash movements:

Cash Flow	2020/21	2021/22
	£'000	£'000
Depreciation	4,455	4,588
Amortisation	-	-
Impairment	(3,812)	(2,101)
Increase/(Decrease) in Impairment for Bad Debt	329	172
Increase/(Decrease) in Creditors	2,012	1,635
Increase/(Decrease) in Provisions	304	(13)
(Increase)/Decrease in Debtors	(7,288)	195
(Increase)/Decrease in Inventories	(39)	(7)
Carrying Amount of Non-Current Assets Sold	670	1,630
Pension Liability Reversal	2,495	4,552
Fair Value Equity Instrument Revaluation	34	(829)
Other Adjustments*	(1)	1
<b>Total</b>	<b>(841)</b>	<b>9,823</b>

## 51 Cash Flow – Adjustment for Items in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities

The Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement has been adjusted to remove the following investing and financing activities, leaving just cash flows from operating activities:

<b>Cash Flow - Adjustment</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Other receipts from financing activities	(978)	(156)
REFCUS adjustment	916	1,367
Proceeds from the sale of property, plant and equipment & investment property	(957)	(2,788)
Interest Paid	1,229	1,220
Interest received	(826)	(843)
Difference between preceptors share and amount of NDR paid to them	-	-
<b>Total</b>	<b>(616)</b>	<b>(1,199)</b>

## 52 Cash Flow – Operating Activities on the Balance Sheet

The cash flows from operating activities include the following items through the Balance Sheet:

Cash Flow Statement - Operating activities on the Balance Sheet			2020/21 £'000	2021/22 £'000
<b>Covid Business Grant Funds Received</b>				
NDR Business Support Grant			22,580	-
National Scheme (LRSG)			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	247
Restart Grants			-	6,186
Omicron Grants			-	1,608
Council Tax Energy Rebate			-	4,229
<b>Covid Business Grant Funds Paid to Businesses/Beneficiaries</b>				
NDR Business Support Grant			(19,890)	(2,602)
National Scheme (LRSG)			(1,006)	(178)
Tier 2 Open			(612)	2
Tier 2 Closed			(124)	(17)
Tier2/3 Pub			(53)	(11)
Lockdown 3 Closed			(3,081)	(574)
Lockdown 3 Addendum			(3,163)	(655)
Self Isolation Payments			(57)	(314)
Restart Grants			-	(6,247)
Omicron Grants			-	(1,015)
Council Tax Energy Rebate			-	-
Forward Funding of Pension Fund Deficit Contribution			(1,748)	859
<b>Balance of Grant Funds held on the Balance Sheet</b>			<b>4,141</b>	<b>1,518</b>

### 53 Cash Flow – Investing Activities

Investing activities included within the Cash Flow Statement are as follows:

<b>Cash Flow Statement - Investing Activities</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of property, plant and equipment & investment property	(4,820)	(4,490)
Other cash payments (REFCUS)	(916)	(1,367)
Proceeds from the sale of property, plant and equipment & investment property	957	2,788
Capital grants received	978	156
Sale of long-term investments	-	-
Purchase of temporary investments	2,500	(9,500)
Other investing activities	-	-
Interest received	826	843
Interest paid	(1,229)	(1,220)
<b>Net cash flows from investing activities</b>	<b>(1,704)</b>	<b>(12,791)</b>

### 54 Cash Flow – Financing Activities

Financing activities included within the Cash Flow Statement are as follows:

<b>Cash Flow Statement - Financing Activities</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(290)	(343)
PWLB debt repayment	(1,833)	(1,870)
<b>Net cash flows from financing activities</b>	<b>(2,123)</b>	<b>(2,213)</b>

## 55 Grant Income

The Authority credited the following Grants, Contributions, Donations and Other Taxation Income to the Comprehensive Income and Expenditure Statement during the year.

### Within Taxation and Non-Specific Grants (see Note 10)

Credited to Taxation and Non Specific Grant Income	2020/21 £'000	2021/22 £'000
New Homes Bonus	(1,418)	(959)
Rural Services Delivery Grant	(467)	(490)
Lower Tier Service Grant	-	(179)
Covid-19 Non-Ring Fenced Government Grants	(1,158)	(408)
Covid Income Compensation Scheme	(2,019)	(414)
Covid Additional Scheme (ARG)	(2,378)	(949)
Covid Additional Scheme (ARG) spent in year	2,361	860
Covid Additional Scheme (ARG) - Government Department Creditor as scheme subject to reconciliation in 22/23	-	104
Business Support Grant	(1,129)	-
Business Support Grant spent during 2020/21	1,129	-
Economic Vulnerability & Financial Hardship	(107)	(184)
Economic Vulnerability & Financial Hardship spent in year	98	185
Other Non-Ring Fenced Government Grants	(8)	(20)
<b>Total</b>	<b>(5,096)</b>	<b>(2,454)</b>

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 transactions 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.

The Covid-19 Additional Restrictions Grant (ARG) scheme is subject to a reconciliation process in 2022/23 and is therefore shown as a Creditor to Central Government on the Council's Balance Sheet. The information in respect of the comparative year (2020/21) has been improved to show the comparative £1,158k in relation to Covid-19 Non-Ring Fenced Government Grants received in 2020/21. This figure has been moved from 'Other Non-Ring Fenced Government Grants'.

## Credited to Services

Credited to Services	2020/21 £'000	2021/22 £'000
Business Rates - Cost of Collection Grant	(111)	(115)
Climate Change	(337)	-
Contain Outbreak Management Fund	(37)	(105)
Council Tax Hardship Fund	(475)	-
Covid Job Retention Scheme	(594)	-
Flexible Housing & Homelessness Grant	(155)	(197)
Garden Village Grant - Capacity Funding	(130)	(123)
Strategic Business Case Work Cullompton (J28 & Railway Station)	(221)	-
Historic England	(98)	(113)
Housing Benefit & CTB Admin Grant	(238)	(238)
Housing Benefit Subsidy	(12,351)	(11,167)
Local Authority Discretionary Fund	(170)	-
Local Council Tax Support Administration Subsidy Grant (LCTSS top-up )	-	(107)
NNDR New Burdens for Grants scheme delivery	(167)	(158)
Rough Sleeping Initiative	(120)	(146)
Section 106s	(194)	(1,344)
Other Grants & Contributions	(404)	(922)
<b>Total</b>	<b>(15,802)</b>	<b>(14,735)</b>

Grants credited to services in 2021/22 are shown individually in the above table where they are in excess of £100k. The information in respect of the comparative year (2020/21) has been improved to show the comparative grant for: Contain Outbreak Management Fund (COMF) £37k, Historic England £98k, Rough Sleeping Initiative £120k. Also to enhance the information for 2020/21, the Strategic Business Case Work in Cullompton £221k has been shown separately. We have also included 'Contributions' amounting to £169k relating to 2020/21 in 'Other Grants & Contributions' of £922k detailed for 2021/22.



## 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)	2020/21 £'000	2021/22 £'000
Affordable Housing	(407)	(156)
Disabled Facilities Grants (DFG)	(487)	-
Repaid Private Sector Housing Grants	(84)	-
<b>Total</b>	<b>(978)</b>	<b>(156)</b>

The information in respect of the comparative year (2020/21) has been improved to show repaid Private Sector Housing Grants separately (previously included within DFG) The Disabled Facilities Grant detailed in 2020/21 is the amount received in excess of the amount spent delivering DFG's in that year. Please refer to note 7 (Capital Grants Unapplied). In 2021/22 the amount spent on delivering DFG's exceeded the funding received.

## 56 Contingent Liabilities

The Authority has no Contingent Assets or Contingent Liabilities at the 31 March 2022.

## 57 Leases

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

### Authority as Lessee

#### Finance Leases

Vehicles, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Lease payments are apportioned between:

- A charge for the acquisition of the interest in the vehicle, plant or equipment – applied to write down the lease liability; and
- A finance charge debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

During 2019/20 the Council entered into a fleet contract, meaning any new vehicle will now be supplied under a Finance Lease agreement. The assets acquired under these leases are carried as Vehicles, Plant and Equipment in the Balance Sheet at the net amounts below.

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:

The minimum lease payments will be payable over the following periods:

#### Future Minimum Lease Payments

<b>Finance Leases - Future Minimum Lease Payments</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Not later than one year - Vehicles	299	301
Not later than one year - Equipment	49	49
	<b>348</b>	<b>350</b>
Later than one year and not later than five years - Vehicles	1,137	1,137
Later than one year and not later than five years - Equipment	148	99
	<b>1,285</b>	<b>1,236</b>
Later than five years - Vehicles	803	603
Later than five years - Equipment	-	-
	<b>803</b>	<b>603</b>
<b>Total</b>	<b>2,436</b>	<b>2,189</b>

## Operating Leases

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

The future minimum lease payments due in future years are:

<b>Operating Leases - Future Minimum Lease Payments</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Not later than one year - Land & Buildings	140	180
	<b>140</b>	<b>180</b>
Later than one year and not later than five years - Land & Buildings	558	540
	<b>558</b>	<b>540</b>
Later than five years - Land & Buildings	-	-
	-	-
<b>Total</b>	<b>698</b>	<b>720</b>

## Lease Payments incurred during the year

<b>Lease Payments incurred during the year</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Operating Leases for Land and Buildings	140	178
Hire payments for vehicles, plant and equipment	52	68
<b>Total</b>	<b>192</b>	<b>246</b>

## 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:

- the provision of community services, such as sports facilities, tourism services and community centres;
- economic development purposes to provide suitable affordable accommodation for local businesses.

## Future Minimum Lease Payments Receivable

Future Operating Leases	2020/21 £'000	2021/22 £'000
Not later than one year - GF Land & Buildings	287	373
Not later than one year - Industrial Units	12	10
Not later than one year - HRA Commercial Units	72	66
	<b>371</b>	<b>449</b>
Later than one year and not later than five years - GF Land & Buildings	772	782
Later than one year and not later than five years - Industrial Units	-	27
Later than one year and not later than five years - HRA Commercial Units	117	65
	<b>889</b>	<b>874</b>
Later than five years - GF Land & Buildings	513	572
Later than five years - Industrial Units	-	-
Later than five years - HRA Commercial Units	-	-
	<b>513</b>	<b>572</b>
<b>Total</b>	<b>1,773</b>	<b>1,895</b>

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 increase in rental income is due to a review of some lease agreements during 2021/22.

## 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	2020/21	2021/22
	£'000	£'000
Council Dwellings	4,567	2,171
Other Land & Buildings	(245)	(70)
Surplus Assets	(1)	-
Assets Held For Sale	(508)	-
<b>Total</b>	<b>3,812</b>	<b>2,101</b>

The net revaluation increase of £2,100k is primarily attributable to an increase in house prices during 2021/22; which has resulted in an increased value of Council Dwellings.

## 59 Non-Adjusting Post Balance Sheet Events

The outbreak of Covid-19, declared by the World Health Organisation as a “Global Pandemic” on the 11 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 and the payments of the variance government grant schemes to local businesses and residents. There has been less support from government during 2021/22 to mitigate these additional costs. £408k has been received in general unring-fenced grant (£1,184k in 2020/21). Similarly, less support has been received through payments under the Furlough Scheme (£25k compared to £514k in 2020/21) and the Income Compensation Scheme (£363k compared to £2,069k in 2020/21) that partially subsidised lost fee income from leisure centres and car parks.

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 £2,787k.

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. The Council is now focused on 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, it remains difficult to forecast how long the economic recovery will take now the immediate health concerns have passed. People have developed new ways of working and internet shopping has increased 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 and town centre shops. Currently there remains considerable uncertainty how the long term funding streams of the Council will be affected in the future as the Government repay the substantial debt required to support the country through the pandemic. The sector’s funding mechanism was due to be revised in 2017/18 but there remains no clarity of what and when any changes may be implemented.

## 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.

HRA Income and Expenditure Account		2020/21	2021/22
	Note	£'000	£'000
<b>Expenditure</b>			
Repairs and Maintenance		2,772	3,252
Supervision and Management		3,624	3,477
Depreciation and impairment/(revaluation) of non-current assets	73	(1,968)	457
Rents, Rates, Taxes and Other Charges		8	72
Increase/(Decrease) in bad debt provision		53	99
<b>Total Expenditure</b>		<b>4,489</b>	<b>7,357</b>
<b>Income</b>			
Dwelling Rents	72	(12,325)	(12,291)
Non-dwelling Rents		(559)	(515)
Other Chargeable Services and Facilities		(390)	(332)
<b>Total Income</b>		<b>(13,274)</b>	<b>(13,138)</b>
<b>Net Expenditure or Income of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>		<b>(8,785)</b>	<b>(5,781)</b>
HRA services share of Corporate and Democratic Core		126	139
HRA share of other amounts included in the whole Authority Net expenditure of continuing operations but not allocated to specific services		233	171
<b>Net Income of HRA Services (NB: Expenditure if positive)</b>		<b>(8,426)</b>	<b>(5,472)</b>
(Gain)/loss on sale of HRA fixed assets		(339)	(1,145)
Interest payable and similar charges - see note below	74	1,071	1,023
Interest and investment income		(65)	(30)
<b>(Surplus) for the year on HRA Services</b>		<b>(7,759)</b>	<b>(5,623)</b>

## Movement on the HRA Statement

This summarises 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		2020/21	2021/22
	Note	£'000	£'000
<b>Balance on the HRA at the end of the previous year</b>		<b>(2,000)</b>	<b>(2,000)</b>
Deficit / (Surplus) for the year on the HRA Income and Expenditure Account		(7,759)	(5,623)
Adjustments between accounting basis and funding basis under statute	60	5,953	3,958
<b>Net (increase) or decrease before transfers to or from reserves</b>		<b>(1,805)</b>	<b>(1,665)</b>
Transfers (to) or from reserves		1,805	1,665
<b>(Increase) or decrease in year on the HRA</b>		<b>-</b>	<b>-</b>
<b>Balance on the HRA at the end of the year</b>		<b>(2,000)</b>	<b>(2,000)</b>



## 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	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>2021/22</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
<b>Adjustments involving the Capital Adjustment Account</b>				
Charges for depreciation and impairment of non current assets	(2,629)	-	-	2,629
Revaluation (losses)/gains on Property, Plant and Equipment	2,172	-	-	(2,172)
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	(1,626)	-	-	1,626
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of capital investment	962	-	-	(962)
Capital expenditure charged against the General Fund and HRA balances	300	-	-	(300)
<b>Adjustments involving the Capital Receipts Reserve</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,771	(2,771)	-	-
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(37)	37	-	-
<b>Subtotal</b>	<b>1,913</b>	<b>(2,734)</b>	<b>-</b>	<b>821</b>

Adjustments  2021/22	Usable Reserves			Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Balance Brought Forward</b>	1,913	(2,734)	-	821
<b>Adjustment involving the Major Repairs Reserve</b>				
Reversal of Major Repairs Allowance credited to the HRA	2,621	-	(2,621)	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	2,411	(2,411)
<b>Adjustment involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(604)	-	-	604
<b>Adjustment involving the Accumulated Absences Account</b>				
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	28	-	-	(28)
<b>Total Adjustments</b>	<b>3,958</b>	<b>(2,734)</b>	<b>(211)</b>	<b>(1,013)</b>

Adjustments  2020/21	Usable Reserves			Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
<b>Adjustments involving the Capital Adjustment Account</b>				
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
Capital grants and contributions applied				
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of capital investment	959	-	-	(959)
Capital expenditure charged against the General Fund and HRA balances	361	-	-	(361)
<b>Adjustments involving the Capital Receipts Reserve</b>				
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	-	-
<b>Subtotal</b>	<b>3,613</b>	<b>(847)</b>	<b>-</b>	<b>(2,766)</b>

Adjustments	Usable Reserves			Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>2020/21</b>				
<b>Balance Brought Forward</b>	<b>3,613</b>	<b>(847)</b>	<b>-</b>	<b>(2,766)</b>
<b>Adjustment involving the Major Repairs Reserve</b>				
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)
<b>Adjustment involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(217)	-	-	217
<b>Adjustment involving the Accumulated Absences Account</b>				
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
<b>Total Adjustments</b>	<b>5,953</b>	<b>(847)</b>	<b>(659)</b>	<b>(4,447)</b>

## 61 Housing Stock

The Housing Revenue Account owned and managed the following property:

<b>Housing Stock</b>	<b>Council Housing No. of Units</b>	<b>Other Land &amp; Buildings No. of Units</b>	<b>Total No. of Units</b>
<b>At 1 April 2021</b>	<b>2,995</b>	<b>1,303</b>	<b>4,298</b>
Additions	5	4	9
Sales	(29)	-	(29)
Reclassified	(2)	(51)	(53)
<b>At 31 March 2022</b>	<b>2,969</b>	<b>1,256</b>	<b>4,225</b>

## 62 Number of Dwellings by Type

<b>Type Of Dwelling</b>	<b>2020/21 No. of Units</b>	<b>2021/22 No. of Units</b>
Houses	1,394	1,374
Bungalows	1,008	1,006
Flats	593	589
<b>Total</b>	<b>2,995</b>	<b>2,969</b>

### 63 HRA Dwelling Valuation

The vacant possession value of dwellings in the HRA is £436,130k as at the 1 April 2022, up by £5,096k from 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 £152,646k 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 2021/22, the discount applied to determine this second valuation is 65%.

