

Audit Committee

Tuesday, 3 December 2024 at 5.00 pm
Phoenix Chambers, Phoenix House, Tiverton

Next meeting
Tuesday, 14 January 2025 at 5.00 pm

Please Note: This meeting will take place at Phoenix House and members of the public and press are able to attend via Teams. 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.

The meeting will be hybrid and an audio recording made and published on the website after the meeting.

[Click here to join the meeting](#)

Meeting ID: 353 818 729 795
Passcode: asGpQP

Membership

Cllr D Broom
Cllr E Buczkowski
Cllr G Czapiewski
Cllr J M Downes
Cllr B Fish
Cllr L Knight
Cllr R Roberts
Cllr A Stirling

A G E N D A

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 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 7 - 14*)
To consider whether to approve the minutes as a correct record of the meeting held on 20 August 2024.
5. **Chair's Announcements**
To receive any announcements that the Chair may wish to make.
6. **Corporate Risk Report** (*Pages 15 - 34*)
To receive a report from the Corporate Performance and Improvement Manager and the Corporate Manager for People, Performance and Waste providing a quarterly update on the Corporate Risk Register.
7. **Devon Assurance Partnership Progress Report 2024-25** (*Pages 35 - 46*)
To receive the Devon Assurance Partnership (DAP) Progress Report for the year to date.
8. **2023 - 2024 Statement of Accounts** (*Pages 47 - 294*)
To receive the updated version of the 2023/24 Statement of Accounts from the Deputy Chief Executive (S151), highlighting any areas which have been amended since the draft accounts were published on the website, presented for external audit and considered by the Audit Committee in June 2024.

To also receive:

- The Annual Governance Statement
- Bishop Fleming's Audit Completion Report
- Bishop Fleming's Annual Report
- Letter of Representation

9. **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:

- Corporate Risk Report Q3
- Corporate Risk Recovery
- Risk Management Policy
- Whistleblowing Policy
- Anti-Fraud & Corruption and Anti Money Laundering Policies
- Internal Audit Charter & Strategy
- Internal Audit Progress Report
- Four Year Strategic Audit Plan and Work Programme
- External Audit Progress Report
- Chair's Report for 2024/2025

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

Stephen Walford
Chief Executive
Monday, 25 November 2024

Guidance notes for meetings of Mid Devon District Council

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 Teams.

If the Council experience technology difficulties at a committee meeting the Chairman may make the decision to continue the meeting 'in-person' only to conclude the business on the agenda.

1. Inspection of Papers

Any person wishing to inspect minutes, reports, or the background papers for any item on the agenda should contact Democratic Services at Committee@middevon.gov.uk

They can also be accessed via the council's website [Click Here](#)

Printed agendas can also be viewed in reception at the Council offices at Phoenix House, Phoenix Lane, Tiverton, EX16 6PP.

2. Members' Code of Conduct requirements

When considering the declaration of interests and their actions as a councillor, Members are reminded of the requirements of the Members' Code of Conduct and the underpinning Principles of Public Life: Honesty; Integrity; Selflessness; Objectivity; Accountability; Openness; Leadership.

The Code of Conduct can be [viewed here](#):

3. Minutes of the Meeting

Details of the issues discussed, and recommendations made at the meeting will be set out in the minutes, which the Committee will be asked to approve as a correct record at its next meeting. Minutes of meetings are not verbatim.

4. Public Question Time

Residents, electors or business rate payers of the District wishing to raise a question and/or statement under public question time are asked to provide their written questions to the Democratic Services team by 5pm three clear working days before the meeting to ensure that a response can be provided at the meeting. You will be invited to ask your question and or statement at the meeting and will receive the answer prior to, or as part of, the debate on that item. Alternatively, if you are content to receive an answer after the item has been debated, you can register to speak by emailing your full name to Committee@middevon.gov.uk by no later than 4pm on the day before the meeting. You will be invited to speak at the meeting and will receive a written response within 10 clear working days following the meeting.

Notification in this way will ensure the meeting runs as smoothly as possible

5. Meeting Etiquette for participants

- Only speak when invited to do so by the Chair.
- If you're referring to a specific page, mention the page number.

For those joining the meeting virtually:

- Mute your microphone when you are not talking.
- Switch off your camera if you are not speaking.
- Speak clearly (if you are not using camera then please state your name)
- Switch off your camera and microphone after you have spoken.
- There is a facility in Microsoft Teams under the ellipsis button called “turn on live captions” which provides subtitles on the screen.

6. Exclusion of Press & Public

When considering an item on the agenda, the Committee may consider it appropriate to pass a resolution under Section 100A (4) Schedule 12A of the Local Government Act 1972 that the press and public be excluded from the meeting on the basis that if they were present during the business to be transacted there would be a likelihood of disclosure of exempt information, as defined under the terms of the Act. If there are members of the public and press listening to the open part of the meeting, then the Democratic Services Officer will, at the appropriate time, ask participants to leave the meeting when any exempt or confidential information is about to be discussed. They will be invited to return as soon as the meeting returns to open session.

7. Recording of meetings

All media, including radio and TV journalists, and members of the public may attend Council, Cabinet, PDG and Committee meetings (apart from items Media and Social Media Policy - 2023 page 22 where the public is excluded) you can view our Media and Social Media Policy [here](#). They may record, film or use social media before, during or after the meeting, so long as this does not distract from or interfere unduly with the smooth running of the meeting. Anyone proposing to film during the meeting is requested to make this known to the Chairman in advance. The Council also makes audio recordings of meetings which are published on our website [Browse Meetings, 2024 - MIDDEVON.GOV.UK](#).

8. Fire Drill Procedure

If you hear the fire alarm you should leave the building by the marked fire exits, follow the direction signs and assemble at the master point outside the entrance. Do not use the lifts or the main staircase. You must wait there until directed otherwise by a senior officer. If anybody present is likely to need assistance in exiting the building in the event of an emergency, please ensure you have let a member of Democratic Services know before the meeting begins and arrangements will be made should an emergency occur.

9. WIFI

An open, publicly available Wi-Fi network is normally available for meetings held in the Phoenix Chambers at Phoenix House.

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MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 20 August 2024 at 5.00 pm

Present

Councillors

L Knight (Chair)
D Broom, E Buczkowski, G Czapiewski and
R Roberts

Apologies

Councillors

B Fish and A Stirling

Also Present

Councillors

J Buczkowski, J Lock, C Harrower, S Robinson and
D Wulff

Also Present

Officers

Andrew Jarrett (Deputy Chief Executive (S151)), Paul Deal (Head of Finance, Property & Climate Resilience), Matthew Page (Head of People, Performance & Waste) and Sarah Lees (Democratic Services Officer)

Councillor

Online

J Downes

Officers Online

D Emery, L Lewis and L Woon

Also present

K Johnson (Devon Assurance Partnership) and M Bartlett (Bishop Fleming)

14. **APOLOGIES**

Apologies were received from Cllr B Fish and Cllr A Stirling.

15. PUBLIC QUESTION TIME

The following questions were received from members of the public:

Barry Warren

Mr Chairman, I refer to item 7 on your agenda and very much support the concept of the appointment of a Co-opted Independent Member to sit on this Audit Committee.

I have read the comments in Section 5 of the 2020 report by Sir Tony Redmond in particular as to the role of elected members and their skill and understanding of the complexities of Local Authority Accounts. He also identifies that some independent members are hampered by the lack of sector specific knowledge which would need to be addressed before any appointment.

I am concerned as to how Independent this person may be and how they will be able to operate effectively within the framework of the current Audit Committee (where virtually all the members of the committee come from the ruling party). Will they be able to speak openly and publicly at a meeting and will their contribution be minuted?

I am also concerned as the appointment is to be made through DAP since the bulk of their work is in response to Terms of Reference set by the S151 Officer as previously evidenced and so this may not be perceived as Independent.

Paragraph 1.1 of the Committee Report advises that "*the Audit Committee provide INDEPENDENT assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the Council's financial reporting and governance process*".

Although paragraph 2.2 of the Committee Report refers to eligibility requirements for an Independent Person - perhaps these ought to have relevance to Members of an Oversight Audit Committee as well.

The independence of this Audit Committee from Cabinet is open to question when two of the current Members would fail these eligibility requirements, due to their relationships with the Cabinet Member for Finance, and public questions put to the Audit Committee are being answered directly by the Cabinet Member for Finance - who is not a member of the Audit Committee.

How does this demonstrate the Committee's 'Independence' to the public?

Paul Elstone

My questions relate to agenda item 6 Corporate Risk Report Specially CR9a Reputation Impact of 3 Rivers

Question 1

It is stated that it is the Leadership Team carried out the risk status reviews. Something questioned previously by a member of this committee. It is also stated that the 3 Rivers reputational risk will be removed from the Risk Register once 3 Rivers is officially closed.

Therefore, and by implication the Leadership Team consider there is no further or significant 3 Rivers reputation risk to this council

It must be noted that the same Leadership Team freely blame Council Members. EVEN the General Public for these reputational risk. No recognition is given to the angst their own actions or inactions have caused leading to Member and Public concerns.

It would seem wishful thinking on the part of the Leadership Team that the 3 Rivers reputation risk will go away. That the reputational risk will disappear into the ether. They will not. This in part due to the much over used 3 Rivers business confidentiality excuse routinely provided by officers and in-order to prevent the public from accessing the facts. An excuse used to block the release of audits, viability assessments and business plans ETC.

Even the Information Commissioners Office Is recognising the need for increased transparency.

As a reminder the previous Scrutiny Committee Chair, now an MP, said there is every appearance of cooking the books. This in regards to this council's manipulation of the 3 Rivers true financial losses. A statement she would not retract when asked to do so.

Month on month more information regarding the 3 Rivers debacle is becoming available. Information revealing serious incompetence, even integrity issues, and going back to the formation of the company. Information that deserves to be in the public domain given its nature.

I will not make further comment on the gross failings of the DAP investigation into 3 Rivers at this time.

To remove this 3 Rivers Reputation risk item at this time is grossly premature and would further support the 'cooking the books' statement.

Will this Audit Committee now take full control of this Risk Register including risk scoring and in particular related to 3 Rivers reputation risk?