HRA Dwelling Valuation continued	2020/21 £'000	2021/22 £'000
Vacant Possession Value	431,034	436,130
Existing Use Value for Social Housing (EUV-SH) @ 35%	150,862	152,646

### 64 HRA Non-Current Asset Values

HRA Non-Current Asset Values	2020/21 £'000	2021/22 £'000
Dwellings	150,862	152,646
Other land and buildings	7,079	7,775
Vehicles, plant and equipment	82	116
Surplus Sites	33	33
Infrastructure assets	161	153
Assets under Construction	16	743
<b>Total</b>	<b>158,233</b>	<b>161,464</b>

## 65 Capital Expenditure

Capital expenditure within the HRA for 2021/22 and how it was funded is shown below:

Expenditure	2020/21 £'000	2021/22 £'000
Improvements to dwellings	2,315	2,769
Construction of dwellings & RTB buybacks	319	789
Assets under Construction	3	638
<b>Total</b>	<b>2,637</b>	<b>4,196</b>

Funding	2020/21 £'000	2021/22 £'000
Major repairs reserve	1,938	2,411
Revenue contribution	361	300
Borrowing	-	1
Usable capital receipts	339	1,484
<b>Total</b>	<b>2,637</b>	<b>4,196</b>

## 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 charged on fixed assets (excluding leases) 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	2020/21 £'000	2021/22 £'000
At 1 April	548	1,207
Amount transferred from Housing Revenue Account	2,596	2,621
Capital expenditure incurred during the year	(1,938)	(2,411)
At 31 March	1,207	1,417

## 67 Capital Receipts

Capital receipts during the year from disposals of land and houses within the HRA are as follows:

Capital Receipts	2020/21 £'000	2021/22 £'000
Sale of council houses	860	2,771
Total	860	2,771



## 68 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.

<b>Pension Liability: Current Year Costs</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Net interest on the defined benefit liability	(217)	(604)
<b>Total</b>	<b>(217)</b>	<b>(604)</b>

## 69 HRA Arrears

At 31 March 2022, the total arrears as a proportion of gross dwelling rent income (£12,291k) totalled 4.8% (3.9% at 31 March 2021). Rent written off during 2021/22 amounted to £30k (£54k in 2020/21). The breakdown of the total arrears is shown below.

<b>HRA Arrears</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Rent (dwellings & garages)	337	433
Housing benefit overpayments	13	14
Court costs	15	14
Rechargeable Repairs	96	101
Other	18	28
<b>Total</b>	<b>480</b>	<b>591</b>

## 70 Bad Debt Provision

The provision for bad debt for the HRA stands at £480k as at 31 March 2022 (£381k as at 31 March 2021). The uncertainties around future cost of living pressures has been a consideration in the increased level of provision. Current tenant arrears are being provided for at 77%.

## 71 Rents Paid in Advance

<b>Rents Paid in Advance</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Dwellings rental income paid in advance	170	163

## 72 Dwelling Rents

This represents the total rent income due for the year after allowing for a forecast of voids (1.24%) and other adjustments. The rents set averaged at £80.70 per week based on a 52 week year (2020/21 £79.44).

## 73 Depreciation of Fixed Assets

### Depreciation

<b>Operational Assets</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Dwellings	2,390	2,408
Other Land and Buildings	180	202
Infrastructure	9	9
Vehicles, Plant and Equipment	22	11
<b>Total</b>	<b>2,601</b>	<b>2,629</b>

### Revaluation Losses and Revaluation Reversals – Please also see comments on Note 58.

The net revaluation increase of £2,172k is primarily attributable to an increase in house prices during 2021/22; which has resulted in an increased value of Council Dwellings.

<b>Operational Assets</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Dwellings	(4,567)	(2,171)
Other Land and Buildings	(2)	(1)
<b>Total</b>	<b>(4,569)</b>	<b>(2,172)</b>

## 74 Interest Payable and Similar Charges

Interest payable and similar charges	2020/21 £'000	2021/22 £'000
Interest charges on finance leases	2	4
PWLB loan interest - HRA self financing	1,023	975
Internal self financing - General Fund (Wells Park, Crediton)	46	44
<b>Total</b>	<b>1,071</b>	<b>1,023</b>

## 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 £975k interest and £1,670k principal in 2021/22).

Self Financing Settlement Payment	2020/21 £'000	2021/22 £'000
<b>Opening Balance</b>	<b>(35,185)</b>	<b>(33,563)</b>
Repaid in Year	1,622	1,670
<b>Closing Balance</b>	<b>(33,563)</b>	<b>(31,893)</b>

## The Collection Fund Income and Expenditure Account

The Collection Fund Statement is a record of revenue expenditure and income relating to the Council's role as a Billing Authority for Council Tax and National Domestic Rates (NDR) in accordance with the requirements of Section 89 of the Local Government Finance Act 1988. Its primary purpose is to show the transactions of the Billing Authority in relation to the collection from taxpayers of tax due and its distribution to other local authorities, Major Preceptors and the Government. Collection Fund Statement items are only included within the Comprehensive Income and Expenditure Account and Balance Sheet when they relate to the Council's own entitlements or commitments as distinct from those of Local Government or Central Government partners. Amounts owed to or owing by taxpayers at the Balance Sheet Date are therefore not shown in the Council's Balance Sheet with the exception of the proportion of Council Tax to which the Council itself is entitled.

It also shows how the Council Tax income is distributed between Mid Devon District Council, Devon County Council, Devon and Cornwall Police and Crime Commissioner and Devon and Somerset Fire and Rescue Authority, and the Non-Domestic Rates (NDR) income is distributed between Mid Devon District Council, Devon County Council and Devon and Somerset Fire and Rescue Authority.

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council Tax and Non-Domestic Rates (NDR). The fund key features relevant to accounting for Council Tax in the core financial statements are:

- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the Billing Authority or paid out of the Collection Fund to Major Preceptors.
- Council Tax income included in the Comprehensive Income and Expenditure Account for the year shall be the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Since the collection of Council Tax and Non-Domestic Rates Income is in substance an agency arrangement:

- Cash collected by the Billing Authority from Council Tax debtors belongs proportionately to the Billing Authority and the Major Preceptors. There will be therefore a debtor/creditor position between the Billing Authority and each Major Preceptor to be recognised since the net cash paid to each Major Preceptor in the year will not be its share of the cash collected from Council Taxpayers.
- Cash collected from NDR taxpayers by Billing Authorities (net of the cost of collection allowance) belongs to the Government and Major Preceptors and the amount not yet paid to them at the Balance Sheet date shall be included in the Balance Sheet as a creditor; similarly, if cash paid to the Government and Major Preceptors exceeds the cash collected from NDR taxpayers (net of the Billing Authority's cost of collection allowance), the excess shall be included in the Balance Sheet as a debtor.

## Council Tax

This section summarises how the money we collected through Council Tax is distributed between the Major Precepting authorities.

The Collection Fund Income and Expenditure Account - Council Tax		2020/21	2021/22
	Notes	£'000	£'000
<b>Income</b>			
Council Tax receivable		(59,077)	(63,514)
Transfer for Transitional Relief, S13A Reliefs and discount for prompt payment		(473)	2
<b>Total Income</b>		<b>(59,550)</b>	<b>(63,512)</b>
<b>Expenditure</b>			
<b>Precepts, Demands and Shares</b>	79		
- Devon County Council		41,803	43,214
- Mid Devon District Council		6,065	6,115
- Devon and Cornwall Police and Crime Commissioner		6,437	6,764
- Devon and Somerset Fire and Rescue Authority		2,563	2,573
- Parish Precepts		1,837	1,984
		<b>58,705</b>	<b>60,650</b>
<b>Charges to Collection Fund</b>			
- Write offs charged to Collection Fund		-	-
- Change in allowance for impairment		1,126	770
		<b>1,126</b>	<b>770</b>
<b>Apportionment of previous year's surplus/(deficit)</b>			
- Devon County Council		589	(609)
- Mid Devon District Council		112	(115)
- Devon and Cornwall Police and Crime Commissioner		90	(94)
- Devon and Somerset Fire and Rescue Authority		37	(37)
		<b>828</b>	<b>(855)</b>
<b>Total Expenditure</b>		<b>60,659</b>	<b>60,565</b>
<b>(Surplus) / Deficit for the year</b>		<b>1,109</b>	<b>(2,948)</b>
<b>Opening Balance at 1st April</b>		<b>(437)</b>	<b>673</b>
<b>Closing Balance at 31 March</b>	48	<b>673</b>	<b>(2,274)</b>

The £2,274k represents the overall surplus on the Council Tax element of the Collection Fund at 31 March 2022 (2020/21 £673k deficit). Of this 13.31% is attributable to MDDC, which equates to £303k (2020/21 £92k – see Note 48).

## Non Domestic Rates

This section summarises how the money we collected through our share of Non Domestic Rates is distributed between the Major Precepting authorities.

The Collection Fund Income and Expenditure Account - NDR		2020/21	2021/22
	Notes	£'000	£'000
<b>Income</b>			
NDR receivable	77	(8,091)	(12,179)
Transitional Protection Payments		(32)	(109)
<b>Total Income</b>		<b>(8,123)</b>	<b>(12,288)</b>
<b>Expenditure</b>			
<b>Payments of NDR1 proportionate shares</b>			
- Central Government		7,800	7,749
- Devon County Council		1,404	1,395
- Mid Devon District Council		6,240	6,199
- Devon and Somerset Fire and Rescue Authority		156	155
		<b>15,600</b>	<b>15,497</b>
<b>Charges to Collection Fund</b>			
- Write offs / (Write ons) charged to Collection Fund		(3)	(1)
- Change in allowance for impairment		220	118
- Appeals and list alterations charged to Collection Fund		(515)	(77)
- Change in provision for alteration of lists & appeals		1,088	(244)
- Allowance for cost of collection		111	115
- Disregarded Amounts - Renewable Energy		278	229
		<b>1,178</b>	<b>142</b>
<b>Apportionment of previous year's Surplus/(Deficit)</b>			
- Central Government		151	(3,964)
- Devon County Council		132	(714)
- Mid Devon District Council		192	(3,171)
- Devon and Somerset Fire and Rescue Authority		5	(79)
		<b>480</b>	<b>(7,928)</b>
<b>Total Expenditure</b>		<b>17,258</b>	<b>7,711</b>
<b>(Surplus) / Deficit for the year</b>		<b>9,135</b>	<b>(4,577)</b>
<b>Opening Balance at 1st April</b>		<b>(210)</b>	<b>8,925</b>
<b>Closing Balance at 31 March ((Surplus) / Deficit)</b>	48	<b>8,925</b>	<b>4,348</b>

The £4,348k represents the overall deficit on the NDR element of the Collection Fund at 31 March 2022 (2020/21 £8,925k deficit). Of this 40% is attributable to MDDC, which equates to a deficit of £1,739k. (2020/21 £3,570k deficit – 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 Domestic Rates (NDR)

The Council collects National Domestic Rates for its area, which are based on local rateable values (£46,305k at 31 March 2022) multiplied by a uniform rate (51.2p or 49.9p for those receiving small business relief for 2021/22) 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 the risk of financial loss on appeals or reductions in our overall rateable value. The total income detailed on the National Domestic Rates statement takes into account £11,109k 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

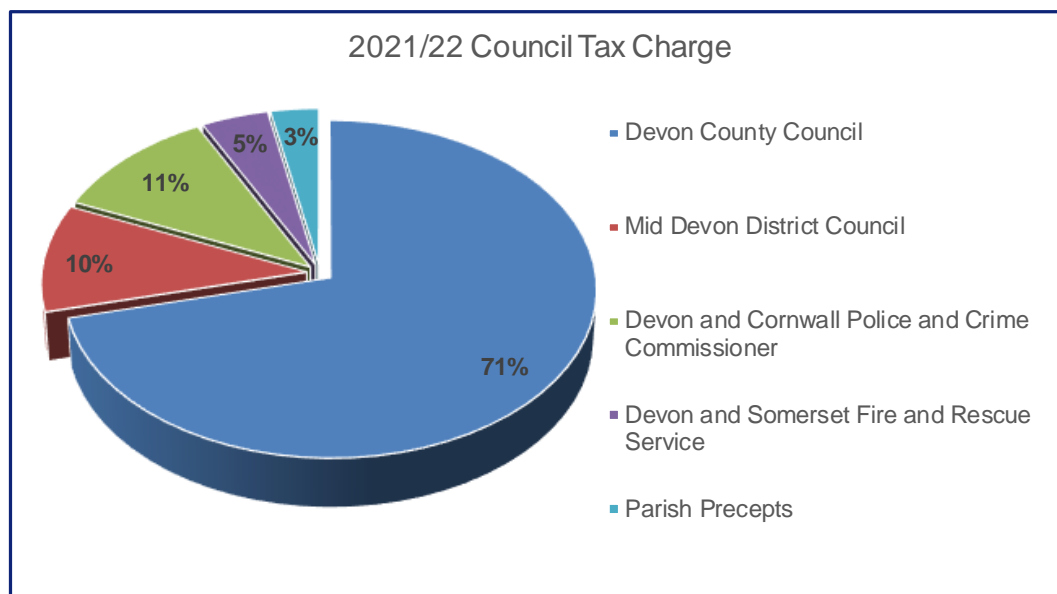
The Council Tax base is calculated by taking the number of chargeable dwellings in each valuation band (adjusted for discounts as necessary) and converted into the number of Band D equivalent properties.

Number of Dwellings			
Band	Chargeable Dwellings	Multiplier	Band D Equivalent
A	4,009.5	6/9	2,668.9
B	7,278.0	7/9	5,659.0
C	6,099.8	8/9	5,421.7
D	5,814.0	9/9	5,814.9
E	4,373.0	11/9	5,345.0
F	2,291.3	13/9	3,310.5
G	878.3	15/9	1,463.6
H	51.0	18/9	102.1
<b>Total</b>	<b>30,794.8</b>		<b>29,785.9</b>

## 79 Precepting Authorities

The total income is generated by multiplying the total Band D equivalent by the Council Tax charge for Band D properties.

Authority	2020/21 £'000	2021/22 £'000
Devon County Council	41,803	43,214
Mid Devon District Council	6,065	6,115
Devon and Cornwall Police and Crime Commissioner	6,437	6,764
Devon and Somerset Fire and Rescue Service	2,563	2,573
Parish Precepts	1,837	1,984
<b>Total</b>	<b>58,705</b>	<b>60,650</b>





## 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.

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. 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).

3 Rivers Developments Ltd was incorporated on 28 April 2017 as a development company to support the Council's Corporate Plan. During the year, the Board consisted of the Mr Nick Sanderson Managing Director, Councillor Ray Stanley, Mr John Riley Finance Director (left 31 December 2021 and not replaced before the year end) and a Non-Executive Director, Mr William Yardley.

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 using the Group Accounts requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. As a small company in accountancy terms, 3 Rivers 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.

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. Notes have been omitted if there are no material differences to the disclosure already made.

The Group Accounts have been prepared by combining 3 Rivers' income and expenditure and assets and liabilities with those of the Council on a line-by-line basis, eliminating inter-organisation transactions.

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. It also contains the Reserve of the Council's wholly owned subsidiary, 3 Rivers Developments Ltd.

2021/22  Movement	USABLE RESERVES								Total Usable Reserves Unusable Reserves £'000    £'000		Total Authority Reserves Authority's Share of Subsidiary £'000    £'000		Total Group Reserves £'000
	REVENUE RESERVES						CAPITAL RESERVES						
	General Fund Balance £'000	Earmarked General Fund Reserves £'000	General Fund Total £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	HRA Total £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000					
Balance at 31 March 2021	(1,622)	(20,247)	(21,869)	(2,000)	(20,774)	(22,774)	(5,497)	(2,625)	(52,764)	(69,543)	(122,306)	652	(121,654)
Movement in Reserves during 2021/22													
(Surplus) or deficit on the provision of services	1,789	-	1,789	(5,623)	-	(5,623)	-	-	(3,834)	-	(3,834)	2,078	(1,756)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(12,415)	(12,415)	-	(12,415)
Total Comprehensive Income and Expenditure	1,789	-	1,789	(5,623)	-	(5,623)	-	-	(3,834)	(12,415)	(16,249)	2,078	(14,171)
Adjustment between Group Accounts & Authority Accounts	579	-	579	-	-	-	-	-	579	-	579	(112)	467
Net increase/decrease before transfers (Group A/c's)	2,368	-	2,368	(5,623)	-	(5,623)	-	-	(3,255)	(12,415)	(15,670)	1,966	(13,704)
Adjustments between accounting basis and funding basis under regulations	(2,226)	-	(2,226)	3,958	(211)	3,747	(1,031)	(72)	418	(418)	-	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves	142	-	142	(1,665)	(211)	(1,876)	(1,031)	(72)	(2,837)	(12,833)	(15,670)	1,966	(13,704)
Transfers (to) / from Earmarked Reserves	408	(408)	-	1,665	(1,665)	-	-	-	-	-	-	-	-
(Increase)/Decrease in 2021/2022	550	(408)	142	-	(1,876)	(1,876)	(1,031)	(72)	(2,837)	(12,833)	(15,670)	1,966	(13,704)
Balance at 31 March 2022 Carried forward	(1,072)	(20,655)	(21,727)	(2,000)	(22,650)	(24,650)	(6,529)	(2,697)	(55,602)	(82,376)	(137,976)	2,618	(135,360)
Held for Revenue Purposes	(1,072)	(20,655)	(21,727)	(2,000)	(21,233)	(23,233)	-	-	(44,959)				
Held for Capital Purposes	-	-	-	-	(1,417)	(1,417)	(6,529)	(2,697)	(10,643)				

2020/21	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	Authority's Share of Subsidiary	Total Group Reserves
Movement	£'000	£'000		£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020 Carried forward	(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	(401)	-	(401)	(7,759)	-	(7,759)	-	-	(8,159)	-	(8,159)	74	(8,085)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	16,444	16,444	-	16,444
Total Comprehensive Income and Expenditure	(401)	-	(401)	(7,759)	-	(7,759)	-	-	(8,159)	16,444	8,285	74	8,359
Adjustment between Group Accounts & Authority Accounts	461		461	-	-	-	-	-	461	-	461	(126)	335
Net increase/decrease before transfers (Group A/c's)	60	-	60	(7,759)	-	(7,759)	-	-	(7,698)	16,444	8,746	(52)	8,693
Adjustments between accounting basis and funding basis under regulations	(6,093)	-	(6,093)	5,954	(659)	5,295	(340)	(978)	(2,116)	2,038	(78)	-	(78)
Net Increase/Decrease before Transfers to Earmarked Reserves	(6,033)	-	(6,033)	(1,805)	(659)	(2,464)	(340)	(978)	(9,815)	18,482	8,668	(52)	8,615
Transfers (to) / from Earmarked Reserves	6,559	(6,559)	-	1,805	(1,805)	-	-	-	-	-	-	-	-
(Increase)/Decrease in 2020/21	526	(6,559)	(6,033)	-	(2,464)	(2,464)	(340)	(978)	(9,815)	18,482	8,668	(52)	8,615
Balance at 31 March 2021 Carried forward	(1,622)	(20,247)	(21,869)	(2,000)	(20,774)	(22,774)	(5,497)	(2,625)	(52,764)	(69,543)	(122,306)	652	(121,654)
Held for Revenue Purposes	(1,622)	(20,247)	(21,869)	(2,000)	(19,567)	(21,567)	-	-	(43,436)				
Held for Capital Purposes	-	-	-	-	(1,207)	(1,207)	(5,497)	(2,625)	(9,329)				

## 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, having incorporated the spending of the Council's wholly owned subsidiary, 3 Rivers Developments Ltd.