Nick Quinn

My questions relate to Agenda Item 9: Internal Audit Progress Update Report – but may also touch on Item 10: Information Management.

I read the Internal Audit Progress Update Report and was concerned about one of the "medium" recommendations that has only partially been addressed.

This relates to one of the Information Governance recommendations in the table, on page 12 of this report (that is page 66 on your papers). It is the one titled "*Quality Assurance Process*".

In the "Objective" box, it states: "*Managers now engaging proactively with IG and reviewing processes for passing and sharing data. Which is producing fewer data breaches*".

In the “Managers Comment” box, it states: “Will now need to be rescheduled and reviewed due to resignation and capacity”.

My questions arising from this “*Medium*” Recommendation are:

1 – Do any of the ‘*data breaches*’ involve Personal Data?

2 - Since the Review of Processes is now “*producing fewer data breaches*”; what was the number of data breaches, prior to the start of the review, on which to base this conclusion?

3 – Since the amount of data breaches is now described as ‘*fewer*’; what number of data breaches was used to arrive at this conclusion?

4 – What number of data breaches, at the Council, does the Devon Assurance Partnership consider to be acceptable?

Thank you

The Chair stated that written responses would be supplied for the questions asked.

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

No interests were declared under this item.

17. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 25 June 2024 were confirmed as a true and accurate record and **SIGNED** by the Chair.

18. **CHAIR'S ANNOUNCEMENTS**

The Chair had no announcements to make.

19. **CORPORATE RISK REPORT (00:13:00)**

The Committee had before it, and **NOTED**, a report * from the Corporate Performance and Improvement Manager and Corporate Manager for People, Performance & Waste providing Members with a quarterly update on the Corporate Risk Register.

The following was highlighted within the report:

- The Committee were referred to the summary table at section 2.1 of the report listing the current 18 risks on the Corporate Risk Register.
- The table now usefully included a trend arrow showing whether the trend was static, improving or worsening in relation to each of the risks listed.

Discussion took place regarding:

- CR14 ‘Workforce Shortage’ and whether this was a serious cause for concern as it was the only risk with an up arrow trend showing? It was explained that

this was a common issue across the public sector and related to pressures around remuneration and retaining qualified professionals. Discussions were currently underway with necessary parties to address the pay award and the cost of living pressures on staff. It was confirmed that any workforce shortage was not a major challenge for the Council at the moment. When the budget had been set an assumption had been made regarding a staff pay award and this had been factored into the figures.

- Funding for the Cullompton Relief Road now being at greater risk due to the recent announcement regarding the withdrawal of funds for the Cullompton Railway Station. This announcement had been made after the report had been published for the meeting this evening, however, this was obviously a key piece of infrastructure and officers would be lobbying hard on behalf of the residents of Cullompton.
- The quality of Planning Committee decisions were ultimately decided by the Ombudsman, it was not for officers to make judgements.
- The financial sustainability of the Council and the challenges this presented.
- The Council needed to refocus its efforts despite the ongoing reputational impact of 3Rivers.

Note: * Report previously circulated.

20. **APPOINTMENT OF CO-OPTED INDEPENDENT MEMBER (00:31:00)**

The Committee had before it a report * from the Deputy Chief Executive (S151) providing some context around Independent Members for Audit Committees and a proposition through the Devon Assurance Partnership to recruit and provide suitable qualified Independent Members for a number of Devon authorities.

The following was highlighted within the report:

- The Devon Assurance Partnership (DAP) had recently run a recruitment process to appoint suitably qualified individuals to act as fully Independent Non-Voting Co-Opted Members of local authority Audit Committees.
- DAP would provide a person to each meeting and usually this person would attend all future Audit Committees for that particular local authority.
- The Independent Person would be contactable, through the Head of Finance, Property & Climate Resilience, by any member of the Audit Committee for advice.

RECOMMENDED to Full Council:

1. The appointment of a Co-Opted Independent Member to sit on Audit Committee (through Devon Audit Partnership) until April 2027;
2. That delegated powers be given to the Director of Legal, People & Governance (Monitoring Officer) to make the necessary amendments to the constitution, including the amendment to the scheme of Members Allowances to include a special responsibility allowance for this position.

(Proposed by Cllr G Czapiewski and seconded by Cllr R Roberts)

Note: * Report previously circulated.

21. **APPOINTMENT OF COMMITTEE REPRESENTATIVES TO DEVON ASSURANCE PARTNERSHIP (00:36:00)**

The Committee were informed that it was normal practice for each local authority to appoint two Members from their Audit Committee's to the Devon Assurance Partnership Committee.

Accordingly, it was:

RESOLVED that Cllr L Knight (Chair) and Cllr G Czapiewski (Vice Chair) be appointed as the Mid Devon District Council representatives on the Devon Assurance Partnership Committee.

(Proposed by Cllr E Buczkowski and seconded by Cllr D Broom)

22. **INTERNAL AUDIT PROGRESS UPDATE REPORT (00:37:00)**

The Committee had before it, and **NOTED**, a report * from the Devon Assurance Partnership providing a progress update on the Internal Audit Reports that had taken place since the last meeting. It also provided an update in terms of the status of outstanding audit recommendations.

The following was highlighted within the report:

- The assurance level for each of the service areas audited was relayed including and an explanation provided in each case.
- There were still a number of outstanding audit recommendations but that was not unusual for a local authority.

Due to the confidential nature of the questions and discussion which followed the Chair indicated that it was necessary for 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 was 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.

RESOLVED: That, in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for this item, for the reason set out below:

- Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person including the authority holding that information).

(Proposed by Cllr E Buczkowski and seconded by Cllr G Czapiewski)

Note: * Report previously circulated.

23. **CYBER SECURITY & INFORMATION GOVERNANCE (00:54:00)**

The Committee had before it, and **NOTED**, a report * from the Head of Digital Transformation & Customer Engagement providing a high level update on Cyber Security and Information Management activities and risk mitigation over the past few months. It also included an update on activity and challenges around meeting the high-level audit recommendations as detailed in the Cyber Security and ICT Core Audit 2022 – 23 and the Information Governance Audit 2022 – 2023.

The following was highlighted within the report:

- Performance metrics had improved in recent months which was pleasing.
- The IT Service area had been challenged by a reduction in staff impacting on their ability to do as much and as quickly as they would like. The focus had had to be on keeping data safe.
- Keeping pace with issues in this area was a constant battle.
- The one high level outstanding audit recommendation had been down to capacity issues. Arrangements regarding Cyber Security were now in a good position, however, there were still a number of outstanding recommendations with regard to Information Management. One of the Data Protection Officers had left the organisation therefore the service was running at a deficit. The Head of Service confirmed that they had now recruited and that following training the service area would be back up to speed and able to focus on compliance. She also confirmed by, way of reassurance, that all the relevant policies were in place.

RESOLVED that:

An extension of time as detailed on Cyber Security and ICT Core Audit 2022-23 item 8.1 be granted.

(Proposed by the Chair)

Note: * Report previously circulated.

24. **EXTERNAL AUDIT PROGRESS REPORT (01:00:00)**

The following verbal update was provided on behalf of the external auditors, Bishop Fleming, regarding the current external audit taking place on the 2023/2024 financial accounts:

- The 2023/2024 audit was currently in progress and would be conducted over a 4 week period.
- A hybrid approach was being used with some staff working on the premises and some working elsewhere.
- The audit was on track and the aim was to bring a findings report to the October meeting.
- One factor they were not able to control was the Pension Fund Letter.
- They had not found any significant issues to bring to the Committee's attention.

- Regarding the 'Value for Money' audit, they had all the information they needed and were on track.

25. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:03:00)**

The Committee had before it, and **NOTED**, the items identified in the work programme for the next meeting.

(The meeting ended at 6.04 pm)

CHAIR

Report for: **Audit Committee**

Date of Meeting:	03 December 2024
Subject:	Corporate Risk Report
Cabinet Member:	Cllr Luke Taylor, Council Leader
Responsible Officer:	Steve Carr, Corporate Performance and Improvement Manager. Matthew Page, Corporate Manager for People, Performance & Waste.
Exempt:	N/A
Wards Affected:	All
Enclosures:	Appendix 1: Corporate Risk Matrix Appendix 2: Corporate Risk Register

Section 1 – Summary and Recommendation(s)

To provide Members with a quarterly update on the Corporate Risk Register.

Recommendation(s):

That Members review the Corporate Risk Register and feedback any areas of concern.

Section 2 – Report

1.0 Introduction

- 1.1 The Corporate Risk Register (CRR) contains the strategic risks which are most likely to impact the corporate priorities of Mid Devon District Council. It is reviewed at least quarterly by Heads of Service and the Leadership Team and updated as required. It is then presented to the Audit committee and to Cabinet. Risks are managed on the Council’s corporate performance and risk management system, SPAR.
- 1.2 The corporate risks are presented on a risk matrix (heat map), Appendix 1. Information on each risk is presented in a standard template, Appendix 2.

These risks have been determined by the Council's Leadership Team in consultation with Corporate Managers and other council officers.

2.0 Summary of Corporate Risk

2.1 There are currently 18 risks on the CRR. Risks are presented with both their current and target risk ratings. Also included is a trend symbol indicating any change to the risk rating since the previous review.

Risk Name		Risk Owner	Risk Rating		
			Current	Trend	Target
CR1a	Culm Garden Village – Loss of capacity funding	Adrian Welsh	12	↓	9
CR1b	Culm Garden Village – Delay/ impact to project arising from infrastructure delays	Adrian Welsh	15	↓	15
CR2	Cyber Security	Brian Trebilcock	20	↔	15
CR3	Failure to meet Climate Change Commitments by 2030	Paul Deal	15	↔	9
CR4	Homes for Ukraine Scheme	Simon Newcombe	4	↔	9
CR5	Information Security	Lisa Lewis	12	↔	8
CR7	Financial Sustainability	Paul Deal	16	↔	12
CR8	Quality of Planning Committee Decisions	Angharad Williams	9	↔	3
CR9	3 Rivers – Delivery of closedown plan	Paul Deal	3	↔	2
CR9a	Reputational Impact of 3 Rivers	Stephen Walford	3	↔	2
CR10	Cullompton Town Centre Relief Road	Adrian Welsh	15	↓	15
CR11	Cost of Living Crisis	Dean Emery	16	↔	16
CR12	Housing Crisis	Simon Newcombe	12	↔	9
CR13	Operation of a Waste Management Service	Matthew Page	8	↔	8
CR14	Workforce Shortage	Matthew Page	6	↓	4
CR15	Corporate Property Fire Safety	Stephen Walford	9	↔	6
CR16	Building Control Service viability	Andrew Howard	12	↑	2
CR17	Severe Weather Emergency Recovery	Simon Newcombe	12	↑	9

Risk rating change since previous update:

↑ Increased

↔ No change

↓ Decreased

2.2 For each risk the following information is given in Appendix 2:

- Risk name
- Risk description
- Current risk severity and likelihood
- Current risk rating
- Risk Owner

- Risk Type
- Mitigating actions (including name, description, responsible officer, current effectiveness and when it was reviewed)
- Notes.