2020/21			Service Area	2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,025	(31)	994	Community Development	330	(80)	250
1,796	6	1,802	Corporate Management	1,765	(90)	1,675
690	(382)	308	Car Parks	781	(738)	43
80	(37)	43	Customer Services	137	-	137
2,556	(931)	1,625	Environmental Services	3,029	(1,716)	1,313
40	(6)	34	Finance & Performance	114	(13)	101
105	(70)	35	Ground Maintenance	63	(51)	12
849	(659)	190	General Fund Housing	1,040	(913)	127
4,940	(13,366)	(8,426)	Housing Revenue Account	7,666	(13,138)	(5,472)
31	(7)	24	Human Resources	120	(6)	114
69	(16)	53	I.T. Services	123	(78)	45
987	(71)	916	Legal & Democratic Services	1,404	(257)	1,147
3,615	(2,277)	1,338	Planning & Regeneration	4,707	(3,281)	1,426
994	(982)	12	Property Services	1,487	(654)	833
14,590	(14,042)	548	Revenues & Benefits	12,790	(12,120)	670
4,210	(985)	3,225	Recreation & Sport	4,728	(1,961)	2,767
5,481	(2,650)	2,831	Waste Services	5,995	(2,746)	3,249
1,867	(1,904)	(37)	Subsidiary Company	2,495	(685)	1,810
<b>43,979</b>	<b>(38,461)</b>	<b>5,518</b>	<b>Costs of Services</b>	<b>48,777</b>	<b>(38,527)</b>	<b>10,247</b>
		1,778	Other Operating Expenditure			1,061
		2,265	Financing and Investment Income and Expenditure			1,636
		(17,311)	Taxation and Non-Specific Grant Income			(14,390)
		<b>(7,750)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(1,446)</b>
		-	Tax Expenses			157
		<b>(7,750)</b>	<b>Group (Surplus) or Deficit</b>			<b>(1,289)</b>
		15,888	Remeasurements of the Net Defined Benefit Liability			(11,272)
		556	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment			(1,143)
		<b>16,444</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(12,415)</b>
		<b>8,694</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(13,704)</b>

## Group Balance Sheet

This section shows our financial position at the end of the financial year, having incorporated the Council's wholly owned subsidiary, 3 Rivers Developments Ltd.

Consolidated 31 March 2021 £'000	Service Area	Notes	Consolidated 31 March 2022 £'000
198,559	Property, Plant & Equipment		200,229
175	Investment Properties		175
330	Heritage Assets		330
4,725	Long-term Investments		5,554
989	Long-term Debtors	2	3,677
<b>204,778</b>	<b>Non-Current Assets</b>		<b>209,965</b>
17,500	Short-term Investments		27,000
525	Assets held for sale		470
8,151	Work In Progress	4	9,879
315	Inventories		322
10,011	Short-term Debtors	3	3,724
11,732	Cash and Cash Equivalents		10,376
<b>48,234</b>	<b>Current Assets</b>		<b>51,771</b>
(15,147)	Short-term Creditors		(18,611)
(869)	Provisions		(856)
(1,870)	Short-term Borrowing		(1,924)
<b>(17,886)</b>	<b>Current Liabilities</b>		<b>(21,389)</b>
(2,994)	Long-term Creditors		(2,138)
(35,234)	Long-term Borrowing		(33,310)
(75,244)	Other Long Term Liabilities		(69,539)
-	Capital Grants Receipts in Advance		-
<b>(113,472)</b>	<b>Long Term Liabilities</b>		<b>(104,987)</b>
<b>121,654</b>	<b>Net Assets</b>		<b>135,360</b>
52,112	Usable Reserves		52,984
69,543	Unusable reserves		82,376
<b>121,654</b>	<b>Total Reserves</b>		<b>135,360</b>

## Group Cash Flow Statement

This section shows what cash we spend and receive, having incorporated the spending of the Council's wholly owned subsidiary, 3 Rivers Developments Ltd.

Cash Flow	Consolidated	Consolidated
	2020/21 £'000	2021/22 £'000
Net surplus or (deficit) on the provision of services	7,756	1,446
Adjustments to net surplus or deficit on the provision of services for non-cash movements	188	11,886
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	(142)	(642)
Adjustments for Operating activities processed through the Balance Sheet	4,141	1,518
<b>Net cash flows from Operating Activities</b>	<b>11,945</b>	<b>14,209</b>
Investing Activities	(2,200)	(13,348)
Financing Activities	(2,122)	(2,216)
<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>7,622</b>	<b>(1,355)</b>
Cash and cash equivalents at the beginning of the reporting period	4,111	11,731
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>11,733</b>	<b>10,376</b>

## 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 £
<b>Chief Executive</b>	<b>2021/22</b>	116,443	-	116,443	19,288	135,731
	<b>2020/21</b>	114,131	-	114,131	18,946	133,077
<b>Deputy Chief Executive (S151)</b>	<b>2021/22</b>	83,704	-	83,704	14,075	97,779
	<b>2020/21</b>	82,616	-	82,616	13,825	96,441
<b>Director of Corporate Affairs &amp; Business Transformation</b>	<b>2021/22</b>	83,375	-	83,375	13,799	97,173
	<b>2020/21</b>	80,910	-	80,910	13,431	94,342
<b>Director of Place (Note 3)</b>	<b>2021/22</b>	38,367	-	38,367	6,322	44,689
	<b>2020/21</b>	-	-	-	-	-
<b>Head of Planning &amp; Regeneration (Note 4)</b>	<b>2021/22</b>	34,001	-	34,001	5,257	39,257
	<b>2020/21</b>	69,629	-	69,629	11,558	81,187
<b>District Solicitor &amp; Monitoring Officer (Note 6)</b>	<b>2021/22</b>	36,747	-	36,747	6,059	42,806
	<b>2020/21</b>	-	-	-	-	-
<b>Head of Legal and Monitoring Officer (Note 6)</b>	<b>2021/22</b>	16,838	-	16,838	2,795	19,633
	<b>2020/21</b>	66,925	-	66,925	11,110	78,035
<b>Managing Director, 3 Rivers Developments Ltd (Note 7)</b>	<b>2021/22</b>	78,190	-	78,190	19,412	97,602
	<b>2020/21</b>	72,300	33,000	105,300	11,558	116,858

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 2021/22 pension contributions figures.

3. The Director of Place is a new post. Joined the Authority on 18 October 2021.
4. The Head of Planning and Regeneration left the Authority on 10 September 2021. Post not replaced.
5. The District Solicitor and Monitoring Officer joined the Authority on 25 September 2021 and replaced Head of Legal and Monitoring Officer post.
6. The Head of Legal and Monitoring Officer left the Authority on 28 June 2021. Post changed to District Solicitor and Monitoring Officer.
7. Due to the restructure of 3 Rivers Ltd, Managing Director secondment contract with MDDC to 3 Rivers Ltd ended 31<sup>st</sup> March 2021 and as at 1<sup>st</sup> April 2021 will be directly employed by 3 Rivers.

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

Long Term Debtors	2020/21 £'000	2021/22 £'000
Other entities and individuals	989	3,677
<b>Total</b>	<b>989</b>	<b>3,677</b>

Included within the single entity Long Term Debtors (Note 32 of the Single Entity accounts) is £4,362k of loans to 3 Rivers Developments Ltd which are eliminated from both sides in the Group Accounts.

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

Short Term Debtors	2020/21 £'000	2021/22 £'000
Other Receivable amounts	9,569	4,264
Trade Receivables	2,008	1,198
Less Impairment Allowances	(1,567)	(1,739)
<b>Total</b>	<b>10,011</b>	<b>3,724</b>

Included within the single entity Short Term Debtors (Note 36 of the Single Entity accounts) is £8,550k which relates to 3 Rivers Developments Ltd (£8,383k loan; £167k 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 15 December 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 continues to 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. A further update report was taken to 5 April 2022 Cabinet meeting showing a forecast reduction to the anticipated operating losses, therefore no further impairment was made in 2021/22.

#### 4 Work in Progress (WIP)

Work In Progress		2020/21	2021/22
		£'000	£'000
Work in Progress		8,151	9,879
<b>Total</b>		<b>8,151</b>	<b>9,879</b>

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.

### **CIPFA/LASSAC**

The Chartered Institute of Public Finance and Accountancy / The Local Authority (Scotland) Accounts Advisory Committee is responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom (the code).

### **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 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.

## **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.

### **Deposit and Rent Scheme**

Financial assistance to help those who meet the eligibility criteria with an interest free loan to secure the property with a deposit and cover the first month's rent subject to an affordability check.

### **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).

### **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 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.

### **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.

### **Rural Services Delivery Grant**

Funding provided from Government in recognition of the additional costs of delivering services in sparsely populated areas.

### **Section 31 (S31) Grant**

Section 31 of the Local Government Act 2003 (LGA 2003) is a well-established statutory means by which central Government may disburse funds to local authorities for them to provide grants for a specified purpose while retaining control of the recipients, the quantum of the grants, and the terms and conditions upon which the grants can be provided.

### **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.

**Mid Devon District Council**

**Annual Governance Statement 2021/22**

1 Introduction

1.1 The following report provides members and senior officers with the results of our yearly assessment of how well we are identifying, assessing, managing, and controlling risks, achieving our aims, and meeting the responsibilities we have by law.

1.2 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.

1.3 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.

1.4 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.

1.5 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. We have assessed our approaches below, against the following principles: -

- A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B: Ensuring openness and comprehensive stakeholder engagement
- C: Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D: Determining the interventions necessary to optimise the achievement of the intended outcomes
- E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it

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

G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

H: Operational and Governance matters due to the Covid 19 Pandemic

1.6 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 (MDDC) 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.

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

1.8 It should be noted that the governance framework needs to have operated for the entire 2021/22 financial year ending 31 March 2022, and up to approval date of the Statement of Accounts. It is recognised that, during the year, new risks and challenges will present that management need to address. 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 in the Action Plan (Appendix A).

1.9 In terms of governance arrangements, the Policy Development Groups (PDG's) 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 (internal and external) throughout the year.

1.10 The more significant areas where improvements are required are highlighted in the Action Plan accompanying this AGS. The Action Plan (at Appendix A) includes reference to the lead officers for each action and the target date for completion.

## 2 Covid 19

2.1 The Authority has, of course, been significantly affected by the Coronavirus pandemic and has played a most important part in responding to the resulting risks and the measures introduced by the UK Government. A separate section has been included within this statement (see section H: Operational and Governance matters due to the Covid 19 Pandemic) to specifically address the Authority's Coronavirus response, any resultant governance changes, and new areas of risk.

## 3 CIPFA Financial Management Code

3.1 In December 2019, CIPFA introduced their Financial Management Code (FM Code) to reflect exceptional financial circumstances faced by local authorities. Previous CIPFA work

had revealed fundamental weaknesses in financial management at some councils (not Mid Devon), particularly in relation to organisations that may be unable to maintain services in the future. The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. Each local authority must demonstrate that the requirements of the code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the chief finance officer (S151) and their professional colleagues in the leadership team.

3.2 Local authorities have been required to apply the requirements of the FM Code with effect from 1 April 2020. CIPFA considered that the implementation date of April 2020 should indicate the commencement of a shadow year and that by 31 March 2021, local authorities should be able to demonstrate that they are working towards full implementation of the code. The first full year of compliance with the FM Code has therefore been 2021/22.

3.3 The Authority has carried out a self-assessment against the 17 Standards of the FM code and has identified no areas of concern with regard to compliance with the FM Code. No significant issues or concerns have been raised by internal or external audit.

## 4 Elections

4.1 During 2021/22 the Council operated local elections. There was an additional need to ensure the health, safety and welfare of both voters and those staff supporting the election process, as the Covid pandemic continued.

## 5 Risk Management

5.1 The risk management system and process of the Council continue to be developed and refined. Our aim is to promptly identify and score new and current challenges and risks, so that we have good visibility of these, and to ensure that the action we take to limit exposure is recorded, understood and communicated. The Committee reviewed and agreed the Risk Management Strategy in March 2022.

5.2 The Audit Committee provide oversight over the risk management process, ensuring that the Council gives due regard to the risks identified. As expected, the higher risks to the Council change over time, and so it is important to consider the most recent report prepared by managers and considered by members. However, and as context for the risks affecting the Council at time of writing this report, key risks in 2021/22 included: -

- Climate Change Declaration
- Coronavirus Pandemic - in particular the risk to MDDC's ability to conduct business as usual.
- Cyber Security - which potentially could lead to breaches of confidential information, damaged or corrupted data and ultimately Denial of Service.
- Economic Strategy - failure to deliver projects/outcomes in our Economic Strategy.
- Funding - insufficient resources (including funding) to deliver growth aspirations of Corporate Plan.
- Homelessness - supporting an increased homeless population
- Overall Funding Availability- this risk concerns changes to Revenue Support Grant, Business Rates, New Homes Bonus and other funding streams.

- 3 Rivers Developments Ltd - failure of the company is a potential risk, dependent upon economic factors and the company's success in the marketplace commercially.

## 6 Independent Assurance Reports

### 6.1 Internal Audit Reports.

6.1.1 Our internal audit plan is designed to review those areas carrying the greatest risk and those areas where we require independent assurance. During the year the work of Internal Audit (via Devon Audit Partnership (DAP)) is reported to the Audit Committee. From the work completed, there are some areas that we consider it is appropriate to refer to in this Annual Governance Statement. These areas were: -

- a) Cyber Security, Response and Recovery:- DAP provided a Limited Assurance opinion overall. High priority recommendations were made in relation to offsite backup facility, incident response plan testing and the need for formal testing of backups arrangements.
- b) Procurement:- MDDC has outsourced procurement to Devon County Council. At the time of the DAP follow-up audit one High and Five Medium priorities recommendations from February 21 had yet to be implemented.
- c) Care Services, Alarm Income and systems:- DAP provided a Limited opinion overall. Issues were raised in respect of tracking of fault resolution, tracking of equipment, the absence of management information and engagement with the supplier. The weaknesses identified required attention, given the health risk to customers.
- d) DAP also noted that, overall, there were a number of overdue High and Medium recommendations. This has recently improved (a slight decrease from 33 in July 21 to 23 in March 22), and officers have pledged to the Audit Committee that action will be taken to reduce further.

DAP is to provided a Reasonable Assurance for 2021/22, underpinned by the 3 Substantial, 16 Reasonable and 2 Limited Assurance opinions.

### 6.2 External Audit

6.2.1 Grant Thornton (GT), the Council's External Auditors provided their annual report for the previous financial year on 9<sup>th</sup> March 2022. The report confirmed that they had not identified any significant value for money weaknesses, although 13 opportunities for improvement were made.

6.2.2 GT were satisfied that the Council had appropriate arrangements in place to manage financial resilience risks but did identify some improvement opportunities including ensuring consistency between the 3 Rivers business plan and the budget.

6.2.3 In terms of Governance, GT again did not identify any areas of significant weakness, but did make improvement recommendations which included strengthening the corporate and 3 Rivers risk registers, and the need to closely monitor the financial performance of 3 Rivers.



## 6.3 External Inspections

6.3.1 In February 2022 the Council had a Peer Review, these external Peers spent a significant amount of time reviewing how the Council is operated and have come up with nine recommendations in order to improve certain aspects. The full report, its recommendations and the associated action plan were considered at a meeting of the Council's Cabinet in June 2022.

6.3.2 The report includes a mix of aspects, approaches or projects that have been a success, alongside the highlighting of those areas that have either proved challenging in recent times, or are likely to benefit the council if it can find ways to address them in future, resulting in nine specific recommendations that will aid the council's continued improvement. However, the opening remarks are worth highlighting:

*'Mid Devon District Council (MDDC) is a good council. It has shown real leadership of place and should be proud of the way it has supported residents and businesses throughout the last two years in responding to the pandemic.'*

6.3.3 A draft action plan tackling these nine recommendations with varying timescales was approved by Cabinet, who also requested regular progress updates. Some actions, such as the mid-term reset of the Corporate Plan have been approved by Cabinet, or are being implemented such as the use of external support to ensure a culture of respect, along with the recent recruitment of a new Corporate Performance and Improvement officer to undertake a review of corporate performance reporting.

## 7 Monitoring Actions

7.1 It is important that we monitor progress against previous years Annual Governance Statements, ensuring that the actions we set are achieved.

7.2 During the year regular reports were provided to the Audit Committee in this regard, The update report provided to the March 2022 Committee confirmed that all actions have been commenced and the majority completed. It was noted that one action was not yet due for completion and another action was being looked at by a working group. These are not restated in this report, but will continue to be taken forward and progress reported.

7.3 The Action Plan arising from this years review is shown at Appendix A.

## 8 Conclusion

8.1 Overall it is considered that the Authority has a robust Governance Framework and welcomes scrutiny and / or Peer review; such scrutiny further enables the Council to be assured that its governance arrangements are sound but also treated as a live and evolving framework which can adapt and respond to changes in the environment in which it operates.

8.2 Following a review of the sources of assurance and evidence to support this AGS, it is our opinion that the Council's control environment operated effectively and provided an adequate level of control over identified risks in the 2021/22 financial year.

8.3 As always, we continue to look for ways of how we can improve. There are agreed action plans in place resulting from our Internal Audit, External Audit and Independent Assessment process – progress on these reports is provided to the Audit Committee on a regular basis.