2.3 Since this report was last published in August 2024, the following significant changes have been made to the CRR:

- The risk ratings of CR1a; CR1b; and CR10 have all decreased. This reflects developments in relation to: Funding secured for provision of the Relief Road from Homes England and associated capacity funding; significant progress with regard to land assembly; and the Outline Business Case for M5 Junction 28 improvements being submitted.
- The risk rating of CR14 Workforce Shortage has decreased from 9 to 6. This reflects an decrease in risk likelihood (3 to 2) as a result of the concluded pay talks.
- The risk rating of CR16 Building Control service viability has increased from 9 to 12. This reflects workforce challenges in the service.
- The risk rating of CR17 Severe Weather Emergency Recovery has increased from 8 to 12. This relates to the intrinsic likelihood of the risk being higher during autumn/ winter.

Financial Implications

There are no direct financial implications arising from this report. However, risks which are not mitigated may have financial implications for the council. Equally, the treatment of risk may require resources to be (re)allocated. Having a robust approach to risk management will continue to help the council minimise future financial risks and implications. A number of the corporate risks being managed contain financial risk, such as CR7 Financial Sustainability.

Legal Implications

Risk management is an integral part of the Council's Corporate Governance arrangements and there is a statutory responsibility under the Account and Audit Regulations (2015) to put in place risk management arrangements.

Risk Assessment

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

Impact on Climate Change

Corporate Risk 3 relates directly to the council meeting its climate change targets.

Equalities Impact Assessment

Having a council which is resilient to risk means that it is better positioned to support its communities. A number of corporate risks which relate to equalities are detailed on the Corporate Risk Register. This includes CR4 Homes for Ukraine; CR11 Cost of Living Crisis; and CR12 Housing Crisis. Actions to mitigate these risks will support the council meet its equality duties.

Relationship to Corporate Plan

Effective risk management is crucial to enable the council to mitigate risks to achieving Corporate Plan priorities.

Section 3 – Statutory Officer sign-off/mandatory checks

Statutory Officer: Andrew Jarrett
Agreed by or on behalf of the Section 151
Date: 19 November 2024

Statutory Officer: Maria De Leburne
Agreed on behalf of the Monitoring Officer
Date: 19 November 2024

Chief Officer: Stephen Walford
Agreed by or on behalf of the Chief Executive/Corporate Director
Date: 19 November 2024

Performance and risk: Steve Carr
Agreed on behalf of the Corporate Performance & Improvement Manager
Date: 08 November 2024


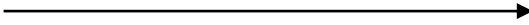
Cabinet member notified: Yes

Section 4 - Contact Details and Background Papers

Contact: Steve Carr, Corporate Performance and Improvement Manager
Email: scarr@middevon.gov.uk
Telephone: 3CX: 4217

Background papers:

Appendix 1: Corporate Risk Matrix

 Risk Severity	5	5	10	15 CR1b; CR10	20 CR2	25
	4	4	8 CR13	12 CR1a; CR5; CR12; CR17	16 CR7; CR11	20
	3	3 CR9	6 CR14	9 CR8; CR15;	12 CR16	15 CR3
	2	2	4 CR4	6	8	10
	1	1	2	3 CR9a	4	5
	1	2	3	4	5	
	Risk Likelihood 					

Appendix 2: Corporate Risk Register

CR1a	Culm Garden Village – Loss of capacity funding	Current Severity: 4	Current Likelihood: 3	Current Risk Rating: 12
Risk Description: Possible discontinuance of Government funding support for Culm Garden Village activities, thereby affecting Mid Devon District Council Culm Garden Village team capacity and leadership function, resulting in project/programme slippage.				
Risk Owner: Adrian Welsh		Latest Review: 06/11/2024		Risk Type: Economic/ Financial
Mitigating Actions			Responsible Officer	Current Effectiveness
CR1a.1	Funding opportunities: Lobby for further rounds of Homes England garden communities capacity funding	Adrian Welsh		Satisfactory
CR1a.2	Identify alternative opportunities to secure funding to support the project – including from landowners/ developers involved in the Culm Garden Village project.	Adrian Welsh		Satisfactory
Notes: Current severity reduced from 5 to 4; Current likelihood reduced from 5 to 3 in November 2024. Overall risk rating reduced from 25 to 12. This risk relates to the funding sources in place for the Culm Garden Village, rather than the overall delivery of the Culm Garden Village project. The risk position has improved following recent developments in relation to funding of the relief road, associated capacity funding, and through the progression of alternative forms of funding. The risk rating remains higher than the target as longer term funding remains uncertain.				
CR1b	Culm Garden Village – Delay/ impact to project arising from infrastructure delays	Current Severity: 5	Current Likelihood: 3	Current Risk Rating: 15
Risk Description: Lack of Government funding for enabling infrastructure – Cullompton Town Centre Relief Road/ Junction 28/ Cullompton station re-opening – resulting in delays to scheme progression and housing delivery.				
Risk Owner: Adrian Welsh		Latest Review: 30/10/2024		Risk Type: Economic/ Financial
Mitigating Actions			Responsible Officer	Current Effectiveness
CR1b.1	Cullompton Town Centre Relief Road: Funding opportunities - Continue to work with Homes England and others to seek opportunities for funding. See mitigating actions in CR10.	Adrian Welsh		Completed
CR1b.2	Junction 28, M5: Continue to work closely with Devon County Council on Strategic Outline Business Case with the aim of securing funding to upgrade Junction 28 – Devon County Council to submit bid to Government in March/ April 2024 following Devon County Council Cabinet approval.	Adrian Welsh		Satisfactory

CR 1b.3	Cullompton station re-opening: Continue to work closely with Network Rail to ensure the timely submission of the Final Business Case to Government.	Adrian Welsh	Satisfactory
<p>Notes: Risk likelihood decreased from 4 to 3 in October 2024. Overall risk rating decreased from 20 to 15. CR1b.1 marked as complete in October 2024. Funding now secured for provision of the Relief Road from Homes England. Significant progress with regard also to land assembly. The Outline Business Case for M5 Junction 28 improvements has been submitted to Department for Transport and awaiting a decision. A Final Business Case was submitted to Department for Transport Rail earlier in the year for the Cullompton Railway Station. This project is subject to the Government's review of national transport schemes.</p>			

CR2	Cyber Security	Current Severity: 5	Current Likelihood: 4	Current Risk Rating:20
<p>Risk Description: Inadequate Cyber Security could lead to breaches of confidential information, damaged or corrupted data and ultimately Denial of Service. If the Council fails to have an effective ICT security strategy in place. Risk of monetary penalties and fines, and legal action by affected parties.</p>				
Risk Owner: Brian Trebilcock		Latest Review: 10/10/2024		Risk Type: Data Protection/Information Security
Mitigating Actions			Responsible Officer	Current Effectiveness
CR2.5	Regular Vulnerability scans on network devices: ICT use 'Nessus' vulnerability scanner to access and detect vulnerabilities on all network devices. Mitigation is then completed to remove or reduce the risk due to the vulnerability. Although this has only been added now as an action, it has been running for a number of years.		Brian Trebilcock	Satisfactory
CR2.6	Active Directory review: The current Active Directory (AD) (the address book for all users in MDDC to use computers) has been around for over 20 years. it has been managed, updated by ICT Staff and has a lot of clutter. A project is underway to review the configuration of AD to simplify the hierarchy and review the policies applied to the users, PCs and server on the MDDC Network. It will also provide a mean to fully incorporate the Microsoft and NCSC security baselines, to ensure full compliance and improve security.		Brian Trebilcock	Satisfactory
<p>Notes: Continued improvement work continues within the ICT department. Approval has been given to recruit an additional staff member which will provide some resilience to the 3rd line support, Infrastructure and security team.</p>				

CR3	Failure to meet Climate Change Commitments by 2030	Current Severity: 3	Current Likelihood: 5	Current Risk Rating: 15
Risk Description: Due to a variety of factors, there is a risk that the Council will not meet its goal of becoming carbon neutral by 2030. There is also a risk that the Council will not achieve district-wide progress to meet obligations under the Climate Act 2008 for climate adaptation (resilience) and mitigation (emission reductions).				
Risk Owner: Paul Deal		Latest Review: 21/10/2024		Risk Type: Environmental
Mitigating Actions			Responsible Officer	Current Effectiveness
CR3.1	Policy and Strategy: Policy and strategy relevant to the climate emergency includes: <ul style="list-style-type: none"> • Corporate Plan 2020-2024 sets a number of relevant aims; • Climate Strategy and Handbook 2020-2024; • Housing Strategy 2021-2025; • Procurement Strategy (March 2023); • Cabinet adopted a new Climate Emergency planning policy statement (March 2023); • Local Plan 2013-2033 review; Plan Mid Devon sets the Climate Emergency as the top overarching priority for the next Local Plan. 		Jason Ball	Satisfactory
CR3.2	Oversight and decision-making: To embed a consistent approach to committee reports, project reports and decision-making, considering the potential climate impacts and opportunities and adaptation needs linked to the climate crisis.		Jason Ball	Action Required
Notes:				
Corporate: Overall the Council's carbon footprint has decreased since the 2018-2019 baseline. The annual carbon footprint report is published online https://sustainablemiddevon.org.uk/our-plan/ along with highlights of the most recent action to respond to the climate emergency.				
Progress has been made with key components of the corporate carbon footprint (aspects under direct control). All Council facilities have now switched to a renewable electricity tariff. Capital investment to decarbonise the Crediton and Tiverton leisure centres has been achieved and the Council has invested to improve energy efficiency at its facilities. A small proportion of the fleet - 10 vans have been replaced by EV (Electric Vehicles).				
The Council now has guidance on climate and sustainability statements (for project management and committee reports) to cultivate consistent, meaningful assessments of impacts and related actions to address them. (Action CR3.2.)				
Community: Relevant Council activities in partnership with, and in support, of communities include engagement projects, efforts to boost green transport (active travel and EV), planning policies and Local Plan review (climate change being the overarching priority), development				

masterplanning, taxi licensing policy to encourage cleaner vehicles, public health initiatives (e.g. private sector housing) and emergency/resilience planning.