Approved by the Leader of the Council

Cllr Bob Deed

Date

Approved by the Chief Executive

Stephen Walford

Date

<b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>		
<b>How We Meet these Principles</b>	<b>Where You Can See Governance in action</b>	<b>Assurance Received and Issues Identified</b>
<p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>• We operate an appraisal scheme for all staff to identify development and skills needs and assess performance.</li> <li>• We have a code of conduct for Councillors</li> <li>• We have Codes of Conduct for Staff</li> <li>• We provide new Members and staff with induction training on appointment.</li> <li>• Our constitution sets out how the Council and committee meetings operate.</li> <li>• Declarations of interest made at meetings are published with minutes and on our website.</li> <li>• We have registers of interests and gifts &amp; hospitality for Members and Staff.</li> </ul>	<p>This is now being monitored via the Learning Management System on-line</p> <p><a href="#">Cllrs code of conduct</a></p> <p><a href="#">New Councillors Induction Programme</a></p> <p><a href="#">Staff Induction Policy</a></p> <p><a href="#">Constitution</a></p> <p><a href="#">Your Councillors - MIDDEVON.GOV.UK</a></p> <p>For members, this is recorded against each individual members website record.</p>	<p>The Code of Conduct for Councillors and Co-opted Members was approved by Full Council.</p> <p>Members Code of Conduct training is carried out by the Monitoring Officer.</p> <p>New staff members are required to complete a comprehensive suite of courses related to H&amp;S and other related areas such as manual handling.</p> <p>Gifts &amp; Hospitality and Declarations are audited periodically by Internal Audit.</p>

<ul style="list-style-type: none"> <li>• Our Whistleblowing policy was reviewed in March 2021.</li> <li>• We have a clear complaints procedure on our website and an up-to-date Customer Care Policy.</li> <li>• We take the Health and Safety of our Staff extremely seriously.</li> <li>• 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.</li> <li>• We operate a protocol to govern the relationship between Members and officers that ensures access to appropriate information.</li> </ul> <p><b>Demonstrating strong commitment to ethical values</b></p> <p>The Council has the following documents which are relevant:</p> <ul style="list-style-type: none"> <li>• Officers' Code of Conduct</li> <li>• Members' Code of Conduct</li> <li>• Protocol on Member/Officer Relations</li> </ul>	<p><a href="#">Whistleblowing policy</a></p> <p><a href="#">Complaints Procedure</a></p> <p><a href="#">Customer Care Policy</a></p> <p><a href="#">Member Development Policy</a></p> <p><a href="#">Protocol on Member/Officer Relations</a> - In the Constitution – Part 5 – Codes and Protocols See the Constitution</p> <p>All of these are considered within our <a href="#">Constitution</a></p>	<p>Adherence to legislation is confirmed in each audit review undertaken</p> <p>A staff survey was issued Q4 of 2021/22 to help identify if staff had any concerns or issues.</p>
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<ul style="list-style-type: none"> <li>• Guidance for Members and staff on hospitality and gifts</li> <li>• Protocol of good practice for councillors dealing in planning matters</li> <li>• Staff Charter to communicate expected values and behaviours.</li> <li>• Financial regulations</li> </ul> <p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>• The Constitution is under continuous review any significant changes are taken through the Standards Committee.</li> <li>• We ensure we comply with Statutory Provisions.</li> <li>• Compliance with CIPFA's <i>Statement on the Role of the Chief Financial Officer in Local Government</i> (CIPFA, 2015)</li> <li>• We have effective and up-to-date anti-fraud and corruption policies and procedures</li> <li>• Legal advice is given either as a stand-alone piece of advice or in relation to a</li> </ul>	<p><a href="#">Staff Charter</a></p> <p>Our <a href="#">Financial Regulations</a> were updated in March 2022.</p> <p><a href="#">Constitution</a></p> <p><a href="#">The role of the Chief Financial Officer in local government</a></p> <p>See our <a href="#">Fraud and Corruption</a> pages</p>	
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<p>case on which Legal Services are instructed to advise.</p> <ul style="list-style-type: none"><li>• 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.</li></ul>		
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<b>Principle B: Ensuring openness and comprehensive stakeholder engagement</b>		
<b>How We Meet these Principles</b>	<b>Where You Can See Governance in action</b>	<b>Assurance Received and Issues Identified</b>
<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>• We publish agendas and minutes for all our meetings on our website.</li> <li>• We publish key decisions on the website</li> <li>• We have a FOI publication scheme</li> <li>• We have a calendar of dates for submitting, publishing and distributing timely reports.</li> <li>• Procurements are competed through Pro Contract, and details of all our contracts are held on that system.</li> </ul> <p><b>Engaging comprehensively with institutional stakeholders</b></p> <ul style="list-style-type: none"> <li>• We meet with our local colleges of FE and key local employers to discuss how the Council can support their work</li> </ul> <p><b>Engaging with individual citizens and service users effectively</b></p>	<p><a href="#">Browse Meetings, MIDDEVON.GOV.UK</a></p> <p><a href="#">Forthcoming Decisions</a></p> <p><a href="#">Publication Scheme - MIDDEVON.GOV.UK</a></p> <p><a href="#">Community Engagement Strategy and Media and Social Media Policy were recommended for approval by Community PDG on 23 March 2021</a></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 Internal Audit report on procurement provided a 'Reasonable Assurance' opinion. That said, several recommendations still need implementation, partly due to the transfer of procurement support to Devon County Council.</p> <p>DAP reviewed the new Engagement Strategy and Policy and confirmed it mitigates the risk of inappropriate use of Social Media by officers.</p>

<ul style="list-style-type: none"> <li>• We publish details of consultations and petitions on our website</li> <li>• We have a strategy and policies for communication and Social Media</li> <li>• We have an active Tenant involvement group – Tenants Together which produces regular newsletters</li> <li>• We have a Customer Engagement Officer to assist us in our work.</li> <li>• Mid Devon Gypsy and Traveller Forum established</li> </ul>	<p><a href="#"><u>Consultation &amp; Involvement</u></a></p> <p><a href="#"><u>Communication strategy</u></a></p> <p><a href="#"><u>Tenants Survey</u></a></p> <p><a href="#"><u>Customer Engagement Officer</u></a> – HS25</p>	
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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><b>Defining outcomes</b></p> <ul style="list-style-type: none"> <li>We have a new focus for the Corporate Plan 2020-2024: Sustainability</li> <li>We have an agreed Corporate Plan for 2020-2024</li> </ul> <p><b>Sustainable economic, social, and environmental benefits</b></p> <ul style="list-style-type: none"> <li>We have a capital asset management group which aims to maximise the return on our capital assets</li> <li>Optimising sustainability and taking a long-term view</li> <li>We treat everyone fairly and equally.</li> <li>Climate Change Declaration made at Full Council on 26 June 2019</li> </ul>	<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><a href="#">Asset Management &amp; Capital Plan</a> – see item 340</p> <p><a href="#">10-year design plan for open spaces</a></p> <p>Medium Term Financial strategy</p> <p><a href="#">Equality and Diversity</a></p> <p><a href="#">The Climate Change Strategy and Action Plan were approved by Cabinet on 1 October 2020</a></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>The Equality forum met quarterly during 2021/22.</p> <p>Assurance on Climate Change work was provided in the DAP report in February 2021, which provided a ‘Reasonable Assurance’ opinion.</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><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>Our governance structure is based on Leader and Cabinet, with Policy Development Groups (PDGs) and Scrutiny Committee providing robust challenge.</li> <li>There is a 'call in' process for Scrutiny Committee, and reviews of performance are undertaken by the PDGs.</li> <li>3 Rivers (a separate company, but key to delivering MDDC's plans) is required to prepare a Business Plan. The Business Plan covers a period of 5 years and is updated annually</li> </ul> <p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>We have a Calendar of dates for aid our development; supporting plans and reports are prepared for members, with reporting dates strictly adhered to.</li> </ul>	<p>Our Executive arrangements were reviewed in 2020/21 with a decision made by Council in March 2021 to continue the current arrangements.</p> <p><a href="#">Committee Report Procedure</a></p> <p><a href="#">Business Plan</a> presented to Audit Committee Nov 2021</p> <p><a href="#">Consultation &amp; Involvement</a></p>	<p>The governance Action Plan for 3 Rivers Developments has been largely completed; 32 of the 33 recommendations have been enacted upon.</p>

<ul style="list-style-type: none"> <li>• We publish details of consultations and petitions on our website.</li> <li>• Key Performance Indicators have been established and approved for each service element; these are included in our service plan and are reported upon regularly to Committees.</li> </ul> <p><b>Optimising achievement of intended outcomes</b></p> <ul style="list-style-type: none"> <li>• Finances are controlled via an annual budget and medium-term financial plans</li> <li>• We have a financial strategy in place</li> <li>• Our budget setting and review process is all-inclusive, taking into account the full cost of operations over the medium and longer term</li> <li>• Risk management and performance monitoring are key measures to support interventions.</li> <li>• The Audit Committee is supported by independent reports – for example</li> </ul>	<p><a href="#">Medium Term Financial Plan</a></p> <p><a href="#">Audit Committee</a> meetings are held in a public forum.</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 recently been reviewed we believe that this is now 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</p>
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Internal Audit assurance reports provided by Internal Audit (DAP), and the External Auditors' annual opinion on the statement of accounts.	<p>The plans of work for both Internal and External Audit are considered and approved by the Committee.</p> <p>The Committee receives regular update reports from both sets of Auditors and will hold management to account for any correcting action that may be required.</p>	<p>key actions arising. Recommendations are tracked to completion to confirm control weaknesses are resolved.</p> <p>Action to implement internal audit recommendations was validated by a DAP report in March 2021</p> <p>External Auditors report on the Statement of Accounts, including a commentary on Value for Money arrangements for the Council.</p>
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<b>Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>		
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<b>How We Meet these Principles</b>	<b>Where You Can See Governance in action</b>	<b>Assurance Received and Issues Identified</b>

<p><b>Developing the entity's capacity</b></p> <ul style="list-style-type: none"> <li>• We are committed to improving staff welfare; this in turn can have a positive effect on reducing our sickness absence, which is a direct cost to the Council.</li> <li>• All Managers have attended our Management Training Programme</li> </ul> <p><b>Developing the capability of the entity's leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>• We provide all staff with job descriptions; these clearly set out their duties and document the personal qualities and attributes required for each post.</li> <li>• We operate an appraisal scheme for all staff. This identifies development and</li> </ul>	<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>The qualifications, skills, behaviours and personal attributes required by staff in their roles are identified and documented, and reviewed regularly.</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 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 courses related to this and other related areas such as manual handling. There is a system to manage staff refresher training in these core modules.</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.</p>
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<p>skills needs and helps us assess performance.</p> <ul style="list-style-type: none"> <li>• We operate a protocol to govern the relationship between Members and officers which ensures good access to appropriate information.</li> <li>• We treat everyone fairly and equally.</li> <li>• We take the Health and Safety of our Staff extremely seriously.</li> <li>• We provide new Members with induction training on appointment.</li> <li>• 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.</li> <li>• The Head of Paid Service has an annual appraisal and is set performance targets by the Cabinet.</li> </ul>	<p><a href="#"><u>Constitution</u></a></p> <p><a href="#"><u>Equality and Diversity</u></a></p> <p><a href="#"><u>New Councillors Induction Programme</u></a></p> <p><a href="#"><u>Member Development Policy</u></a></p>	
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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><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>All reports to our Committees include a risk assessment; this is as part of the required components of our report template.</li> <li>Our Risk &amp; Opportunity Management Strategy was reviewed and approved by our Audit Committee.</li> <li>Risks are identified and recorded on our risk register; these are allocated to appropriate named managers.</li> <li>The Audit Committee actively monitors risks and controls at their meetings in accordance with guidance (i.e. Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013)).</li> <li>Our internal auditors (DAP) deliver a risk based internal audit service, providing assurance on control effectiveness against risks to delivery of business objectives.</li> </ul>	<p><a href="#">Report Template</a></p> <p><a href="#">Risk &amp; Opportunity Management Strategy</a> – link to the policy.</p> <p><a href="#">Risk Report example</a> (March 2022)</p> <p><a href="#">Devon Audit Partnership</a></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 (see annual report presented to June 2022 Audit Committee).</p>

<p><b>Managing performance</b></p> <ul style="list-style-type: none"> <li>• Our Performance has been mapped to the Corporate Plan; all our Aims have performance measures.</li> <li>• 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.</li> <li>• We set a calendar of dates for submitting, publishing and distributing reports and this is adhered to.</li> <li>• All agenda and minutes of Scrutiny Committee are published on our websites, including recordings of the meetings.</li> <li>• With regards 3 Rivers, the Managing Director attends meetings as required by the Council and provides information regarding 3 Rivers activities as reasonably requested.</li> <li>• Performance and Risk Reports are provided to PDGs, Cabinet, Audit and Scrutiny Committees.</li> </ul>	<p>Performance is monitored through PDG and Scrutiny processes. See <a href="#">March 2022 Audit Cttee</a> as an example).</p> <p><a href="#">Meetings, agendas, and minutes - MIDDEVON.GOV.UK</a></p>	
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<ul style="list-style-type: none"> <li>• Our Leadership Team is committed to the performance framework.</li> </ul> <p><b>Robust internal control</b></p> <ul style="list-style-type: none"> <li>• Our Risk &amp; Opportunity Management Strategy is regularly reviewed and approved by Audit Committee.</li> <li>• We have effective and up-to-date anti-fraud and corruption policies and procedures</li> <li>• We have entered a partnership to provide our Internal Audit Service via Devon Audit Partnership.</li> <li>• Our Audit Committee attend training offered internally and externally.</li> </ul> <p><b>Managing data</b></p> <ul style="list-style-type: none"> <li>• We have Data Protection and Information Security Policies in place.</li> <li>• We have mandatory Data Protection and Information Security training for all staff, Members and contractors (with access to our computer network)</li> </ul>	<p><a href="#">Risk &amp; Opportunity Management Strategy</a> – link to the policy</p> <p><a href="#">Fraud, Money Laundering and Whistleblowing policies</a></p> <p><a href="#">Policies &amp; Strategies - Home</a></p> <p>Please see our <a href="#">website</a>.</p> <p>Learning Management System – The Learning Hub</p>	
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<ul style="list-style-type: none"> <li>We have a Data Quality Policy in place.</li> <li>We check performance information as part of every audit we do.</li> </ul> <p><b>Strong public financial management</b></p> <ul style="list-style-type: none"> <li>We publish a Medium-Term Financial Strategy covering 5 years each year.</li> <li>We publish Monitoring Reports from July to February each year</li> <li>The budget book is published on the website</li> </ul>	<p><a href="#">Policies &amp; Strategies - Home</a></p>    <p><a href="#">medium term financial strategy</a></p>    <p><a href="#">Budgets - MIDDEVON.GOV.UK</a></p>	
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<b>Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>		
<b>How We Meet these Principles</b>	<b>Where You Can See Governance in action</b>	<b>Assurance Received and Issues Identified</b>
<p><b>Implementing good practice in transparency</b></p> <ul style="list-style-type: none"> <li>We publish our Statement of Accounts on our website.</li> </ul> <p><b>Implementing good practices in reporting</b></p> <ul style="list-style-type: none"> <li>We report regularly on our performance to PDGs, Cabinet, Audit and Scrutiny Committees</li> <li>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.</li> </ul> <p><b>Assurance and effective accountability</b></p> <ul style="list-style-type: none"> <li>Our Internal Audit provider (Devon Audit Partnership (DAP)) comply with the CIPFA Statement on the Role of the Head of Internal audit</li> </ul>	<p><a href="#">Statement of Accounts</a></p> <p>Our statement of accounts was presented to, and agreed by, our Audit Cttee.</p> <p>For example, see <a href="#">March 2022 Audit Committee.</a></p> <p><a href="#">Annual Governance Statement</a></p> <p><a href="#">The Role of the Head of Internal Audit CIPFA</a></p>	<p>The Accounts for 2020/21 were signed off as a true and fair statement by our <a href="#">External Auditors.</a></p>

<ul style="list-style-type: none"><li>DAP have We completed our annual self-assessment against the Public Sector Internal Audit Standards which has been externally validated.</li></ul>	<a href="#">Devon Audit Partnership.</a>	<a href="#">External Validation of DAP</a>
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H: Operational and Governance matters due to the Covid 19 Pandemic		
Impact on Governance	What we have done	Assurance Received and Issues Identified
<p><b>Significant organisational disruption with new emergency responsibilities; risk of increased staff absence and mental health welfare; impact of working from home</b></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 2021/22 year.</p> <p>Our Leisure centres were closed (as per government guidance) on and off from 20 March 2020, but were re-opened during the latter stages of the 2021/22 period.</p> <p>Public Health continued to assist with local test and trace and helped support the safe reopening for businesses; this</p>	<p>We continued to hold regular Incident Management Meetings as and when the need required.</p> <p>We continue to support staff working from home and to work safely in the workplace. In approximate terms around 55% of staff worked 'on site' during 2021/22, with the remainder working from home.</p> <p>Chief Executive has been making operational decisions to respond effectively to emergency situations as and when they arise.</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>Risk assessments created for the different business areas to reduce the Covid-19</p>	<p>Data sharing agreements and privacy notices have been updated as necessary to reflect different ways of working and new initiatives</p> <p>An Internal Audit report on Safe Staff Operations during Covid 19 stated <i>"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."</i></p>

<p>was alongside their existing regulatory work.</p> <p><b>The funding and logistical consequences of delivering the local government response</b></p> <p>Changes to decision making arrangements and the conduct of meetings.</p> <p>Payment of grants to third parties.</p> <p>Funding and cash flow challenges.</p> <p><b>Assessment of the longer-term disruption and consequences arising from the coronavirus pandemic</b></p> <p>Some projects and programmes were put on hold during 2020/21 but have been re-assessed during 2021/22.</p> <p>New priorities and objectives introduced.</p> <p>New risks identified, or existing risks escalated.</p>	<p>risk to staff and the public from the business operations.</p> <p>Committee meetings have been held virtually and are now mainly held 'in person'.</p> <p>We issued £39m 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>There are benefits to be obtained from "hybrid meetings" and we will continue to review this for the longer term, with a mix of on site and remote attendance. Feedback from members of the public on hybrid meetings has been favourable.</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>
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**Actions arising from the 2021/22 Annual Governance Statement process**

Reference	Action Arrising	Responsible Officer	Date
1	<p>Ensure the agreed action in Internal Audit reports are fully completed. This includes the following internal audit reviews where Limited assurance was provided: -</p> <ul style="list-style-type: none"> <li>a) Cyber Security, Response and Recovery</li> <li>b) Procurement</li> <li>c) Care Services, Alarm Income and systems</li> </ul>	<p>(a) Corporate Manager for Digital Transformation &amp; Customer Engagement</p> <p>(b) Corporate Manager for Financial Services</p> <p>(c) Corporate Manager for Public Health, Regulation and Housing</p>	As per the individual internal audit reports
2	<p>Ensure that the actions arising from our External Audit review are fully completed. This includes: -</p> <ul style="list-style-type: none"> <li>a) ensuring consistency between the 3 Rivers business plan and the budget.</li> <li>b) strengthening the corporate and 3 Rivers risk registers,</li> <li>c) closely monitoring the financial performance of 3 Rivers</li> </ul>	Please refer to GT Annual Audit Report 2021/22.	During 2022/23
3	To ensure that agreed actions following the Peer Review are carried out.	Please refer to the Peer Review report.	Please refer to the Peer Review report.

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# The Audit Findings for Mid Devon District Council

**Year ended 31 March 2022**

12 January 2023

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### Jon Williams

Key Audit Partner

Firm: Simpkins Edwards LLP

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1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

## Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
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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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Name : Peter Barber  
For Grant Thornton UK LLP  
Date : 12 January 2023

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Mid Devon District Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

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## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's] income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We commenced our post-statements audit in September 2022 and as at 12 January 2023 our audit is substantially complete. This year we adopted a hybrid approach involving a combination of on-site and remote working. Our findings are summarised on pages 5 to 21.

Our work to date has not identified any material errors or adjustments to the financial statements. No adjustments have been identified that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement.

Two adjustments to the draft financial statements of 3 Rivers Developments Ltd as a result of their audit, this will require adjustments to the Council's group financial statements. These changes are set out in more detail on page 10. There were no issues noted in relation to the procedures followed by the Council in consolidating the Group financial statements.

We have recommended a small number of other audit adjustments to improve the presentation of the financial statements as detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

The draft financial statements were submitted for audit in line with the agreed timetable, along with supporting working papers.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements.

Subject to completing our remaining audit procedures set out on page 5, receiving responses to our outstanding queries and having regard to any further national guidance, we anticipate issuing an unqualified audit opinion in January 2023.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and

Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 28 February 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified two risks in respect of the financial sustainability and group governance. Our work on these risk is underway and an update is set out in the value for money arrangements section of this report.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in February 2023.

## Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

## 2. Financial Statements

### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

### Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks;
- We have relied upon the work of 3 Rivers Development Ltd auditor for material balances consolidated into the group accounts.

Other than a revision to our materiality levels as set out on page 6, we have not had to alter our audit plan, as communicated to you on 23 May 2022.

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 January 2023, as detailed in [Appendix E]. These outstanding items include:

- Completion of our work on the Council's Pension Fund liability;
- Completion of our work on Long Term Debtors (1 items)
- Final review by the Manager and Engagement Lead on outstanding work;
- Receipt of management representation letter;
- Review of the final set of financial statements;
- Completion of our subsequent events review;
- Receipt of final group findings and audit report from Simkins Edwards LLP in respect of 3 Rivers; and

## 2. Financial Statements



### Our approach to materiality

The concept of 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.

We have revised materiality, performance materiality and our level of triviality due to the actual gross expenditure being higher than the level that we expected and used at the planning stage.

We detail in the table our determination of materiality for Mid Devon District Council and group.

	Group Amount (£)	Council Amount (£)
Materiality for the financial statements	0.875m	0.830m
Performance materiality	0.655m	0.620m
Trivial matters	0.040m	0.040m
Materiality for Senior Officer Remuneration	10,000	10,000





## 2. Financial Statements - Significant risks

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. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p><b>Group Revenue</b></p> <p>Under ISA 240 (UK) there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. The presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue and expenditure recognition.</p> <p>For Mid Devon District Council, 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 Developments Ltd trading income as a significant risk of material misstatement, and a key audit matter.</p> <p>We have rebutted this presumed risk for all the other revenue streams of the Authority because:</p> <ul style="list-style-type: none"> <li>• Other income streams are primarily derived from grants or formula based income from Central Government and tax payers; and</li> <li>• Opportunities to manipulate revenue recognition are very limited.</li> </ul>	<p>In our Audit Plan we set out that having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Mid Devon District Council mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We have re-considered this assessment on receipt of the draft financial statement and have not identified any reasons to change this assessment.</p> <p>We also set out in the Audit Plan that we have not rebutted this presumed risk for the subsidiary company. For Group Revenue we have:</p> <ul style="list-style-type: none"> <li>• Evaluate the group's accounting policies for the recognition of income for appropriateness;</li> <li>• Gained an understanding of the group's system for accounting for income and evaluate the design of the associated controls; and</li> <li>• Agreed, on a sample basis, the amounts recognised as income in the financial statements to supporting documents. For this work we have relied upon the work of the component auditor.</li> </ul> <p>Our work has identified no issues in relation to revenue recognition.</p>

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls

Under ISA 240 (UK) there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council 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.

As part of our work to date we have:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determine the criteria for selecting high risk unusual journals;
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence;
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions;
- reviewed the component auditors work in relation to management override on control; and
- tested high value and unusual journals processed during the year and at the accounts production stage for appropriateness and corroboration.

Our audit work has not identified any issues with regards to management override of controls. For all the journals reviewed we concluded that they were appropriate transactions.

#### Valuation of land and buildings and Council Dwellings (Rolling Revaluation)

The group revalues 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 (£194m) and the sensitivity of this estimate to changes in key assumptions.

We therefore identified valuation of land and buildings as a significant risk, in particular any large or unusual assets or where there have been movements in valuations outside our expectations, as well as testing a sample of those within our expectations. This is one of the most significant assessed risks of material misstatement, and a key audit matter.

As part of our work we have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- evaluated the assumptions made by the valuer for those assets revalued at 31 March 2022. For the assets not formally revalued in year we have assessed how management has satisfied themselves that these assets are not materially different to current value at year end.

Our work has identified no issues in relation to the valuation of land and buildings and council dwellings.



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of the pension fund net liability

The Council'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.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£77m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount rate, where our consulting actuary has indicated that a 0.1% change in this assumption would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

#### We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested 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;
- undertaken 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
- obtained assurances from the auditor of Devon 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.

At the time of writing this report we have not identified any significant issues that we need to bring to your attention, however, we are currently awaiting to responses to our final queries on this risk.

## 2. Financial Statements – Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Mid Devon District Council	Grant Thornton UK LLP	<p>A full scope audit was completed by Grant Thornton UK LLP. The findings to date of this work, on the significant risks, are set out on pages 7 to 9.</p> <p>No significant issues have been identified at the time of writing this report.</p>	No findings have been identified that would impact on the group opinion.
3 River Developments Ltd	Simkins Edwards LLP	<p>We have completed our work on the group audit, with the exception of receiving Simkins Edward final audit report. This has not been issued at the time of writing this report as, following the audit, increased disclosures are required in the subsidiary accounts. These are in relation to the reliance on support from Mid Devon District Council. This will be referred to in the subsidiary auditors report as an emphasis of matter.</p> <p>As part of our audit procedures we have:</p> <ul style="list-style-type: none"> <li>• agreed the overall consolidation including alignment of accounting policies, and</li> <li>• agreed consolidation adjustments.</li> </ul> <p>We identified no issues in relation to these procedures.</p> <p>Post consolidation adjustments there were three areas where material amounts remained in the consolidated accounts. These were Revenue, Cost of Sales, and Work in progress.</p> <p>For each of these areas we reviewed the work of the component auditor. We found the work of the auditor, to be of sufficient quality and scope for us to be able to rely upon it. There were no issues noted as part of their work in these three areas, therefore we have sufficient evidence to concluded that these consolidated amounts are not materiality misstated.</p> <p>We completed a walkthrough of group revenue to confirm our understanding of the controls in place. This work did not identify any issues.</p> <p>The component auditor has reported the following adjusted misstatements that will need to be considered for group purposes. These are:</p> <ul style="list-style-type: none"> <li>- A required increase to the provision for on the St George's development. Directors revisited this as part of business plan preparation and subsequently increased the provision by £0.222m, further increasing the write down of work in progress from c£1.4m to c£1.6m.</li> <li>- Overstatement of deferred tax asset – The impact of this is to reduce the company's current assets by £0.492m.</li> </ul> <p>The net impact of these two adjustments is £0.714m. This is above our group performance materiality and we have therefore requested management consider the need to restate the group financial statements in light of these audit findings.</p>	The group accounts have been updated to reflect the findings of the subsidiary auditor. These findings are set out in appendix C.

## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £42.256m	<p>Other land and buildings comprises £19.9m of specialised assets such as leisure centres and public conveniences, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£22.4m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged the District Valuer to complete the valuation of properties as at 31 March 2022 on a five yearly cyclical basis. 20% of total assets were revalued during 2021/22., with the remainder subject to a desktop review using indices.</p> <p>The total year end valuation of land and buildings was £42.256m, a net decrease of £0.346mm from 2020/21 (£42.602m).</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>Assessed management's expert to ensure suitably qualified and independent,</li> <li>Assessed the completeness and accuracy of the underlying information used to determine the estimate,</li> <li>Confirmed there were no changes to valuation method,</li> <li>Assessed the consistency of the estimate against near neighbours and using the Gerald Eve report, and</li> <li>Assessed the adequacy of disclosure of the estimate in the financial statements.</li> </ul> <p>No issues have been identified at the time of writing this report, however, our work remains in progress and are therefore not able conclude our overall assessment.</p>	Light purple

### Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £152.6m	The Council owns 2,969 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged the District Valuer to complete the valuation of these properties. The year end valuation of Council Housing was £152.6m, a net increase of £1.8m from 2020/21 (£150.8m).	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>Assessed management's expert to ensure suitably qualified and independent,</li> <li>Assessed the completeness and accuracy of the underlying information used to determine the estimate,</li> <li>Confirmed there were no changes to valuation method,</li> <li>Assessed the consistency of the estimate against near neighbours and using the Gerald Eve report, and</li> <li>Assessed the adequacy of disclosure of the estimate in the financial statements.</li> </ul> <p>No issues have been identified at the time of writing this report, however, our work remains in progress and are therefore not able to conclude our overall assessment.</p>	Light purple

### Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<b>Net pension liability – £70m</b>	<p>The Council's net pension liability at 31 March 2022 is £70m (PY £75m) comprising the Devon Pension Fund Local Government funded defined benefit scheme. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £11m net actuarial gain during 2021/22.</p>	<p>At the time of writing this report our work on this risk remains in progress. We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>Assessed management's expert to ensure suitably qualified and independent,</li> <li>Assessed the actuary's roll forward approach taken,</li> <li>We have used PwC as auditors expert to assess actuary and assumptions made by actuary. The table below summarises where Mid Devon District Council fall in the acceptable ranges set by PwC:</li> </ul> <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>2.6%</td><td>2.55% - 2.60%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>3.2%</td><td>3.05% - 3.45%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>4.2%</td><td>1% above CPI of 3.20%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>Current 24 Future 22.7</td><td>Current 21.9-24.4 Future 20.5-23.1</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>Current 25.4 Future 24.0</td><td>Current 24.9–26.4 Future 23.4-25</td><td>●</td></tr> </table> <p>We are currently:</p> <ul style="list-style-type: none"> <li>gaining assurance over the completeness and accuracy of the underlying information used to determine the estimate,</li> <li>gaining assurance over the reasonableness of the Council's share of LGPS pension assets, and</li> <li>reviewing the adequacy of disclosure of the estimate in the financial statements.</li> </ul>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.6%	2.55% - 2.60%	●	Pension increase rate	3.2%	3.05% - 3.45%	●	Salary growth	4.2%	1% above CPI of 3.20%	●	Life expectancy – Males currently aged 45 / 65	Current 24 Future 22.7	Current 21.9-24.4 Future 20.5-23.1	●	Life expectancy – Females currently aged 45 / 65	Current 25.4 Future 24.0	Current 24.9–26.4 Future 23.4-25	●	Light purple
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.6%	2.55% - 2.60%	●																								
Pension increase rate	3.2%	3.05% - 3.45%	●																								
Salary growth	4.2%	1% above CPI of 3.20%	●																								
Life expectancy – Males currently aged 45 / 65	Current 24 Future 22.7	Current 21.9-24.4 Future 20.5-23.1	●																								
Life expectancy – Females currently aged 45 / 65	Current 25.4 Future 24.0	Current 24.9–26.4 Future 23.4-25	●																								

### Assessment

- Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £1.663m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £1.663m, a net decrease of £0.028m from 2020/21.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>Ensured that MRP has been calculated in line with the statutory guidance;</li> <li>Ensured the Council's policy on MRP complies with statutory guidance;</li> <li>Assessed the reasonableness of the increase in MRP charge.</li> </ul> <p>Based on the work completed we concluded that the MRP charge was reasonable and in line with debt held by the Council.</p>	Light purple

### Assessment

- Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - Internal Control

Our work identified no significant internal control issues to report.

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**Assessment**  
● Significant deficiency – risk of significant misstatement  
● Deficiency – risk of inconsequential misstatement

## 2. Financial Statements - matters discussed with management

This section provides commentary on the matters we discussed with management during the course of the audit.

Matter	Commentary	Auditor view and management response
Expected credit loss	<p>The Council is required to consider each year the potential impairment of financial instruments using the expected credit loss model. This is set out in IFRS9.</p> <p>Instruments that fall within the scope of IFR9 for the Council are:</p> <ul style="list-style-type: none"> <li>• Loans;</li> <li>• Trade receivables;</li> <li>• Financial guarantees; and</li> <li>• Lease receivables.</li> </ul> <p>In previous financial years the loans to 3 Rivers Development limited have been impaired by £0.790m.</p> <p>We have discussed with management whether or not this amount remains appropriate given the delays to the St Georges site (against which the original provision was made).</p>	<p>Management have reassessed the likelihood of loan default using scenario planning (based on weighted averages) and have concluded that the original impairment remains appropriate.</p> <p>Although the St Georges site has experienced delays the company's business plan sets out that across the portfolio of schemes profits will be made and as such the risk of default is low.</p> <p>Management will revisit this assessment in each year and will revise this provision accordingly as required.</p> <p>We have reviewed the calculations prepared by the Council and have concluded that the provision is reasonable.</p>



## 2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is appended to this report.

## 2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. All of the requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

## 2. Financial Statements - other communication requirements



### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul> <p>We have noted that the component auditor is proposing to include an emphasis of matter in their audit report in relation to going concern for the subsidiary. This is to draw the readers attention to the reliance of the subsidiary on loans from the Council. We understand that a letter of continued support has been requested from the Council and that this is being provided.</p> <p>We have been discussing the impact of the emphasis of matter on 3 Rivers with management in respect of any potential impact on the Council's overall adoption of the going concern assumption. Although the Council recognise this increases the risk of credit loss at a group level they do not consider it material to the overall adoption of the going concern assumption. We concur with the Council's view that this would not represent a materiality uncertainty in this respect.</p>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>We have nothing significant to report on these matters. A small number of minor changes were made to the draft statements.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters.</p>



# 2. Financial Statements - other responsibilities under the Code

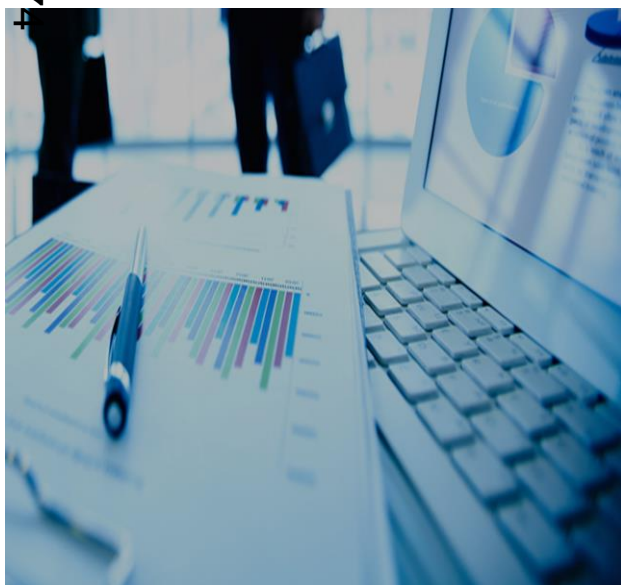
Issue	Commentary
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>No detailed work is required in this area as the Council is below the thresholds set by the NAO.</p>
<b>Certification of the closure of the audit</b>	<p>We intend to delay the certification of the closure of the 2021/22 audit of Mid Devon District Council in the audit report, as detailed in Appendix E, due to incomplete VFM work.</p>

# 3. Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires 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 the three specified reporting criteria.



### 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

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are 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

# 3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 28 February 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risks set out in the table below. Our work on this risk is underway and an update is set out below.