CR4	Homes for Ukraine Scheme	Current Severity: 2	Current Likelihood: 2	Current Risk Rating: 4
Risk Description: There is a risk of the 'Homes for Ukraine scheme' failing should the host relationship breakdown and re-matching is not an option. Where refugees cannot afford to pay for private accommodation the Council has a Homelessness Duty.				
Risk Owner: Simon Newcombe		Latest Review: 28/10/2024		Risk Type: Social
Mitigating Actions			Responsible Officer	Current Effectiveness
CR4.1	Collaboration: Continue to engage with DLUHC, LGA and DCN on scheme roll out, pressures and risks/updated national guidance etc. Reviewing a Devon-wide exit strategy around pending housing/accommodation pressures once hostings end – joint solutions (work in progress).		Simon Newcombe	Complete
CR4.3	Re-matching demand: Re-matching demand is relatively low (host/guest arrangements ending early) and single figures but starting to see increase due to rurality of some hosts and requirement to be closer to employment, services and schools.		Simon Newcombe	Complete
CR4.7	Finance update: Revised payment for new guests are £5k per person and Government have changed monthly payments for long-term hosts to £500 per month. Scheme extended to March 2025. Review of monthly payments completed across mandated and discretionary elements completed. Some enhancement will continue for existing hosts then revert to £500 max under Government funding. All revisions costed as deliverable per new Q2 and Q3 returns for 2023/24 and revised scheme/payments per head going forward into 2024/25.		Simon Newcombe	Complete
Notes: Actions CR4.1, CR4.3 and CR4.7 marked as complete in October 2024. New actions will be detailed for the next reporting cycle. The number of new guests continues to be much lower (currently receiving an average of two new guests per month). The existing hosting arrangements are stable and the availability of properties through Local Authority Housing Fund means there is no need to use hotels. Grants to allow access to the private rented sector have been successful and some households have found sustainable, settled accommodation.				

CR5	Information Security	Current Severity: 4	Current Likelihood: 3	Current Risk Rating: 12
Risk Description: Inadequate data protection could lead to breaches of confidential information and ultimately enforcement action by the ICO.				
Risk Owner: Lisa Lewis		Latest Review: 28/10/2024		Risk Type: Data Protection/Information Security
Mitigating Actions			Responsible Officer	Current Effectiveness
CR5.2	Compliance Tools: Improvement of monitoring activity and implementation of tools assessing near misses or user education opportunities. May include better alerts on data sharing within/without MS tenant, information tagging.		Lisa Lewis	Satisfactory
Notes: Staff understanding improving with compliance statistic (staff turnover affecting completion rate target). Work on business continuity plans and Information Asset Registers improving awareness and responsibility over time. Reviewing with ICT compliance tools within tenant and ICT costing licence upgrade for further improvements.				

CR7	Financial Sustainability	Current Severity: 4	Current Likelihood: 4	Current Risk Rating: 16
Risk Description: The council faces a range of financial challenges. We are subject to ongoing budget reductions whilst the cost of providing services continues to increase due to a range of inflationary pressures. We are also subject to single year budget settlements which impacts on the ability for medium term financial planning. We need to be able to plan and meet these challenges so that we can continue to deliver effective services and achieve the priorities we wish to.				
Risk Owner: Paul Deal		Latest Review: 23/10/2024		Risk Type: Economic/Financial
Mitigating Actions			Responsible Officer	Current Effectiveness
CR7.2	Identify Efficiencies: Taking proactive steps to increase income and reduce expenditure through efficiencies, vacancies that arise and delivering services in a different way.		Paul Deal	Satisfactory
CR7.5	Medium term planning: Work to close the budget gap is on-going. A range of options are being considered but Covid, business rates and uncertainty over fair funding review make the situation extremely challenging. To close the budget gap and maintain services: We continue to work with managers to reduce costs and explore new income streams.		Paul Deal	Satisfactory
Notes: Mitigating the 2025/26 budget shortfall is well underway. The October Cabinet meeting approved net savings of £800k and outlined further work required to balance the budget. Key to this will be the Government Autumn Budget on 30 October and the implications for Local Government.				

CR8	Quality of Planning Committee Decisions	Current Severity: 3	Current Likelihood: 3	Current Risk Rating: 9
Risk Description: Planning decisions are monitored at Government level nationally – the risk is to stay significantly below 10%. Over 10% could put a Local Planning Authority into special measures. Links to Performance Indicator measures 11a, 11b, 12a and 12b.				
Risk Owner: Richard Marsh		Latest Review: 25/10/2024		Risk Type: Reputation
Mitigating Actions			Responsible Officer	Current Effectiveness
CR8.3	Regular informal planning committee meetings: Keeping planning committee informed of all appeals and upcoming planning policy, and any actions the Council is making.		Angharad Williams/ Richard Marsh	Satisfactory
Notes: Appropriate training being given to Members to assist with decision making as well as informal discussions to assist members where required on upcoming legislation and planning changes.				

CR9	SPV – 3 Rivers – Delivery of Closedown Plan	Current Severity: 3	Current Likelihood: 1	Current Risk Rating: 3
Risk Description: Ability to deliver the close down plan to timetable/ budget and generate the estimated sales receipts. <u>Finishing and selling</u> the Haddon Heights development per budget. Generating the estimated sales at the remaining development - set against a challenging housing market.				
Risk Owner: Paul Deal		Latest Review: 23/10/2024		Risk Type: Economic/Financial
Mitigating Actions			Responsible Officer	Current Effectiveness
CR9.3	Weekly meetings: Meetings are now held each week between the Shareholder Representative, the Corporate Manager for Finance, and the company to track progress against the closedown plan. An update on all material transactions will be provided to Cabinet at regular intervals.		Andrew Jarrett	Satisfactory
Notes: Addition made to risk description (underlined). The closedown plan has been fully delivered and the company is on schedule to be formally struck off at Companies House before the end of November 2024. There has been a number of new viewings at Haddon Heights and conversations are currently ongoing with the agent.				

CR9a	Risk Name: Reputational Impact of 3 Rivers	Current Severity: 1	Current Likelihood: 3	Current Risk Rating: 3
Risk Description: A decision has now been made to soft close the company, so the remaining reputational risks are that public debate in future inadvertently damages the value of assets by hindering the remaining sales. Public debate has, at times, included unhelpful and inaccurate statements about the company and the consequential impact on the council, with these inaccurate statements being repeated in wider circles. This risk is likely to continue until such time as all remaining assets are sold and company activity is wound down. This risk is expressed as damage to the company (and hence the council as shareholder).				
Risk Owner: Stephen Walford		Latest Review: 23/10/2024		Risk Type: Reputational
Mitigating Actions			Responsible Officer	Current Effectiveness
CR9a.1	Committee and council chairs feeling empowered to appropriately challenge poor behaviour during public meetings.		Stephen Walford and Maria De Leburne	Satisfactory
CR9a.2	Elected members being comfortable with steps being taken and managing debate amongst themselves in a respectful way.		Andrew Jarrett and Maria De Leburne	Satisfactory
Notes: The closedown plan has now been delivered. However, there is still a residual risk that remains and as such the risk will remain on the Register until the company has officially closed.				

CR10	Cullompton Town Centre Relief Road	Current Severity: 5	Current Likelihood: 3	Current Risk Rating: 15
Risk Description: Inability to deliver the Cullompton Town Centre Relief Road				
Risk Owner: Adrian Welsh		Latest Review: 30/10/2024		Risk Type: Economic/Financial
Mitigating Actions			Responsible Officer	Current Effectiveness
CR10.1	Alternative Funding: Alternative funding opportunities continually being explored.		Adrian Welsh	Completed
CR10.2	Ongoing Homes England Discussions: Officers discussing ongoing Housing Infrastructure Fund support		Adrian Welsh	Completed
CR10.3	Ongoing discussions with land promoters: Ongoing discussions to maximise private funding potential.		Adrian Welsh	Completed
CR10.4	Land Assembly: Continue land assembly discussions so as to de-risk the project, assist in unlocking scheme delivery and increase the likelihood of securing funding.		Adrian Welsh	Satisfactory

CR10.5	Complementary projects: Continue to develop and deliver complementary projects such as the Railway Station and the Heritage Action Zone public realm scheme. This will support the case for investment in the town and demonstrate the capacity to deliver.	Adrian Welsh	Satisfactory
CR10.6	Government Lobbying: Working with local MPs, Devon County Council and senior Members to lobby for investment.	Adrian Welsh	Completed
<p>Notes: Risk likelihood decreased from 5 to 3 in October 2024. Overall risk rating decreased from 25 to 15. CR10.1, CR10.2, CR10.6 marked as complete in October 2024. CR10.3 marked as complete as no longer required. Funding has now been secured for the delivery of the relief road from Homes England. The Cricket square works have been completed. Land acquisition is going well with land exchange underway on the new cricket pitch site, with land agreements on the other sites to follow. Tesco Board has also given in principle approval to sell the required land to Devon County Council.</p>			

CR11	Cost of Living Crisis	Current Severity: 4	Current Likelihood: 4	Current Risk Rating: 16
<p>Risk Description: The high rates of inflation experienced in 2022 and 2023 have the potential to impact on council employees, residents, communities and businesses in Mid Devon. In turn this may affect the council in terms of increased costs, reduced council income, and put additional pressure on council services.</p>				
Risk Owner: Dean Emery		Latest Review: 28/10/2024		Risk Type: Financial, Social
Mitigating Actions			Responsible Officer	Current Effectiveness
CR11.1	Benefit administration: The council delivers a range of benefits which support the financial position of our residents. This includes the Housing Support Fund, Discretionary Housing Fund, and the Exceptional Hardship Fund.	Fiona Keyes		Fully Effective
CR11.2	Council Tax Reduction Scheme: The council has introduced a new scheme (from 1 April 2023) which provides a more generous level of support.	Fiona Keyes		Fully Effective
CR11.3	Shared Prosperity Fund (SPF): The SPF and Rural England Prosperity Fund Investment Plans have a number of projects designed to support businesses and community organisations over Jan 2023 – March 2025. This includes grant schemes to support innovation and decarbonisation projects including those that reduce energy costs and increase productivity.	Zoë Lentell		Fully Effective
Notes:				

Household Support Fund (HSF) 6 has gone live. This is a six month Government funded scheme. Pensioners, unless on pension credit, are no longer eligible for the winter fuel payment. All funds with the HSF schemes has been deployed to circa 500 households. The risk remains high and will do for at least six months.