Risk of significant weakness	Work performed to date
<p><b>Financial Sustainability</b></p> <p>In 2021/22 the Council are forecasting a budget surplus of £30k. The Council delivered a small deficit in the 2020/21 of £65k. The Authority's financial statements (2020/21) reported that the usable reserves have increased from £43m to £53m mainly due to the impact of covid funding on the collection fund. There remains financial uncertainty across the sector and the Council have a cumulative budget gap of £2.2m through to 2026/27, £1.7m of which is profiled to impact in 2023/24. In setting a balanced budget for 2022/23 £0.989m New Homes Bonus has been used. This was used to fund capital projects and close the revenue budget gap.</p> <p>In response to this risk we will follow up prior year recommendations, review new savings plans identified to date, and review key assumptions underpinning the MTFP for reasonableness.</p>	<p>Our detailed work in this area is still in progress as well as our follow up of prior year recommendations. The Council's outturn position against its revenue budget for 2021/22 was a surplus of £29k on the general fund and £67k on the HRA. The Council's usable reserves have also increased by £3,416k to £56,745k in 2021/22.</p> <p>The 2022/23 budget was approved at Council on 23 February 2022, with the detailed proposals presented to Cabinet on 1 February 2022. We have carried out a high-level review of the assumptions underpinning both the budget and the medium term financial plan and found them to be reasonable, in the context of the national and global volatility.</p> <p>Despite the Council delivering an in year surplus the financial future remains challenging. This challenge is not one that the Council face alone. The Council's current medium term financial plan shows a budget gap of £2,165k through to 2026/27. There also remains an increasing level of uncertainty around LG finance and in addition the rising levels of inflation. It is therefore crucial that the Council remain focused on maintaining its strong level of reserves and generating cost efficiencies.</p>
<p><b>Group Governance</b></p> <p>The group continues to evolve and as such so do the governance requirements. We raised a number of recommendations in this area in our 2020/21 Auditors Annual Report (and in prior years). Whilst we acknowledge that good progress has been made this remains an area of focus.</p> <p>In response to this risk we will follow up prior year recommendations, review internal audits work in this area, and review the latest business plans and performance monitoring arrangements.</p>	<p>Our work in this area is in progress. We have however completed sufficient work to ensure that there is no potential impact on the financial statements.</p> <p>We continue to have regular catch ups with management that cover group governance. Whilst our work against this risk is not yet complete these discussions have not highlighted significant concerns in relation to group governance.</p> <p>We have reviewed internal audits work and these have not highlighted any potential significant risk areas.</p> <p>We are aware that the latest Business Plan is awaiting approval, once approved we will carry out our review on this version as well as concluding on our follow up of prior year recommendations.</p>

## 4. Independence and ethics

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 and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard 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.

Details of fees charged are detailed in Appendix D.

### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)



# 4. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	5,000 (billed in 2021/22)	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 £62,080 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	17,775 (billed in 2021/22)	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 £17,775 in comparison to the total indicative fee for the audit of £62,080 and in particular is not significant 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

# Appendices

Assessment	Issue and risk	Recommendations
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- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

## B. Follow up of prior year recommendations

We identified the following issues in the audit of Mid Devon District Council's 2020/21 financial statements, which resulted in one recommendation being reported in our 2020/21 Audit Findings report. We are pleased to report that management have implemented this recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Subsidiary Company audit requirement</p> <p>The Companies Act provision in s479 highlights that the small company audit exemption cannot be taken by a company when the company is part of a group who are above the small company threshold.</p> <p>We identified that the Council's subsidiary company does not have audits undertaken.</p> <p>We therefore recommended that management arrange for an audit to be undertaken on their subsidiary company.</p>	<p>This recommendation was accepted by management and as part of our procedures we have confirmed that there is now an appointed auditor for the company.</p> <p>The appointed auditor is Simpkins Edwards LLP. We have included more details on our 2021/22 work in this area within the group section of this report.</p>

### Assessment

- ✓ Action completed
- X Not yet addressed

# C. Audit Adjustments



## Impact of unadjusted misstatements

At the time of writing this report there are no unadjusted misstatements to bring to your attention. There were also no unadjusted misstatements noted as part of our 2020/21 audits.

# C. Audit Adjustments

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Overstatement of deferred tax asset in 3 Rivers Development Ltd accounts	492,000	(492,000)	492,000
Increased provision for loss on St George's development in 3 Rivers Development Ltd accounts	222,134	(222,134)	222,134
<b>Overall impact</b>	<b>714,134</b>	<b>(714,134)</b>	<b>714,134</b>

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Adjusted?
Our work noted that the Council have included in their Audit Fee disclosure the values that have been billed plus estimated costs for additional fees. This was based on the information provided at the time of producing the draft financial statements. We have noted some minor adjustments to this note. The audit fees payable for certification was adjusted from £20k to £23k. This is the amount billed for certification in 21/22. We also requested that the Council add a narrative disclosure to clarify that the Audit Fee relating to 2021/22 is £62,080.	✓
Our work identified that the Grant Income comparator did not agree to PY audited accounts. £168k identified in 21/22 relates to 20/21 and has been restated in the accounts. Since the balance is not material, restatement needed to be reversed from the note comparator and included in the current year (21/22) income. Prior Period adjustments are only allowable by the Code where they are material.	✓
During the course of the audit a number of small disclosure amendments were made to the financial statements, and Annual Governance Statement. These have not been reported separately due to their insignificant nature.	✓

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

# D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services

Audit fees	Proposed fee	Final fee
Council Audit	62,080	62,080
Total audit fees (excluding VAT)	£62,080	£62,080

Due to the late communication of the proposed 21/22 audit fee the audit fee included in note 14 of the financial statements does not agree to the value set out here and set out further on the following page.

The amounts included in the financial statements are the amounts billed in plus estimated additional charges.

The Council have inserted a disclosure note clarifying that the Audit Fee for 2021/22 is £62,080.

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Non-audit fees for other services	2020/21	Proposed fee 2021/22	Final fee
Audit Related Services			
Certification of Housing Benefits	£17,775	£11,500 *	TBC
Certification of Pooling of Housing Capital Receipts	£5,000	7,500	TBC
Total non-audit fees (excluding VAT)	£22,775	£19,000	TBC

\* The fee quoted for Housing Benefits is the base fee and additional fee will be charged based on any extended testing required.

# Audit fees – detailed analysis - Council

Scale fee published by PSAA	£39,729
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Increased challenge, complexity and lower materiality	£3,125
Enhanced audit procedures for Property, Plant and Equipment including our own audit expert	£688
Enhanced audit procedures for Pensions	£688
Group audit	£3,750
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs	£5,100
<b>Recurring Audit fee 2020/21</b>	<b>£62,080</b>
Infrastructure	-
Remote Working*	-
Additional fee 2021/22	-
<b>Total audit fees (excluding VAT)</b>	<b>£62,080</b>

\*The pandemic has led to considerable changes to how we all work and how we have carried out our audits over the last two years. Many local authorities are exploring new ways of working to support its officers, through use of remote and hybrid working environments. We see the positive benefits this can bring to the Council, and its workforce, both in providing more flexibility and reducing its environmental impact. Whilst there are many efficiencies to remote working, having the ability to work together with officers face to face in conducting our audit work provides many advantages to the timely progression of the audit; both in minimising inefficiencies in gathering audit evidence, and in discussing key issues with officers and resolving and concluding outstanding queries.

At the planning stage we were proposing an additional remote working charge of £5,000. This was where we were unable to work on site. For Mid Devon District Council this charge does not apply as we were able to work on site where needed.



# E. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the group with an unmodified audit report

Independent auditor's report to the members of Mid Devon District Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Mid Devon District Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Deputy Chief Executive (S151) use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Deputy Chief Executive (S151)'s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

# E. Audit opinion (continued)

In auditing the financial statements, we have concluded that the Deputy Chief Executive (S151)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Deputy Chief Executive (S151) with respect to going concern are described in the 'Responsibilities of the Authority, the Deputy Chief Executive (S151) and Those Charged with Governance for the financial statements' section of this report.

## Other information

The Deputy Chief Executive (S151) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

## Opinion on other matters required by the Code of Audit Practice

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

## Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

## Responsibilities of the Authority, the Deputy Chief Executive (S151) and Those Charged with Governance for the financial statements

As explained in the Statement of 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). The Deputy Chief Executive (S151) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Deputy Chief Executive (S151) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# E. Audit opinion (continued)

In preparing the financial statements, the Deputy Chief Executive (S151) is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014,

- We enquired of senior officers and the Audit Committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- the Accounts and Audit Regulations 2015 and the Local Government Act 2003. We also identified the Local Government and Housing Act 1989, and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, accounting estimates and critical judgements made by management.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Deputy Chief Executive (S151) has in place to prevent and detect fraud;
  - journal entry testing, with a focus on unusual transactions;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

# E. Audit opinion (continued)

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's and component auditors'.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - **the provisions of the applicable legislation**
    - **guidance issued by CIPFA, LASAAC and SOLACE**
    - **the applicable statutory provisions.**
- In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

# E. Audit opinion (continued)

## Responsibilities of the Authority

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

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

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

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

Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

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

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

We cannot formally conclude the audit and issue an audit certificate for Mid Devon District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,

the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

## Use of our report

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

Peter Barber, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date:



# F. Management Letter of Representation

Grant Thornton UK LLP  
2 Glass Wharf  
Temple Quay  
Bristol  
BS2 0EL

[Date]

Dear Sirs

Mid Devon District Council

Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Mid Devon District Council and its subsidiary undertaking, 3 Rivers Developments Limited for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## Financial Statements

We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering 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 estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

Except as disclosed in the group and Council financial statements:

- there are no unrecorded liabilities, actual or contingent
- none of the assets of the group and Council has been assigned, pledged or mortgaged
- there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

# F. Management Letter of Representation (continued)

We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

The financial statements are free of material misstatements, including omissions.

Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

- the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements.

We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

## Information Provided

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
- additional information that you have requested from us for the purpose of your audit; and
- access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

We have communicated to you all deficiencies in internal control of which management is aware.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

# G. Audit letter in respect of delayed VFM work

Dear Chair of the Audit Committee

VFM Reporting 2021/22

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our 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.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 28 February 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Peter Barber

Director



# Delivering audit quality

Audit quality is at the heart of what we do. It's something we're proud of. It's our focus – and highest priority. The latest FRC findings are evidence of this:

Page 293

We're the first firm to ever be awarded the highest quality grading for 100% of files reviewed

For the second consecutive year we have the highest proportion of audits with the top-quality grades out of the seven largest auditing firms

You'll be working with a firm who focus in the right areas:



Quality Control Systems and Engagement Level



Review Team



Technical Support



Client Feedback



Clear approach to concluding key accounting matters

## Driving audit quality – today, tomorrow, beyond

Our annual Transparency Report, [accessible here](#), sets out how we drive audit quality in the UK and the Global Transparency Report, provides an overview of how member firms are expected to consistently deliver high-quality audits.

We continuously evolve our audit practice, so we deliver quality against the backdrop of continually evolving scrutiny and challenge, whilst ensuring we exceed client stakeholder expectations.

Our commitment to quality, includes us continuing to:

- hold ourselves accountable. It's what our Audit Quality Board, with external audit experts, does
- challenge ourselves. It's why we have a continuous improvement approach focussed on how we can be even better year on year, in technical skills, project management skills, digital, culture, and working as effectively as possible with you
- invest, significantly. It's why we have centres of excellence and an Audit Quality Academy, and have grown and developed our IT audit and Digital Audit Technology practices

## External monitoring – a proven track record

[Click here](#) to see the Financial Reporting Council (FRC) latest inspection report into our firm, published on 20 July 2022.

The graph below shows Grant Thornton is the only firm to have all files reviewed in the highest quality grading bracket awarded (“Good or limited improvements required”).

*“We choose where to focus our resources and attention. It's why we will only work with businesses like you, who share our commitment to quality, a passion for excellence and where we are sure that we can deliver a top-quality client experience.”*

Fiona Baldwin

Partner, UK Head of Audit

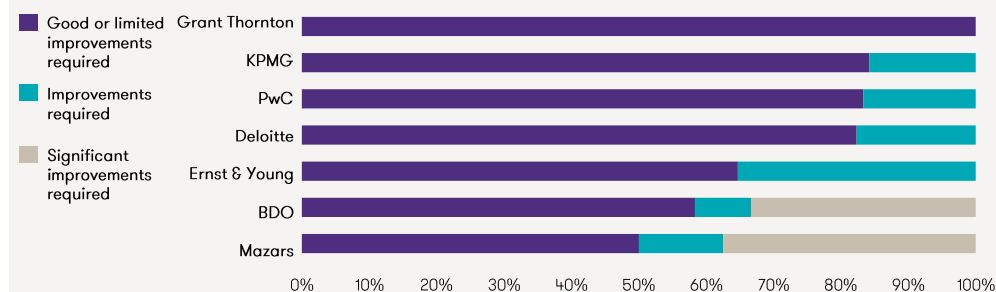


## We are immensely proud of the “good practice” areas highlighted by the FRC:

- Detailed reporting and effective communication with Audit Committees
- Robust challenge and scepticism to Management's accounting around complex areas, particularly around impairment and journals
- Discussions with those outside of the finance team to provide broader audit evidence and insight

In our recent reports, our internal use of specialists and approach to use of data analytics has also been highlighted by the regulator; both of which remain integral to the success of our results and approach to quality.

## FRC's Audit Quality Inspection and Supervision Report Findings 2021-22 (%), July 2022



# Delivering audit quality – proven success in regulatory inspections

The Financial Reporting Council (FRC) published the findings of its annual Quality Inspection of our firm, alongside the six other ‘Tier One’ auditing firms in the UK, on 20 July 2022.

## Our results

We’re the first firm to ever be awarded the highest quality grading for 100% of files reviewed

For the second consecutive year, we have the highest proportion of audits with the top-quality grades out of the seven major firms

[Click here](#) to see FRC’s latest inspection report into our firm. The graph to the right shows Grant Thornton is the only firm to have all files reviewed in the highest quality grading bracket awarded (“Good or limited improvements required”).

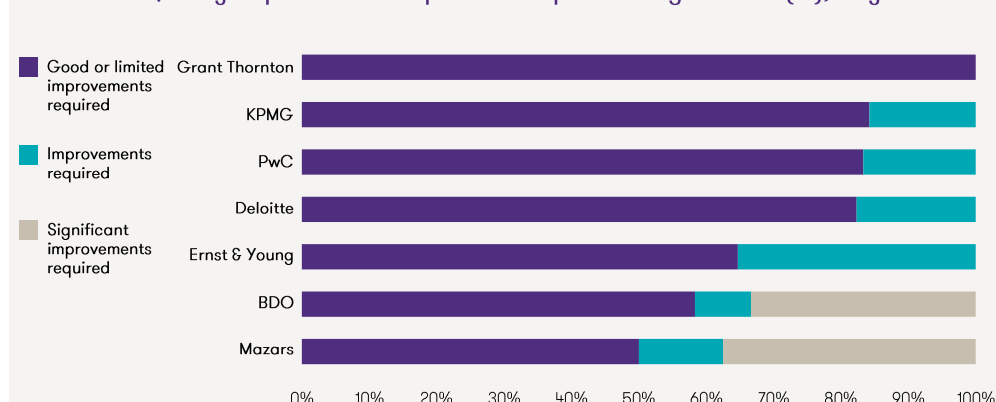
## Continued commitment to audit quality

We continuously evolve our audit practice, so we deliver quality against the backdrop of continually evolving scrutiny and challenge, whilst ensuring we exceed client stakeholder expectations. The past two FRC inspection results are evidence of this.

### Our commitment to quality, includes us continuing to:

- **hold ourselves accountable.** It’s what our Audit Quality Board, with external audit experts, does
- **challenge management.** It’s part of our approach – to robustly explore areas that are complex, significant or highly judgmental, for example, certain accounting estimates, going concern evaluations, revenue recognition and other such areas
- **challenge ourselves.** It’s why we have a continuous improvement approach focussed on how we can be even better year on year, in technical skills, project management skills, digital, culture, and working as effectively as possible with you
- **invest, significantly.** It’s why we have centres of excellence and an Audit Quality Academy, and have grown and developed our IT audit and Digital Audit Technology practices

FRC’s Audit Quality Inspection and Supervision Report Findings 2021-22 (%), July 2022



## What has the FRC said about us?

Our firm is immensely proud of the “good practice” areas highlighted by the FRC:

- Detailed reporting and effective communication with Audit Committees
- Robust challenge and scepticism to Management’s accounting around complex areas, particularly around impairment and journals
- Discussions with those outside of the finance team to provide broader audit evidence and insight

In our recent reports, our internal use of specialists and approach to use of data analytics has also been highlighted by the regulator; both of which remain integral to the success of our results and approach to quality.



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Grant Thornton UK LLP  
 2 Glass Wharf  
 Temple Quay  
 Bristol  
 BS2 0EL

24 January 2023

Dear Sirs

**Mid Devon District Council**  
**Financial Statements for the year ended 31 March 2022**

This representation letter is provided in connection with the audit of the financial statements of Mid Devon District Council and its subsidiary undertaking, 3 Rivers Developments Limited for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering 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 estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the group and Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
  - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

- xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xvi. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

**Information Provided**

- xvii. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

- xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

- xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 24<sup>th</sup> January 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Council**



## AUDIT COMMITTEE 24 JANUARY 2023

### PROCUREMENT PARTNERSHIP

**Cabinet Member(s):** Cllr Bob Deed – Leader and Cabinet Member for Finance  
**Responsible Officer:** Andrew Jarrett – Deputy Chief Executive (S151)

**Reason for Report:** To introduce the draft new Procurement Strategy covering the period 2023 to 2027.

**Recommendation:** Audit Committee are recommended to review the draft Procurement Strategy and recommend it for approval by Cabinet.

**Financial Implications:** Procurement is a critical element of service delivery, with strict regulations in place to ensure Value for Money is delivered. The Council spends multiple millions per year on goods, services and works.

**Budget and Policy Framework:** Procurement has a critical role to play in delivering strategic objectives, innovation and improving the overall quality of services delivered to the public.

**Legal Implications:** The Council must adhere to the EU Public Procurement Regulations for above threshold spend. Below threshold procurements will adhere to Public Procurement Notices and the Council's own financial regulations.

**Risk Assessment:** The EU Public Procurement Regulations are due to be replaced during this calendar year. There is a risk that this could outline different requirements which would necessitate an update to this Strategy.

**Equality Impact Assessment:** No implications arising from this report.

**Relationship to Corporate Plan:** Procurement has a critical role to play in delivering strategic objectives, innovation and improving the overall quality of services delivered to the public.

**Impact on Climate Change:** No direct implications arising from this report. However with the investment required, Procurement will be a key element in the delivery of climate change.

#### 1.0 Introduction/Background

- 1.1 The current Procurement Strategy covered the period 2019 to 2022 and was a joint strategy adopted by the District Council's across Devon. Following MDDC joining in partnership with Devon County Council (DCC) it is more appropriate to align with Devon's strategy. Therefore this closely follows DCC's recently adopted strategy and sets out the procurement priorities for 2023 to 2027. The aim is to ensure that our procurement function is best able to support the Council and be compliant with all applicable legislative requirements.

## 2.0 **2023 – 2027 Procurement Strategy**

- 2.1 The proposed strategy is attached in Appendix 1.
- 2.2 MDDC's procurement approach is informed by the National Procurement Strategy and local influences such as the Council's Corporate Plan, Service Business Plans, local economy considerations and reinvestment, the wider supply market, the national procurement strategy and legislative framework.
- 2.3 The draft strategy covers a number of strategic themes. They interrelate as a balance of considerations, are not in order of priority nor are they exhaustive. These themes will be promoted across services through the procurement approach and performance will be monitored for continuous improvement.
- 2.4 In partnership with Devon Procurement Services this strategy will support the council to deliver high quality procurement that delivers value for money and is compliant with legislation.

## 3.0 **Conclusion**

- 3.1 It is recommended that Audit Committee recommend approval of the attached Strategy.

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Circulation of the Report: Cllr Bob Deeb, Cabinet, Leadership Team



# Procurement Strategy 2023 – 2027

**Mid Devon District Council**

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[www.middevon.gov.uk](http://www.middevon.gov.uk)

# Foreword

## Our Vision for Mid Devon

Through innovative and effective procurement and effective selection and management of third-party relationships, we will obtain best value on all goods and services required by the Council, which in turn makes a difference to our services and locality and helps make lives better.

At Mid Devon District Council, we recognise that our spend on the procurement of goods, works and services has a major impact on many aspects of life in the district. This includes the environment, social factors and local economic development. This can be particularly important to those local businesses and the voluntary and community sector which form part of our supply chain. Wherever it supports achieving the best value for money, we wish to encourage our local economy and work with our public, private and voluntary sector partners to deliver services.

In a post Brexit and Covid-19 world, we aim to stimulate our local economy and help local businesses work with the Authority through tender opportunities, and promote training/engagement opportunities to ensure our supply chain is ready to bid for work with the Authority and wider region.

This strategy covers all areas of Council third party expenditure, including capital expenditure and major projects such as the investment in high quality affordable housing and our commitment to become carbon neutral by 2030. It draws from the National Procurement strategy for Local Government in England and provides a local interpretation of key themes from a procurement perspective.

The Council's services are advised and supported by a procurement partnership with Devon County Council, and therefore this strategy and related policies align closely. We have access to a large, well-established and respected Procurement Team comprising of experienced, highly skilled and committed people across six relevant categories of service/expenditure.

Delivery of this strategy will be challenging for the Council, with fewer resources available and likely significant change to regulations following Brexit. However we are committed to delivering our objectives, providing high quality and sustainable services and creating an environment where communities and businesses can flourish and grow together.

**Cllr Bob Deed**  
**Cabinet Member for Financial Services**

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# Introduction

Welcome to Mid Devon District Council's procurement strategy for 2023 and beyond. The strategy complements the Local Government Association National Procurement Strategy, highlights a range of priorities for the Authority's procurement approach, and utilises the skills of the Devon Procurement Services to enable the Council's services to deliver high quality, mitigate risks and comply with public sector procurement legislation.

Procurement concerns the acquisition of all goods, works and services. The aim of this Procurement Strategy is to set a clear framework for procurement throughout the Council which reflects the Council's Corporate Plan and provides a framework for securing value for money within the regulations.

Procurement is a facilitator through which diverse considerations and objectives are drawn together to form a practical approach. This programme has been developed to support all areas of the Authority's activity in a joined-up way, bringing significant added value to our aim of providing the best possible service for Mid Devon's residents and communities.

Our procurement approach supports the organisation's core purpose and contributes to continual evolution. The procurement function is about far more than just competition and compliance; it is an expansive, value adding system which supports alignment of purpose and overall public value.

This procurement strategy links with the LGA National Procurement Strategy and brings together key considerations. This links into the Authority's wider objectives, many of which are highlighted within. Naturally as our landscape continually changes, the strategy will be updated periodically to reflect today's evolving environment.



# The Authority Context

Mid Devon District Council serves a rural location covering an area of 353 square miles (914 km<sup>2</sup>) in the agricultural heartland of Devon, between Dartmoor, Exmoor and the Blackdown Hills. More than half the population of some 82,000 people is scattered in villages in the rural hinterland, with the balance divided between the three main towns of Tiverton, Cullompton and Crediton.

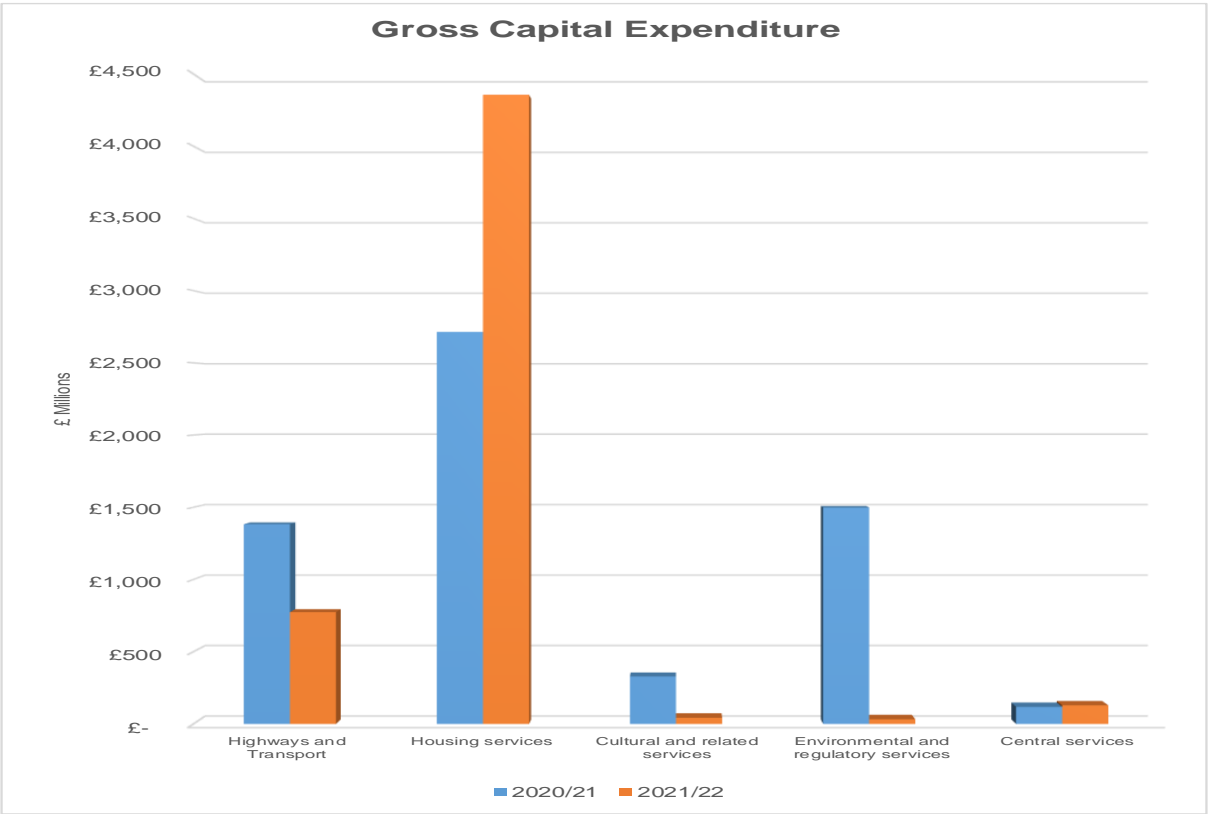
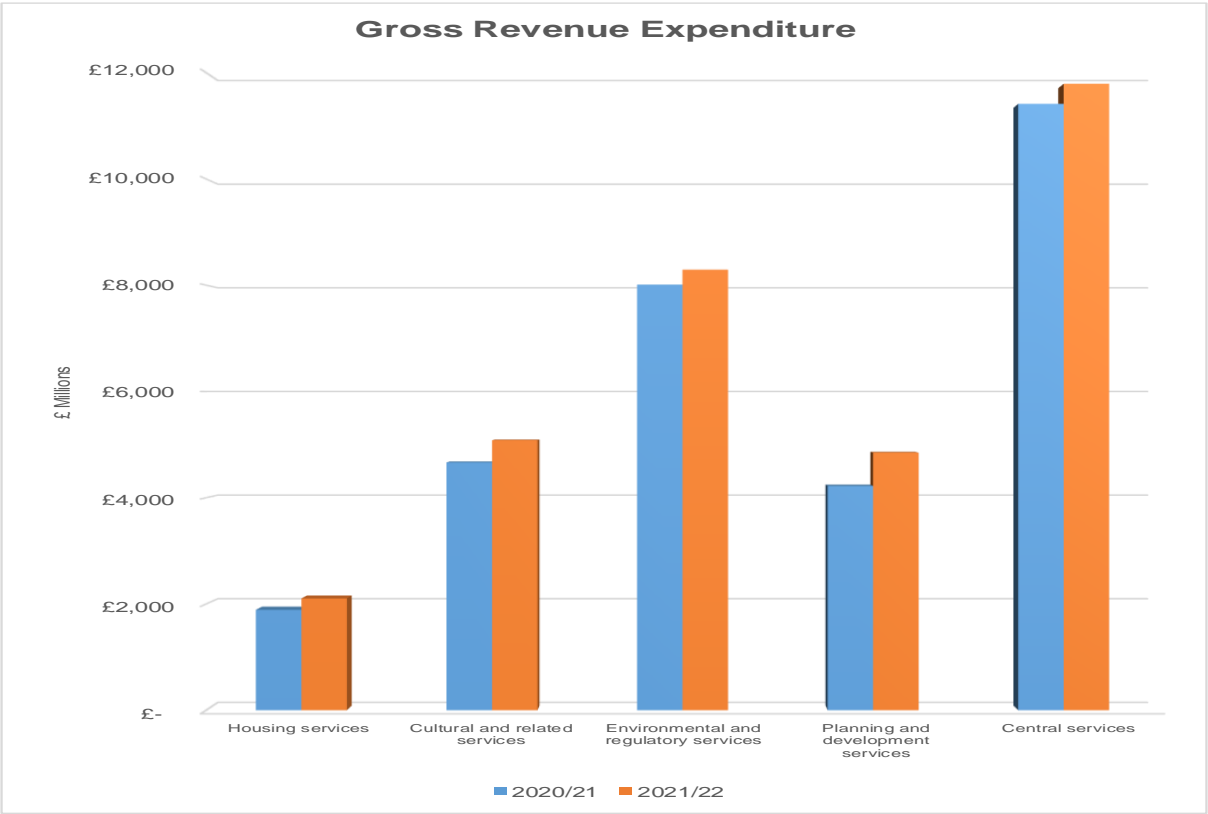
While it is the 23rd-largest district council in England by area, it is also the 34th-smallest by population. Our main offices lie to the north of the city of Exeter, one of the most rapidly expanding economies in the country, and as a district council Mid Devon has sought to maximise this opportunity by delivering quality growth in a high-quality environment.

As a district council, we are responsible for providing services such as Housing, Leisure and Cultural services, Environmental and Regulatory services, Waste Collection and Planning Services. Also as a billing authority, we are also responsible for the collection and administration of Council Tax and Business Rates income on behalf of those that levy it.

The Council applies a variety of different service delivery models across its operations including an increasing number of Joint Ventures and partnership operations. This utilises single / multiple provider frameworks and contracts, use of small Lots, local, and sometimes regional frameworks.

Mid Devon District Council is a progressive council committed to providing high quality and sustainable services, creating an environment where communities and businesses can flourish and grow together.

The Council spends significant sums on delivering services for its communities and residents across its capital and revenue workstreams. The charts below illustrate the value of spend across various categories. Over the timeframe of this strategy, the Council will be investing in further quality social and affordable housing and in reducing our carbon footprint.





# National Procurement Strategy for Local Government in England

The Local Government Association (LGA) has published the National Procurement Strategy for Local Government in England. The strategy outlines three Priority Themes and five 'Enablers' for Local Government procurement in coming years.<sup>1</sup>

The LGA national strategy highlights these themes and invites Authority's to develop their own approach linked to them. The strategy themes are illustrated below and are available via:

<https://www.local.gov.uk/publications/national-procurement-strategy-local-government-england-2022>

Mid Devon District Council's procurement strategy links these themes with local priorities, forming our procurement approach.



<sup>1</sup> Source: National Procurement Strategy for Local Government in England

# Procurement Strategy

Below are the key procurement themes. The Authority's procurement strategy closely links these themes with local priorities, to form our overall procurement approach. The approach works in line with organisational objectives and the National Procurement Strategy, and will develop over time. These themes will be promoted across services through the procurement approach and performance will be monitored for continuous improvement.





## Support Strategic Objectives

**Procurement is an enabler which supports the Authority's objectives.**

### Our priorities include:

#### Procurement awareness

- Understand how procurement can help in the delivery of the Council's aims and objectives.
- Maintain excellent procurement links with the Authority's Senior Managers and Budget Holders.

#### Support future service design

- Early procurement involvement in service planning.
- Promote stakeholder input to support efficient and effective service design.
- Consult service providers to build supply market skills into service design.
- Support Service delivery and decision making.



#### Support daily activities

- Support daily operations across the Authority's business.
- Promote procurement support for public sector partnerships and income generation / cost recovery to support partners as appropriate.

#### Continuous learning

- Identify continuous learning opportunities and share knowledge widely.
- Undertake support and challenge to enable effective decisions.

#### Promote equality and diversity objectives

- Work with services to ensure equality and diversity considerations are central to the procurement approach, helping build a society where everybody can thrive.

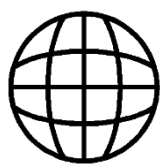
#### KEY MESSAGE

Attuned to organisational strategy with an enabling procurement environment.

01 Promote procurement as an enabler to support the organisation's strategic objectives and daily operations.

02 Lead the Authority in a fair and proportionate procurement approach and enable monitoring through contract duration.





## Global Climate Change

### Mid Devon's climate declaration

**Mid Devon's Climate Declaration is in place along with a Devon Climate Emergency Response Group. Relevant Procurement considerations are part of the Authority's Net Zero Action Group's (NZAG) responsibility which is working in response to the climate emergency.**

This includes working with service providers to reduce the Authority's carbon footprint in line with developing commitments, as part of Mid Devon's Net Zero ambition. It will carefully consider specifications and standards alongside a total lifecycle approach to consider the long-term impact.



Procurement activity will underpin the Authority's climate emergency activities by supporting the sourcing of low carbon alternatives, renewable energy, waste management strategies and climate enhancement initiatives. We will work with services, communities, external partners and supply markets to show leadership, improve standards and enable investments which support environmental sustainability priorities and play our part in tackling the global climate emergency.

We will promote local service delivery, reduce road miles, help de-carbonise the supply chain and support opportunities for local supply in our procurement approach.

#### KEY MESSAGE

Our procurement approach will underpin the Authority's Climate Change Action Plan

- 01 We will proactively support procurement for climate emergency activity.
- 02 Work with services across the Authority to reduce the carbon footprint including supply chain carbon reductions.





## Social Value

### “Social Value drives everything”

**Unlocking social value promotes the improvement of economic, social, and environmental wellbeing, and our work must prioritise the things that bring value. Our approach includes:**

- Creating opportunities in line with the Social Value Act 2012.
- Implementing a social value matrix to maximise Social Value opportunities when planning procurement activity.
- Ensuring social value considerations are proportionate with the size, scope and nature of procurement activity.
- Working in line with good practice approaches such as the national social value framework.
- Ensuring Social Value is considered upfront in all procurement approaches as appropriate (e.g. quality criteria, specifications, design of route to market and contract evolution through its lifecycle).
- Social Value Championing ensuring wide engagement.
- Supporting local social value creation events.
- Promoting Social Value across all our collaborative procurement forums and contributing towards further development of shared social value frameworks with other local authorities.



#### KEY MESSAGE

Social value drives everything.

- 01 Our approach will prioritise the overall value ahead of the cost.
- 02 We will ensure Social Value considerations are built centrally into the planning of all procurement activity.





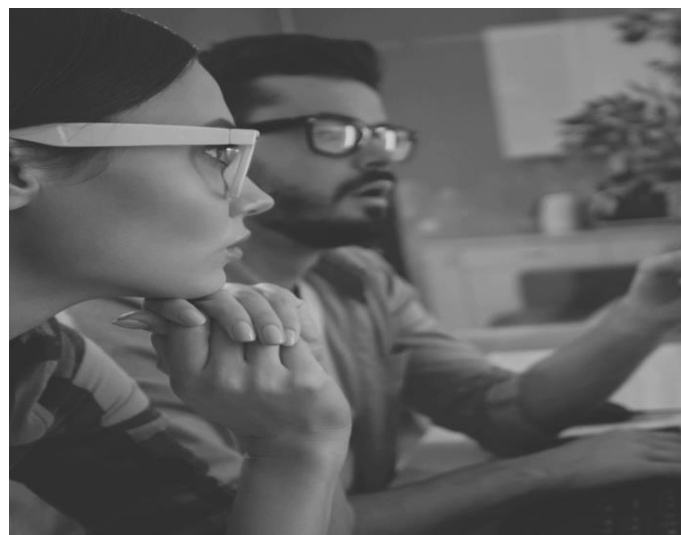
## Prioritise Local Economic Development & SMEs

**Mid Devon's organisational strategy emphasises local economic wellbeing. The Authority's Procurement Strategy aims to prioritise opportunities for local suppliers, Small and Medium-sized Enterprises (SMEs) and Voluntary Community and Social Enterprise (VCSE) when planning the procurement approach and that applying to do business with the Authority is as streamlined as possible.**

We recognise that engaging local SME's and VCSE's is a powerful means to support the local economy. This brings a multiplier effect through which local service providers can upscale, create and sustain local jobs, invest in personnel, generate local economic growth, social stability, be agile and support innovation.