CR12	Housing Crisis	Current Severity: 4	Current Likelihood: 3	Current Risk Rating: 12
<p>Risk Description: Failure to supply sufficient housing to meet Mid Devon’s needs leading to increased homelessness and increased temporary accommodation (TA). There may be insufficient TA to meet demand and financial pressure is placed on the Council through increasing volume of and dispersed provision of TA. Co-linked failure to prevent homelessness occurring through increasing demand on resources, poor existing housing and failure to meet prevention duty/deliver mitigating actions including support to vulnerable residents.</p> <p>It is a statutory duty on the Council to prevent and provide relief/assistance to people threatened with or actually presenting as homeless. There is a local, regional and national shortage of affordable housing including social housing at the most affordable social rent level with a significant, growing waiting list of those registered on Devon Home Choice. Together with the current, ongoing cost of living crisis and other pressures this is leading to a growing housing crisis.</p>				
Risk Owner: Simon Newcombe		Latest Review: 05/11/2024		Risk Type: Financial, Social
Mitigating Actions			Responsible Officer	Current Effectiveness
CR12.1	MDDC Housing Strategy 2021-2025: Coherent, corporate approach to providing affordable homes and maintaining housing quality		Simon Newcombe	Satisfactory
CR12.2	MDDC Homeless Prevention & Rough Sleeping Strategy 2020-2025: Focus on rough sleeping, prevention, accommodation options and client support		Simon Newcombe	Satisfactory
CR12.3	Strategic lobbying on social housing funding, flexibilities and homelessness pressures: Continued membership of DLUHC LA Strategic Housing Advisory Group		Simon Newcombe	Satisfactory
CR12.4	Devon Housing Forum: Regional engagement and collaboration on affordable housing delivery and supported housing – continued engagement		Simon Newcombe	Satisfactory
CR12.5	Local Plan housing delivery: Market provision of affordable homes		Tristan Peat	Satisfactory
CR12.6	Mid Devon HRA Development Programme: 500 new homes 2022/23 – 2026/27		Simon Newcombe	Fully Effective
CR12.7	Temporary Accommodation: Opportunities to purchase HMO or similar shared market accommodation to meet TA needs/successful business cases made into capital programme. Two HMOs recently purchased, available 2023/24		Simon Newcombe	Action Required
CR12.8	Empty Homes: Bringing empty homes back in to use/local leasing scheme for TA (link to CR12.7) or to alleviate wider		Simon Newcombe	Satisfactory

CR12.9	Long-term development voids: Effective use of long-term development voids in Mid Devon Housing stock as TA where safe	Simon Newcombe	Satisfactory
CR12.10	Ivor Macey House: Ongoing provision of Ivor Macey House supported TA accommodation (MDH HRA lease to G/F)	Simon Newcombe	Satisfactory
CR12.12	Homelessness Prevention Grant: Full utilisation of Homelessness Prevention Grant	Simon Newcombe	Completed
CR12.13	Funding applications: Successful bids into DLUHC Rough Sleeper Initiative (RSI). £300k+ RSI secured over 3-year programme from 2022/23	Simon Newcombe	Satisfactory
CR12.15	Private Sector Homes for Ukraine: Team Devon Homes for Ukraine scheme Private Sector Housing transition support	Simon Newcombe	Satisfactory
CR12.16	Residents Financial Support: Cost of living pressure, grants and signposted support, help with/access to benefits (https://www.middevon.gov.uk/residents/residents-financial-support/)	Dean Emery	Satisfactory
CR12.17	Housing Assistance Policy (Better Care Funding): living well at home/homeless prevention and Home Start grants/loans	Simon Newcombe	Satisfactory

Notes:

CR12.12 marked as complete in November 2024.

Review of budget announcements and detail required, notably around delivery of affordable homes, Right To Buy and additional homelessness grant. Potentially positive but modelling required when further information available. No change to risk rating at this time as a result.

CR13	Operation of a Waste Management Service	Current Severity: 4	Current Likelihood: 2	Current Risk Rating: 8
Risk Description: Operating and maintaining a continuous waste management service across Mid Devon within budget faces a range of risks. These include staff recruitment and retention, workforce sickness and the maintenance and operation of fleet vehicles.				
Risk Owner: Matthew Page		Latest Review: 21/10/2024		Risk Type: Financial, Technical, Reputational
Mitigating Actions			Responsible Officer	Current Effectiveness
CR13.1	Workforce management: Regularly reviewing (Morning Managers' catch-up calls, monthly budget monitoring and quarterly performance reviews) the state of the workforce and how it is performing in terms of vacancies, recruitment, sickness and the impact it is having on collections and rounds. This also includes reviewing our Business Continuity Plan and whether we need to widen the flexible provision of the workforce.	Darren Beer		Satisfactory

CR13.2	Employment Trends: Review trends in the wider employment market regarding key workers including HGV drivers and what the Council needs to do to ensure we are industry competitive regarding recruitment.	Darren Beer	Satisfactory
CR13.3	Fleet Vehicles: Vehicle provision including maintenance and operation is reviewed on a daily basis by the Fleet Manager. Two weekly meetings are set up with SFS (maintenance and lease provider) backed up by quarterly meetings with MDDC and SFS management. Regular meetings are set up with other MDDC services that use the fleet to ensure current contractual guidelines and compliance are adhered to.	Darren Beer	Satisfactory
Notes: New leased vehicles now on fleet including HGV sweeper. Sickness is currently low - no long term absence in waste and recycling. One recent driver vacancy but a number of Loader vacancies being covered by agency staff (5 temporary to one permanent and four on an ad hoc basis) and currently being re-advertised.			

CR14	Workforce Shortage	Current Severity: 3	Current Likelihood: 2	Current Risk Rating: 6
Risk Description: If the Council fails to manage sickness absence, recruit and/or retain sufficient suitable staff it may not be able to maintain essential and/or statutory services.				
Risk Owner: Matthew Page		Latest Review: 23/10/2024		Risk Type: Legal, Financial, Reputational
Mitigating Actions			Responsible Officer	Current Effectiveness
CR14.1	Sickness Absence: Review and monitor sickness absence data to identify trends and patterns behind sickness absence	James Hamblin		Satisfactory
CR14.2	Monitor and Manage Staff Turnover: Review data from the exit interview process to identify trends and patterns behind why staff leave.	James Hamblin		Satisfactory
CR14.3	Retention: Consideration of employee benefits at the Council.	James Hamblin		Satisfactory
Notes: Risk Likelihood decreased from 3 to 2. Following a review of ballots for industrial action, Unison agreed to the pay settlement put forward by the employers' side. This goes alongside the previous agreement by GMB. As a result the pay award is now finalised for 2024/2025.				

CR15	Corporate Property Fire Safety	Current Severity: 3	Current Likelihood: 3	Current Risk Rating: 9
<p>Risk Description: Upcoming changes in legislation will place more stringent demands on the council in terms of fire safety across its corporate property estate. Failure to meet these standards could lead to penalties being imposed by the Fire Service including fines, which would be an additional cost to any investment required to complete repairs.</p> <p>The corporate property estate requires investment to ensure that significant fire safety risks, identified through external fire safety health checks, are mitigated. There are a number of sites which require fire safety checks. It is likely that these will identify fire safety risks that will require remediation. These will be addressed on a priority basis. As with any risk associated with fire, there is a potential for damage or loss to property and/or life.</p>				
Risk Owner: Stephen Walford		Latest Review: 11/10/2024		Risk Type: Physical, Reputational, Financial
Mitigating Actions			Responsible Officer	Current Effectiveness
CR15.1	Fire Safety Investment (2023/24): Funding has been allocated to implemented fire safety improvements.		Keith Ashton	Complete
CR15.2	Investment Programme (2024/25): Funding has been allocated to implement fire safety improvements at the same level as for 2023/24.		Keith Ashton	Satisfactory
<p>Notes: CR15.1 marked as complete in October 2024. Funding has been allocated to implement fire safety improvements at the same level as for 2023/24. The work at Culm Valley continues, however there was a delay due to travellers being on site. In November 2024, the contractor will move to Lords Meadow as the delivery of required materials has slowed progress (there is high demand for relevant materials). There is now a Fire Safety Teams Channel with project data and other associated detail available.</p>				

CR16	Building Control Service viability	Current Severity: 3	Current Likelihood: 4	Current Risk Rating: 12
<p>Risk Description: The NMD Building Control Partnership has been struggling with maintaining staffing levels for the past two years owing to a national shortage of skilled Building Control officers and skilled support staff. The service has continued to meet obligations by utilising agency staff. But changes presented through the Building Safety Act 2023 and the creation of the Building Safety Regulator are likely to result in further pressures in terms of attracting and retaining skilled permanent staff and in terms of service viability owing to additional duties placed upon the service in an increasingly challenging economic climate.</p>				

Risk Owner: Andrew Howard		Latest Review: 25/10/2024		Risk Type: Reputational	
Mitigating Actions				Responsible Officer	Current Effectiveness
CR16.2	Recruitment and retention: Address staffing and skills shortage and reliance on agency surveyors by continuing to seek to recruit new staff to the service, building on recent successes.			Andrew Howard	Satisfactory
CR16.4	Prepare for new reporting obligations: Continue to preparation for the introduction of the new reporting obligations for the BSR, due to commence in April 2024 – including ensuring appropriate systems are in place.			Andrew Howard	Satisfactory
Notes: Risk likelihood increased from 3 to 4 in October 2024. Overall risk rating increased to 12. Supervision remains resource heavy and will continue to challenge performance. Two vacant posts now after departure of one inspector and service functioning at reduced capacity. Registered Inspectors being targeted by competition. Looking at market supplement payments and agency. Charges to be reviewed accordingly.					

CR17	Severe Weather Emergency Recovery			Current Severity: 4	Current Likelihood: 3	Current Risk Rating: 12
Risk Description: When there is an event/incident which has potential to harm people or property a multi-agency response may be required in the form of declaring an “Emergency” through the Local Resilience Forum (LRF). This process is split into two phases; 1: The Response which is chaired predominantly by the police and is often heavily focused on the blue light services during/immediately following the event/incident. 2: Recovery which is chaired by the Local Authorities and is more focused on Local Councils working with communities to achieve a state of new normality. Because of this, MDDC has a large role to play within the Recovery Phase as a Category 1 responder of which there are many risk to the organisation from Financial, Reputational and Legal. This risk assessment is specifically looking at our most common event that escalates to an emergency which is Severe Weather including extremes in heat/cold, floods and wind etc.						
Risk Owner: Simon Newcombe		Latest Review: 16/10/2024			Risk Type: Economic/Financial/Capacity/Reputation	
Mitigating Actions					Responsible Officer	Current Effectiveness
CR17.1	CMT Capacity: There is a member of CMT on rota. This role covers incident manager (response) or can be specifically assigned to the recovery phase including chairing/ co-chairing the LRF recovery group. This will be in addition to their regular responsibilities. Due to this, the Resilience Officer or another Corporate Manager can be brought in to assist with the multi-agency duties as required. With CMT now being five people, there				Simon Newcombe	Satisfactory

	is increased pressure and meeting this mitigation will be dependent on the CMT having no vacancies and being available during the recovery phase of an incident. This action will be kept under review.		
CR17.2	Adequate Continuity Planning: Each service area needs up to date Business Continuity Plans to effectively retain critical services during and after an emergency. Training will be provided and plans reviewed by the Resilience Officer.	Lewis Dyson	Action Required
CR17.3	Overall Staff Capacity: Each business area will understand their critical functions and ensure they are functioning during recovery. Above this each service area will manage their own capacity to deal with recovery plus their business as usual through agency, overtime and mutual aid as detailed within their Business Continuity Plan.	Lewis Dyson	Action Required
CR17.4	Out of Hours Capacity: Only CMT, Housing and Waste have Out of Hours within their contracts and so other services would need to rely on goodwill/ civic duty to cover any out of hours work during response and recovery. Paper detailing current out of hours gaps to be produced alongside a clear outline of which critical roles need some level of out of hours cover.	Lewis Dyson	Action Required
CR17.6	Waste Collection Backlog: Due to the nature of the incident it is likely that there will be additional waste collection requirements in terms of debris, missed collections due to Health and Safety considerations, and additional waste from properties damaged by the weather (i.e. flooded properties). Additional agency staff/ overtime may be required alongside additional routes to meet the backlog and keep up with increased demand.	Matthew Page	Fully Effective
CR17.9	Reputational damage: During the recovery phase of an emergency there will be a lot of differing priorities and expectations from our communities. This can lead to potential conflicts, disputes and confusion. The Communications Team will work to give clear messaging which is in line with the multi-agency communications plan. Sufficient media training will be given to the Leadership Team and key members of the Council to ensure the correct information is being released to the media and communities.	Lisa Lewis	Satisfactory
<p>Notes: Moving into Autumn/ Winter, the likelihood of flooding increases, changing the risk likelihood back to 3. Work continues to build resilience with each service updating their Business Continuity Plans (BCPs). The BCPs have been drafted and are now under review, once completed this will address mitigating actions CR17.2 and CR17.3.</p>			

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Internal Audit - Progress Report 2024-25

Mid Devon District Council Audit Committee

December 2024

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Tony Rose
Head of Devon Assurance Partnership

Jo McCormick
Deputy Head of Devon Assurance Partnership

Ken Johnson
Senior Assurance Manager

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 Internal Audit plan for 2024-25 was presented and approved by the Audit Committee in March 2024.

This report provides a summary of the performance against the Internal Audit plan for the 2024/25 financial year to date, highlighting the key areas of work undertaken and summarising our main findings and recommendations aimed at improving controls.

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

Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

- the assurance statements within this report for any work finalised in this period.
- the completion of audit work against the plan.
- the scope and ability of audit to complete the audit work.
- 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 operate effectively.

Contents

- Introduction
- Executive Summary of Audit Results
- Audit Coverage & Progress Against Plan
- Audit Recommendations
- Value Added

Appendices

- 1 – Summary of audit reports
- 2 – Overdue Recommendations
- 3 – Professional Standards
- 4 – Customer Survey Results
- 5 – Audit Authority

Summary of Audit Results

We are currently undertaking audits in the following areas:

- Private Sector Housing.
- Lettings.
- Housing Rents
- Environmental Health and Licensing

These audits and any others completed will be detailed in the next report.

Fraud Prevention and Detection

We continue to work with council officers on measures to identify and prevent fraud. Recent work in the Council Tax area is to be commended. Further initiatives are being considered, and recommendations will follow later this year in an attempt to increase collectible revenue and prevent fraud and error.

Audit Coverage and Performance Against Plan

Our work on the audit plan is well underway and we are focusing on the plan for delivery over the second half of the financial year. We do not currently anticipate any problem in substantially delivering this year's plan and in turn delivery of the Annual Assurance Opinion.

MDDC staff availability and leave during the summer period has impacted on the finalisation of audit reports since the last update. We do not anticipate at this time that this will adversely affect the ability to deliver the plan.

The Committee will know the Internal Audit Plan is intended to cover the period April 2024 to March 25. We know from experience that our work does not start on the 1 April or finish on the 31 March.

Delivery of our 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 ensures 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 2

There are currently 10 Medium and 5 Low management actions overdue (See **Appendix 2**). This compares to the 1 High and 20 Medium recommendations reported at the last Audit Committee.

The agreed policy is that only High priority recommendations require 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.

Customer Satisfaction

We ask for feedback on every audit. We are currently reviewing these and will report fully at the next Audit Committee, with the headline numbers reported later in this report.

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.
- 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

Audit and Assurance Opinion	Summary, Risk Exposure and Management Actions
Grant Declaration Sign Off	<p>We reviewed spend for the Cullompton Heritage Action Zone grant to enable sign off to Historic England. This was a complex grant spanning over 4 years.</p> <p>Spend was verified.</p> <p>We will communicate with the Authority and provide advice and feedback about how this can be strengthened and streamlined for future projects, including annual engagement on multi-year schemes.</p>

Appendix 2 – Clearance of Audit Recommendations

The table below shows all recommendations by Audit subject. There are 10 Medium and 5 Low recommendation that are Overdue

Audit references	H Not Due	H Overdue	M Not Due	M Overdue	L Not Due	L Overdue	Total Due and Overdue
Capital Asset Management	0	0	1	0	3	0	4
Care Services	0	0	1	0	0	0	1
Cemeteries and Bereavement Services	0	0	0	1	0	0	1
Contract Management	0	0	5	1	0	0	6
Corporate Health and Safety	0	0	0	1	0	0	1
Corporate Repairs and Maintenance	0	0	2	0	1	0	3
Culm Valley Leisure	0	0	4	0	0	0	4
Cyber Security	1	0	2	0	1	2	6
Equality and Diversity	0	0	0	1	0	0	1
Housing Health & Safety	0	0	1	0	0	0	1
Income Management	0	0	0	1	0	0	1
Information Governance	0	0	5	0	0	0	5
Leisure Centre	0	0	2	0	1	0	3

Main Accounting System	0	0	0	1	0	0	1
Performance Management	0	0	3	0	0	0	3
Procurement	0	0	1	1	1	1	4
Recruitment, Selection & Succession Planning	0	0	0	1	0	0	1
Risk Management	0	0	1	0	0	0	1
Safeguarding	0	0	0	2	0	0	2
Service charges	0	0	0	0	1	0	1
Tiverton Pannier Market	0	0	0	0	1	2	3
Total	1	0	28	10	9	5	53

The table below provides more detail on the overdue High and Medium Recommendations

Audit Reference	Priority	Title	Objective	Target Date	Managers comment
Cemeteries and Bereavement Services	M	Database - Review processes and budget to upgrade system	Undertake an independent lean process review to eradicate any duplication of work and to investigate the possibility of having a full digitised Cemeteries System.	31/10/2024	A number of software packages some of which are cloud based and could make use of an app. Quotes are being sought for the various products before a system is purchased.
Income Management	M	Duplicate Customers	The 2022/23 audit review re-reported a finding brought forward from the 2019/20 and 2020/21 reviews where it had been reported: “There is currently no regular review carried out to identify duplicate customers or those who are no longer used. The integrated debtor’s module within e-Financials does not allow customers to be deleted or made inactive, therefore, a note is placed on some (but not all) customer records when a customer is no longer in use. The risk is non-compliance with GDPR, as well as incorrect billing of an organisation. The understanding gained from the Finance Officer was that the	31/10/2024	The resource requirement to remove duplicate customers has previously been considered and deemed excessive for the level of risk this issue poses. The mitigations in place, marking as duplicate, are considered sufficient until such time as either the software is updated with this functionality, or the software is changed to a different offering.