Service providers working within their localities bring an unrivalled appreciation of local considerations. Their contribution is tireless, and they are able to direct their operations in line with fast changing local priorities. We are mutually reliant on their success.

We recognise VCSE's can play a critical role in local communities and look to build suitable opportunities into our approach when planning procurements.



## The Authority's approach includes:

- Applying an SME / VCSE engagement strategy for specific contracts, designing services at an appropriate scale to support engagement and attending local 'Meet the Buyer' events.
- Approaching the competitive process in a practical way, with procedures and templates proportionate to each procurement – with early market engagement, appropriate routes to market and small Lots.
- Promoting the 'Multiplier effect', whereby £1 spent locally is multiplied many times over through the local economy. As organisations gain turnover, they can upscale and invest, gain resilience and support sustainable services and communities.
- SME / VCSE use of e-procurement systems including a common system across local procurers.



- Using Dynamic Purchasing Systems to support SME engagement.
- Utilising VCSE sector for insights into local community requirements and support service design, with community engagement in service development.
- Building Social Value when planning all our procurements: consider breaking down opportunities into smaller lots, ensuring SME's and VCSE's have good opportunity to bid.
- Ensuring fair payment and other positive practices flow through the supply chain.
- Improve the monitoring of spend with local SME's/VCSE's.
- Considering how 'Tail spend' is managed and ensure it is not just the high profile spend areas which attract due attention.
- Recognise how local supply chains contribute to the Local Economic Multiplier effect.

#### KEY MESSAGE

Local supply is key for sustainable services and economic wellbeing. We will promote opportunities for local community and partnership engagement.

- 01 Ensure wherever possible we create opportunities for small to medium-sized enterprises and the voluntary/ community sector.
- 02 Promote and prioritise local economic development across our procurement engagement and delivery.
- 03 Ensure we are easy to do business with and always take a proportionate approach.





## Client of Choice,

**Service providers have choices around which clients to prioritise, and to secure the best outcomes for the people of Mid Devon our approach must enable us to be client of choice.**

This includes being practical and consistent in our approach, transparent and diligent and communicating well. This requires early planning, market communications, risk allocation, meeting our commitments and holding to our principles.

We plan procurements to accommodate SME's and VCSE's, use small Lots as appropriate and build contracts of sensible scale. Supporting measures include prompt payment, avoiding onerous contract terms, meeting our timescales, good implementation planning and quality relationship management.



## Ease of Doing Business

**Procurement can sometimes feel complex due to many competing priorities. Therefore, we take a proportionate approach and work transparently.**

Working with the SW Regional Procurement Board we support the uptake of e-tendering. This ensures our suppliers have a common system to embrace opportunities from SW public bodies, as a joined up supply side experience which promotes ease of doing business.



## Transparency

**Mid Devon District Council works transparently. We ensure our operations are well structured, logical and predictable, and that our procurement procedures are transparent, practical and easy to engage with.**

The Authority supports the transparency regime and publishes details of all spending over £500 via this link:

[Payments to suppliers - MIDDEVON.GOV.UK](https://middevon.gov.uk/payments-to-suppliers)

The team supports information enquiries from the public, many of which link to MDDC's contractual arrangements, a link to the Authority's published Access to information responses can be found here:

[Access to information - MIDDEVON.GOV.UK](https://middevon.gov.uk/access-to-information)

Our contract register and opportunities to work with us can be found here:

[Current contract opportunities - MIDDEVON.GOV.UK](https://middevon.gov.uk/current-contract-opportunities)

### KEY MESSAGE

We will be a client of choice. In meeting our obligations, we prioritise purpose over process.

01 Openness, transparency, fairness, sustainability, resilience, equality and democracy







## Contract Management and Performance Regime

**Contract management is vital to service performance. It supports overall service quality, value for money, promotes continual innovation, agility and flexibility, supports early intervention and encourages collaborative service development.**

As the Authority's financial resources are stretched ever further, the importance of contract management grows. This requires clear objectives and measurement of what's important to people. We take a proportionate approach to contract management ensuring considerations of strategic, political and citizen importance are within the performance regime.

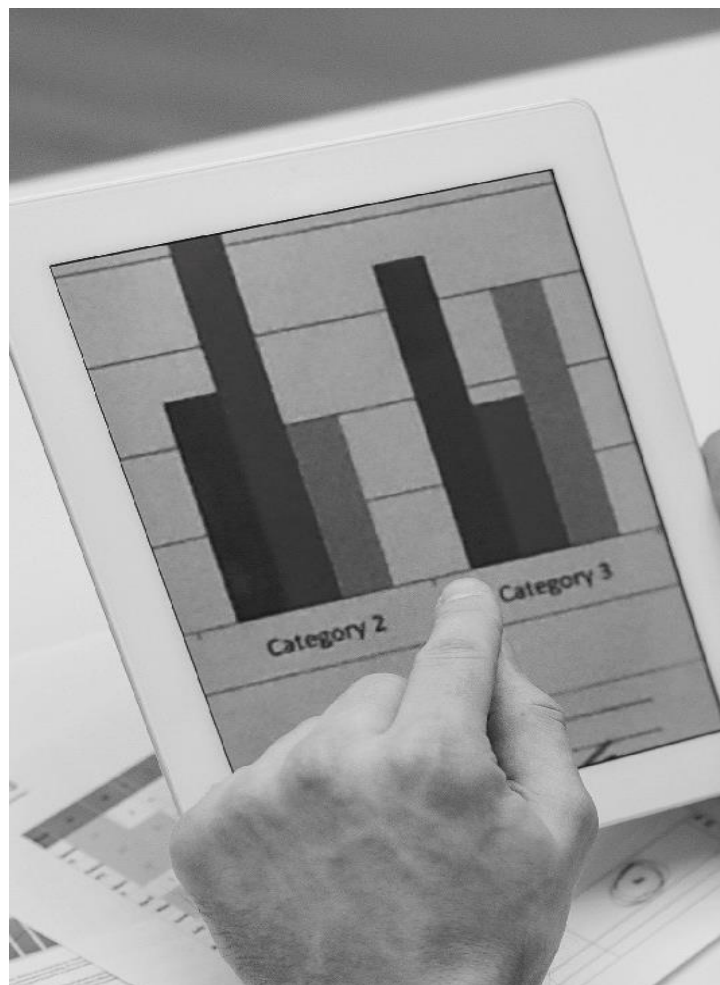
Contract management focuses service delivery on quality performance, making efficiencies and achieving cost reductions, increasing social value opportunities, decreasing environmental footprint, mitigating risks, increasing resilience and harnessing continuous innovation and change.

### **Our priorities for contract management include:**

- 01 Working with strategic suppliers via supplier relationship management.
- 02 Collaborative framework management and focus sessions.
- 03 Promoting supply chain opportunities through 'Meet the Buyer' events.
- 04 Performance monitoring of suppliers. Measures include financial resilience, service quality and continuity, modern slavery, carbon footprint and early problem resolution. Ensuring all parties are held mutually to account.



- 05 Sharing supply side intelligence with partners to support joined up public service.
- 06 Enabling services to fulfil governance and control over provider performance through good measurement and reporting. Ongoing performance reviews and meetings.
- 07 Promoting visibility of potential risks and ability to mitigate these to avoid underperformance / disaster with early intervention (e.g. inclusion of “Termination on Insolvency, Change of Control, and Breach of Warranties” clause)
- 08 Understanding market development opportunities, innovation and value creation; ensure contract agility and continual development
- 09 Post contract review meetings and lessons learned sessions including exit strategy
- 10 Maintaining the contracts register and supporting services in identifying procurement risks and opportunities.



#### KEY MESSAGE

We need to understand what's important to people.

- 01 Support services to develop contractual arrangements that facilitate effective contractual relations.





## Value for Money and Benefits Realisation

**Our services prioritise value for money and our supply competitions include specific criteria which identify the critical success factors for each opportunity. We optimise the performance of our contracts and prioritise value for the people of Mid Devon. We promote service quality and lifecycle value with performance, sustainability and longevity in mind.**

Procurement activity requires the highest standards of probity, transparency and fair competition. This includes adherence to the Authority's Code of Business Conduct and strategic procurement good practice and operating procedures.

Further details can be found in the procurement documents we publish for each competitive process and the wider considerations outlined in this strategy.





## Commercialisation and Working Efficiently

**As government funding changes, we increasingly rely on sustainable models which promote service outcomes in the best possible way. This includes the following approaches:**

- Income generating / cost recovery through procurement services for other public bodies.
- Developing ideas for further cost reductions and revenue generation opportunities.
- Maximising commercial attractiveness by aggregating requirements if appropriate.
- Bringing innovative ideas for service delivery (e.g. creation of trading services).
- Utilising frameworks and dynamic purchasing systems for operational efficiency.
- Engaging and researching the market for up-to-date intelligence.
- Developing documentation for each competition to ensure opportunities are attractive for the market and include innovation and value creation.



### KEY MESSAGE

Value is at the centre of everything we do.

- 01 We will consider income generation / cost recovery opportunities with a good organisational fit, which enable us to support partners and promote joined up public services.
- 02 Investing in our team will enable us to support our own financial sustainability, continuously develop our skills base and maintain our strategic procurement offer.





## Risk Appetite and Risk Management

**The Authority has complex services for which innovation and transformation comes as standard, which requires risk appetite to pursue our objectives. This demands balance between the benefits of innovation and the risks this can carry.**

Risk management is important to our activities and is part of good governance. Risks are identified and made transparent, with mitigations considered and implemented within the contract management approach. This also requires that risks are appropriately apportioned through our contracts and sit with whichever risk owners are best placed to manage them.

This ensures service providers do not take on inappropriate risk and then build risk allocations into their proposals; we can then provide better assurance and reduce costs in the system.

### Our approach includes the following:

- Procurement and Services collaboratively designing contract specifications to include risk identification and mitigation – for example supplier resilience and business continuity.
- Identifying risk ownership and mitigation assurance.
- Reporting and monitoring of suppliers' input and responsibilities.
- Developing and applying suitable terms and conditions for contracts.
- An appetite for innovation.
- External environment monitoring and identifying risk implication and mitigation in relation to strategic contracts.



### KEY MESSAGE

We need a proportionate approach to risk and will maintain a responsible risk appraisal process.

- 01 Procurement will support risk appraisal areas and help identify appropriate ownership and mitigation of risk amongst stakeholders.
- 02 We will create an environment of opportunity and promote innovation.







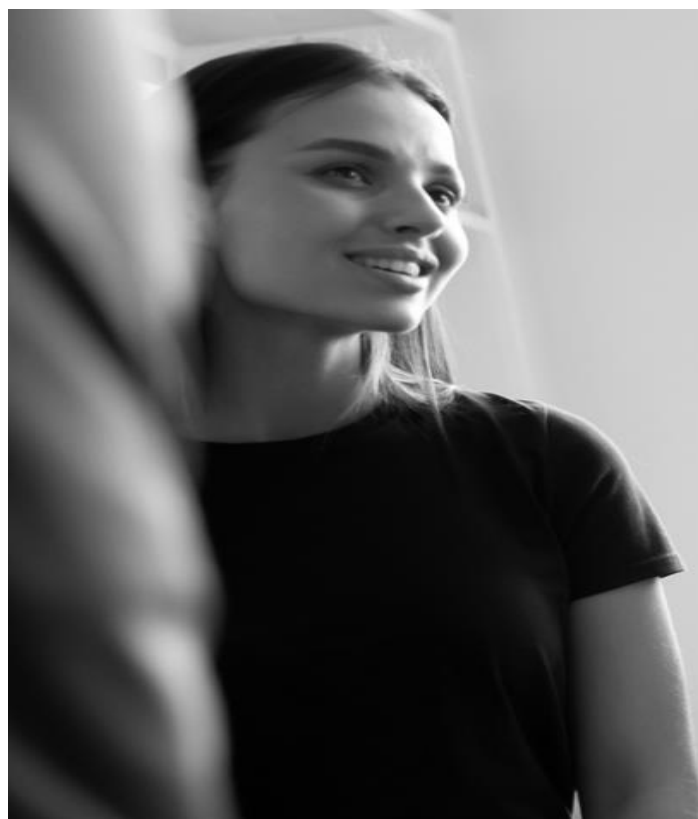
## Workforce Skills Development

**We rely on the skills of our people and all those we work with to run our activities with professionalism, diligence, knowledge, open mindedness, and leadership. We are committed to continual professional development. Through collaboration we have access to procurement professionals who bring unique skillsets, expertise, technical knowledge and offer peer challenge and support.**

We aim for high quality procurement support at all times. This requires continuous development of skills, and competencies, diversity, broad exposure to experience and learning, and cross functional working with services and market areas for knowledge development. This brings exposure to diverse experiences, formal professional development and links to industry forums, partnerships and learning events.

We invest in skills development to evolve our service, improve resilience and link back to our purpose of supporting Mid Devon's communities by providing high quality public service.

We value and embrace diversity at the heart of what we do.



### This includes:

- Linking with HR strategy to encourage workforce development and diverse experiences.
- Identifying leadership / career development opportunities.
- Promoting a management and mentoring approach.
- Cross-matrix working.
- Utilising the apprenticeship programme and opportunities for wider staff development.

### KEY MESSAGE

We invest in our team for continual learning, embrace autonomy and shared purpose.

- 01 Apply a workforce strategy which supports and enables professionals to continually develop their knowledge and make ever greater contributions. Ensure personal accountability and continual learning help.
- 02 We will continuously review opportunities to help our services be more efficient, effective and smart.





## Working with Partners

**Our procurement philosophy is a “one team” approach working with networks to ensure resources are applied efficiently, needs are understood, knowledge is shared, and innovative solutions are implemented.**

We encourage early stakeholder involvement and recognise the value in service co-design, consultation, and working together. We promote early engagement, collaboration, collective intellect and partnership, and recognise that competition can in some cases risk driving out co-operation in service design.

We engage with other local public bodies to uncover benefits which can be derived through collaboration. We also look to community groups, service providers and reference groups to build intelligence and local service knowledge into the planned approach.



### **We see advantages of a collaborative approach being:**

- The avoidance of duplication of effort/resources and working in silos, fostering cooperation across services and with external partners.
- Joined up planning and budgeting processes.
- Strong cross-organisational governance structures
- A cross service project management approach and shared support/resources.
- Greater economies of scale and cost savings

#### **KEY MESSAGE**

We promote collaborations and partnerships which are greater than the sum of the parts.

01 We will look to the big picture in supporting relationships, and consider whether competition or collaboration is the best approach.





## Digital Transformation

**The Authority's strategic procurement system is closely aligned with the digital agenda, working across all our markets to seek opportunities through digital access, using innovation to facilitate change.**

Procurement is a facilitator of change. It supports the Authority's digital ambitions in identifying opportunities for digital change, harnessing opportunities from specialist and innovative service providers.

We will support digital transformation and modernisation opportunities across the Authority, partners, stakeholders and service users to improve quality outcomes, promote wellbeing and efficiency. We will improve citizen experiences, support fitness for the future and transformational change.

Digital opportunities through the procurement approach include:

- Supporting service re-design;
- Enabling agile working and flexibility; and
- Increasing efficiency through use of better devices, hardware and software systems.

### KEY MESSAGE

We will support digital transformation throughout services, reduce waste, automate, digitalise, innovate, transform, simplify and streamline. Ensuring the local community and efficiency is at the heart of what we do.



Cloud commissioning / remote hosting approach:

- Supporting better IT infrastructure;
- Using Data & Business Intelligence;
- Maximising benefit created through technology;
- Innovating; and
- Working to modern e-Government standards including Cyber Security and Information Governance.

- 01 We will seek opportunities for digital transformation across all service areas to improve all areas of our overall public service.







## Utilise the Legal Framework to Best Effect

**We apply the legal framework in an enabling manner which allows us to work fairly, transparently and consistently. Considerations include:**

- Common appreciation of legal considerations Authority wide.
- Staying continuously up to date with the developing public sector legal framework.
- Modern Slavery measures and compliance checks.
- Innovation and consistent approach.
- Information Governance and GDPR measures and compliance checks – collaboration with the Information Governance team.
- Assisting internal stakeholders and external partners in procurement compliance.
- Ensuring ethical trading standards are supported by the supply chain.
- Working within the Authority's Equality and Diversity Policy.
- Considering opportunities available through legislative change such as BREXIT.
- Counter fraud measures and awareness of procurement fraud risk.



## United Against Modern Slavery

**We are united against Modern Slavery and Mid Devon's Modern Slavery statement is available here:**

[Modern Slavery and Human Trafficking Statement 2021-2022 - MIDDEVON.GOV.UK](https://middevon.gov.uk/modern-slavery-and-human-trafficking-statement-2021-2022)

As part of the SW Procurement Board we have a joint approach in which all its members stand united in our commitment to positively contribute to both influencing and supporting the National Procurement agenda across the public sector. We aim to do this by providing a strategic voice with links into national policy, best practice and emerging changes to commissioning, procurement and supplier relationship management.

We can all make a difference.



### KEY MESSAGE

We apply the legal framework in an enabling manner and maximise opportunities from legislative change.

We are united against all aspects of Modern Slavery and will take a unified approach with regional partners.

- 01 We will apply the legal framework to ensure our operations are consistent, practical, innovative and legally compliant.
- 02 Ensure our procurement practises are compliant with all relevant legislation and reflect the latest best practises resulting from case law.
- 03 Work across the Authority and the SW Procurement Board to raise the profile and bring attention to this area.
- 04 Undertake supplier assessments and focus reviews to uncover and eliminate slavery from our supply chains and all areas of activity.



**Website:** [www.middevon.gov.uk](http://www.middevon.gov.uk)

**Email:** [Procurementoffice@middevon.gov.uk](mailto:Procurementoffice@middevon.gov.uk)