The table below provides more detail on the overdue High and Medium Recommendations

Audit Reference	Priority	Title	Objective	Target Date	Managers comment
			<p>debtors Masterfile has not been subject to recent review. Speaking with the Systems Accountant the new functionality for the GDPR anonymisation has not yet been tested; however, she did think testing for duplicate customers was taking place as there was no outstanding recommendations on Spar'. Email communication with the Systems Accountant (now working in Housing) found that the anonymisation function in eFin had been tested but it failed. Whilst the routine was available within the eFin menus, it was established extra costs would need to be paid to Advanced (software supplier) for this to be enabled. She emphasised where duplicate customers are identified, they are marked for deletion, meaning they cannot be used for raising invoices, therefore mitigating risk of incorrect billing. Whilst mitigation is in place regarding customers with duplicate accounts the issue regarding old, aged accounts no longer used, remains."</p>		
Safeguarding	M	Central collation of data	<p>A corporate solution is required to collate data centrally. The current preference is to utilise the Firmstep CRM for processing adult social care safeguarding referrals, which is a solution used by East Devon DC and Exeter/Teignbridge.</p> <p>Contact has been made with Strata and the Council's transformation Board. It is not yet known how far this will progress and how quickly. Therefore, we will also explore a</p>	30/09/2024	<p>Good progress has been made, and it is anticipated that a new safeguarding process will be implemented through Firmstep CRM by the end of October. A firmstep process has been uploaded to Firmstep to enable reporting of adult safeguarding, this will be subject to testing in October and should be in place for November.</p>

The table below provides more detail on the overdue High and Medium Recommendations

Audit Reference	Priority	Title	Objective	Target Date	Managers comment
			Teams Channel or simple spreadsheet to collate data by requesting information from services periodically.		Also, an interim central record system has been created in a dedicated Teams channel.
Contract Management	M	Monitoring the financial health and resilience of the contractor	New Financial Regulations will come into effect on 1 October 2024. We will include some guidance on contract management and supplier financial resilience within those regulations. These will provide the basic principles on which more detailed contract management guidance will expand upon.	30/09/2024	The Procurement Bill has been delayed until 24 February and therefore further planning is currently underway for the updating or staff and processes, including changes to the financial regulations.
Main Accounting System	M	Reviewing of journals	Staffing issues currently affect the finance team with a reduction in the number of Principal Accountants from three, down to one. Following the departure of the Systems Accountant the role has been filled by a Finance Assistant in the interim. Capacity issues exist and there is no quick answer. The structure of the team is being reviewed, once completed the aim will be to recruit to fill positions. Unfortunately, journals have taken a back seat as the remaining team has had to be realistic in what can be undertaken. Once staffing matters have been addressed the control re review of journals will recommence.	30/09/2024	During 2023/24 the finance team suffered from significant sickness and vacancies in key senior positions, leading to limited resources being available for reviewing / approving journals. The process was undertaken in the first part of the year, while resource was available. The risk was considered and felt to be minimal, so was not completed in the second half of the year. Given the unqualified opinion, the assessment of that level of risk is verified. However, the process will be reapplied during 2024/25.
Safeguarding	M	Modern Slavery and Human Trafficking Statement	The statement will be updated and re-published on the website before the end of June following adoption of the updated corporate Safeguarding Policy.	15/11/2024	Delayed due review of new guidance and wider safeguarding procedures under the newly adopted Safeguarding Policy. Draft being prepared for Dec 2024 publication

The table below provides more detail on the overdue High and Medium Recommendations

Audit Reference	Priority	Title	Objective	Target Date	Managers comment
Corporate Health and Safety	M	Monitoring of Induction Forms	New induction process to be rolled out. Induction form to request the line manager contacts HR Business Partner should specific aspects require a review.	30/09/2024	Work taking place with the Communications Team to update documents before this shared with CMT/LT before roll out. It will be noted that any concerns from the Induction need to be raised with the People Services team
Recruitment, Selection & Succession Planning	M	Recruitment Training	Managers should receive some support / training / refresher on recruitment interviewing.	30/09/2024	Training dates set for October/ November
Equality and Diversity	M	Workforce Planning	Obtain further information about the composition of the internal council workforce and compare it to the local population to inform workforce planning.	30/09/2024	Training of new staff prioritised. Tech in place and working. Time set aside to design EDI background before communication to all staff.
Procurement	M	Contract detail within the contracts register	Ensure that the links to detail of the contract register are operational at the earliest opportunity.	31/07/2023	Work is continuing within Procurement and Digital Services on preparing the new contracts register for rollout. Testing identified some minor issues which have recently been resolved, with the contracts register now expected to go live in the next few weeks.

Appendix 3 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS)

Conformance - Devon Assurance Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2024. This is supported through external assessment of conformance with Public Sector Internal Audit Standards & Local Government Application Note.

The Institute of Internal Audit (IIA) are the key body involved in setting out the global standards for the profession which form the basis for the Public Sector Internal Audit Standards (PSIAS) and have been undergoing review and revision. The proposed new standards will take effect in the public sector in April 2025 and provide clarity and raise awareness of the audit committee's governance roles and responsibilities. [2024 Global Internal Audit Standards \(theiia.org\)](https://theiia.org)

Quality Assessment - the Head of Devon Assurance Partnership maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

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

External assessment must be conducted at least once every five years by a suitably qualified, independent assessor. For DAP this is currently being conducted by an IIA qualified ex Assistant Director of an Audit Partnership.

The previous assessment result was that *“Based on the work carried out, it is our overall opinion that DAP generally conforms* with the Standards and the Code of Ethics”*. The report noted that *“As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion”*. DAP is actively addressing these improvement areas.

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

Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance are included in this development plan which is ongoing. Our development plan is regularly updated and links to our overall strategy, both of which are reported to the DAP Management Board and DAP Committee.

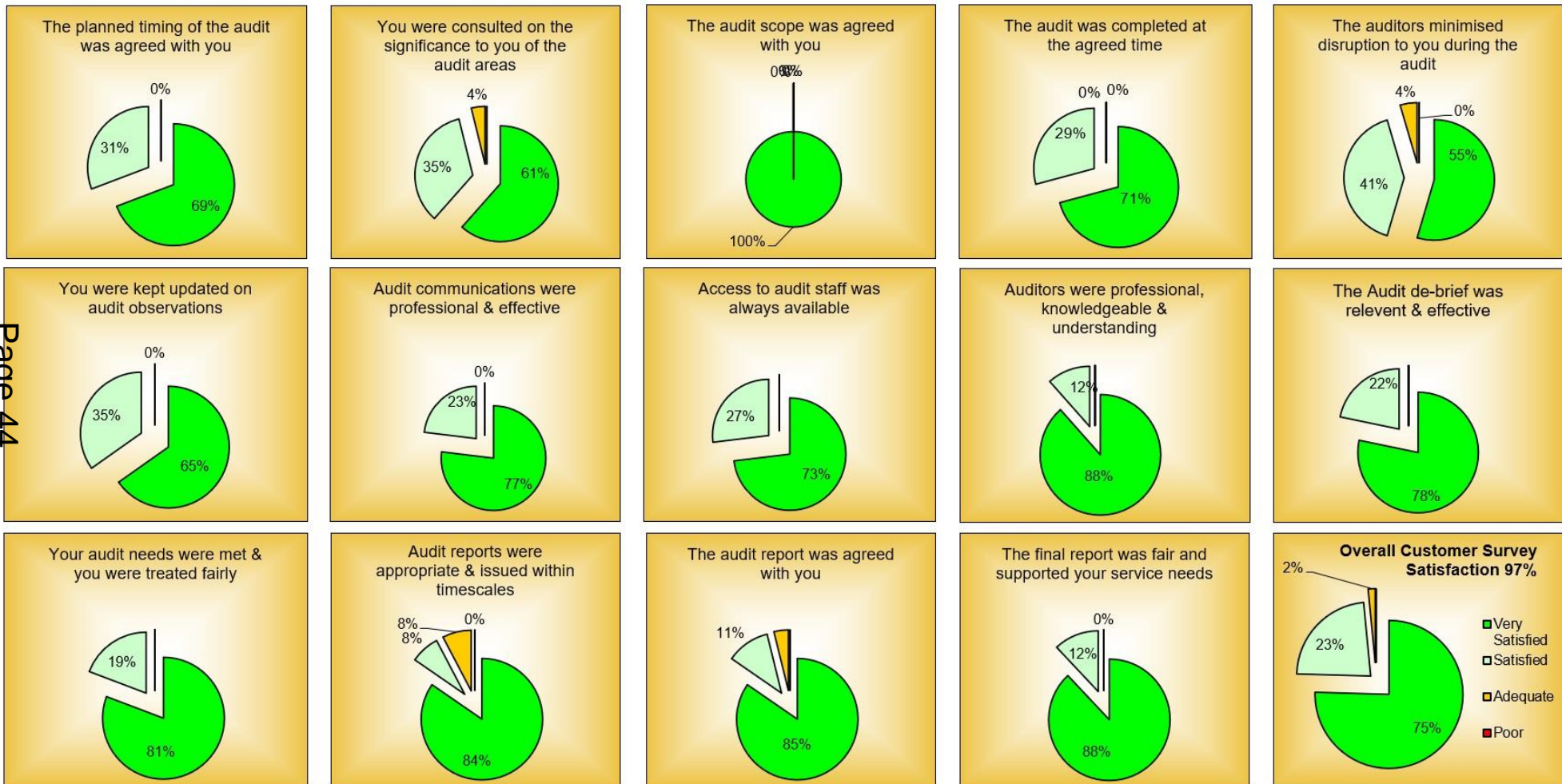
Customer Service Excellence (CSE)

DAP was successful in re-accreditation by G4S Assessment Services of the CSE standard during 2024. This accreditation is a UK-wide quality mark which recognises organisations that prioritise customer service and are committed to continuous improvement.

During the year to date we have issued client survey forms for some of our reports, and the results of the surveys returned were very good / positive. The overall result is very pleasing, with near 97% being "satisfied" or better across our services. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

Appendix 4

Customer Survey Results April 2024 - August 2024



Appendix 5 – Audit Authority

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Devon Assurance Partnership	Confidentiality and Disclosure Clause
<p>The Devon Assurance Partnership has been formed under a joint committee arrangement. We aim to be recognised as a high-quality assurance service provider. 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.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at Tony.d.Rose@devon.gov.uk</p>	<p>This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Authority, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>



Report for: **Audit Committee**

Date of Meeting:	3 December 2024
Subject:	Updated Statement of Accounts 2023/24
Cabinet Member:	Cllr James Buczkowski, Cabinet Member for Governance, Finance and Risk
Responsible Officer:	Andrew Jarrett, Deputy Chief Executive (S151)
Exempt:	N/A
Wards Affected:	All
Enclosures:	2023/24 Statement of Accounts (updated) 2023/24 Annual Governance Statement 2023/24 Letter of Representation

Section 1 – Summary and Recommendation(s)

To present an updated draft version of the 2023/24 Statement of Accounts to Members, highlighting any areas which have been amended since the draft accounts were published on the website, presented for external audit and considered by Audit Committee in June 2024.

The Annual Governance Statement remains unaltered.

The Letter of Representation is a standard letter from the Council confirming the information contained within the accounts are accurate to the best of our knowledge.

Recommendation(s):

1. That the Audit Committee approve the 2023/24 Statement of Accounts (noting the findings made by our external auditor, Bishop Fleming – see separate agenda item) subject to the inclusion of a Provision for the Rent Formula Error once it is available.
2. The Audit Committee approves the 2023/24 Annual Governance Statement and the Letter of Representation; and all associated documents are signed by the relevant officers and members.

Section 2 – Report

1.0 Introduction

- 1.1 The Statement of Accounts for 2023/24 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 accounting changes for 2023/24.

2.0 The Statement of Accounts

- 2.1 The Unaudited Statement of Accounts 2023/24 were signed off by the Council's S151 Officer in June 2024 before the start of the external audit review. The draft accounts have been available on-line since then and were presented to this committee in June 2024.
- 2.2 The detailed management accounts were included in the outturn report presented to the Cabinet on the 4 June 2024. That report provided a summary of the year-end position for the General Fund, the Housing Revenue Account, and the Capital Programme. It also provided commentary on any variances against budget in excess of £20k.
- 2.3 As can be seen from the reserve balances held, the Council remains in a strong position to deal with the funding challenges it faces. A strong culture of financial awareness is embedded throughout the Council. This is enhanced with regular budget monitoring reports produced for Leadership Team meetings, meetings of the Cabinet and through summary dashboards presented to the Policy Development Groups.
- 2.4 This Council continues to take proactive steps to strategically plan for further reductions in Central Government financial support. The Cabinet have ongoing dialogue with Leadership Team, who in turn have discussions with Corporate Managers and Service Managers to discuss funding reduction scenarios in order to balance our ongoing expenditure needs associated with the current Corporate Plan.

3.0 Changes to the Accounts

- 3.1 The findings on the 2023/24 Accounts will be presented by Bishop Fleming to this Audit Committee. However, at this time audit is not fully complete following the identification of an error in the Social Rent formula calculation. This requires a provision to be included within the accounts, which will be based upon the criteria outlined within the forthcoming report to December Cabinet. Once the basis has been agreed, the provision can be confirmed and included within the accounts. This will enable Bishop Fleming to finalise their 2023/24 audit. The

revised, final, set of accounts will be presented to Audit Committee in January 2025.

3.2 There have been some minor changes to the draft account previously reviewed by the Committee in June 2024. These are highlighted yellow in the accounts and in summary are:

- The clarification of offsetting the reported £635k overspend with reserves within the Narrative Statement (Pages 10, 12, 18, 27 and 71);
- The clarification of the application of the Going Concern concept to the Group Accounts (Page 28);
- The movement of the Expenditure and Funding Analysis from the Main Statements section into the notes of the accounts, by creating Note 5b (Pages 67 – 69);
- Updating Note 16 Members' Allowances and Expenses, which previously contained last year's data in error (page 79);
- Adjusting the Group Accounts by £58k following a minor adjustment to 3Rivers Final Accounts (pages 142, 144, 145 and 146).

3.3 There has been no change to the Main Statements. These alterations have no impact on the reported Outturn position or the Councils Usable Reserves.

4.0 The Council's Governance Arrangements

4.1 The committee reviewed the Annual Governance Statement (AGS) at its June 2024 meeting and it has not changed since. Signing the document sits alongside the finalisation of the Statement of Accounts. Therefore, the Chief Executive and Leader of the Council will be asked to sign once the Accounts are approved by this committee.

5.0 Conclusion

5.1 Members are asked to approve the 2023/24 Statement of Accounts which reflect a true and fair view of the financial position of the Council as at 31 March 2024, subject to the inclusion of a provision for the Social Rent issue once available.

5.2 The Committee is also required to formally approve and sign the Annual Governance Statement and the Letter of Representation.

Financial Implications

Good financial management and administration underpins the entire document.

Legal Implications

It is a statutory requirement to follow the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) when producing the Statement of Accounts.

Risk Assessment

The Section 151 Officer is responsible for the administration of the financial affairs of the Council. Adhering to the Code mitigates the risk of receiving a qualified set of accounts. The Finance Team has also reviewed its overall calculations/workings against the CIPFA published Disclosure Checklist for 2023/24 and entered into detailed discussions with the appointed Audit Manager prior to and during the completion of the accounts.

Impact on Climate Change

No impacts identified for this report.

Equalities Impact Assessment

No equality issues identified with this report.

Relationship to Corporate Plan

The financial resources of the Council impact directly on its ability to deliver the Corporate Plan. The Statement of Accounts indicates how the Council's resources have been used to support the delivery of budgetary decisions.

Section 3 – Statutory Officer sign-off/mandatory checks

Statutory Officer: Andrew Jarrett

Agreed by or on behalf of the Section 151

Date: 22/11/2024

Statutory Officer: Maria De Leburne

Agreed on behalf of the Monitoring Officer

Date: 22/11/2024

Performance and risk: Dr Stephen Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

Date: 22/11/2024

Cabinet member notified: (yes)

Section 4 - Contact Details and Background Papers

Contact: Paul Deal, Head of Finance, Property and Climate Resilience
Email: Pdeal@middevon.gov.uk
Telephone: 01884 23(4254)

Background papers: 2023/24 Draft Statement of Accounts

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STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2024

(Pre-Audit)

Version 1
Version 2

14 June 2024

21 November 2024

Draft Statement of Accounts

Updated Draft Statement of Accounts

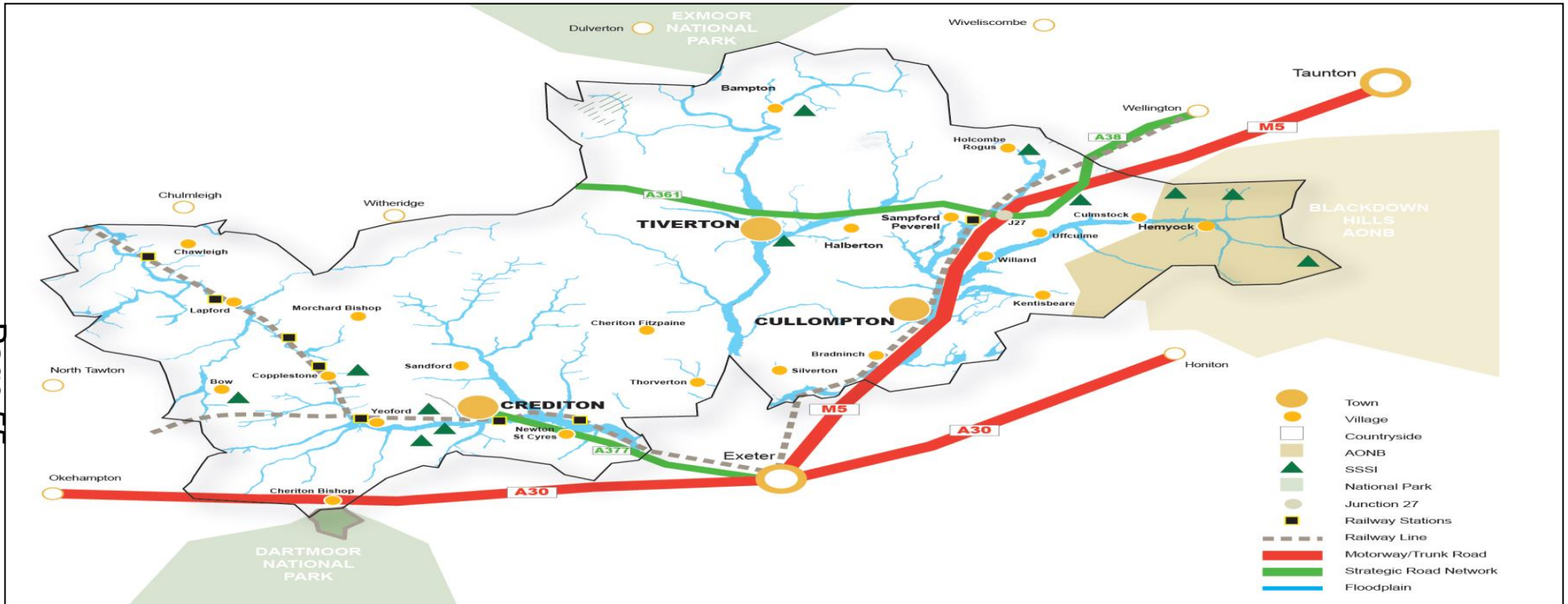
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1 Introduction to Mid Devon District Council

Strategically located on South West England's main transport and communication corridor, Mid Devon is mid-way between Taunton and Exeter. 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.

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Of the 296 districts in England, Mid Devon is the 32nd-largest district council in England by area, it is also the 23rd-smallest by population¹. Mid Devon District Council serves a rural location covering an area of 353 square miles (914 km²) in the agricultural heartland of Devon, between Dartmoor, Exmoor and the Blackdown Hills. More than half the population of some 83,800 people is scattered in villages in the rural hinterland, with the balance divided between the three main towns of Tiverton, Cullompton and Crediton. There are 62 towns and parishes in the Mid Devon area, 50 of which have a local town or parish council.

¹ Source: [Mid Devon - Wikipedia](#)

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. Following the May 2023 Election, the Liberal Democrat political party took overall control of the Council with 33 seats. The Council has adopted the Cabinet model of governance. 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), Director of Legal, HR & Governance (Monitoring Officer) and the Director of Place and Economy. The day-to-day operations of the Council are managed by five Corporate Managers. Our [Constitution](#) sets out the rules and procedures by which the Council operates.

Link to the Corporate Plan

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The [Corporate Plan for 2020-2024](#) retains the four key priority areas that were initially identified in 2016 and our Elected Members and Officers continued to work together to ensure these areas remained 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

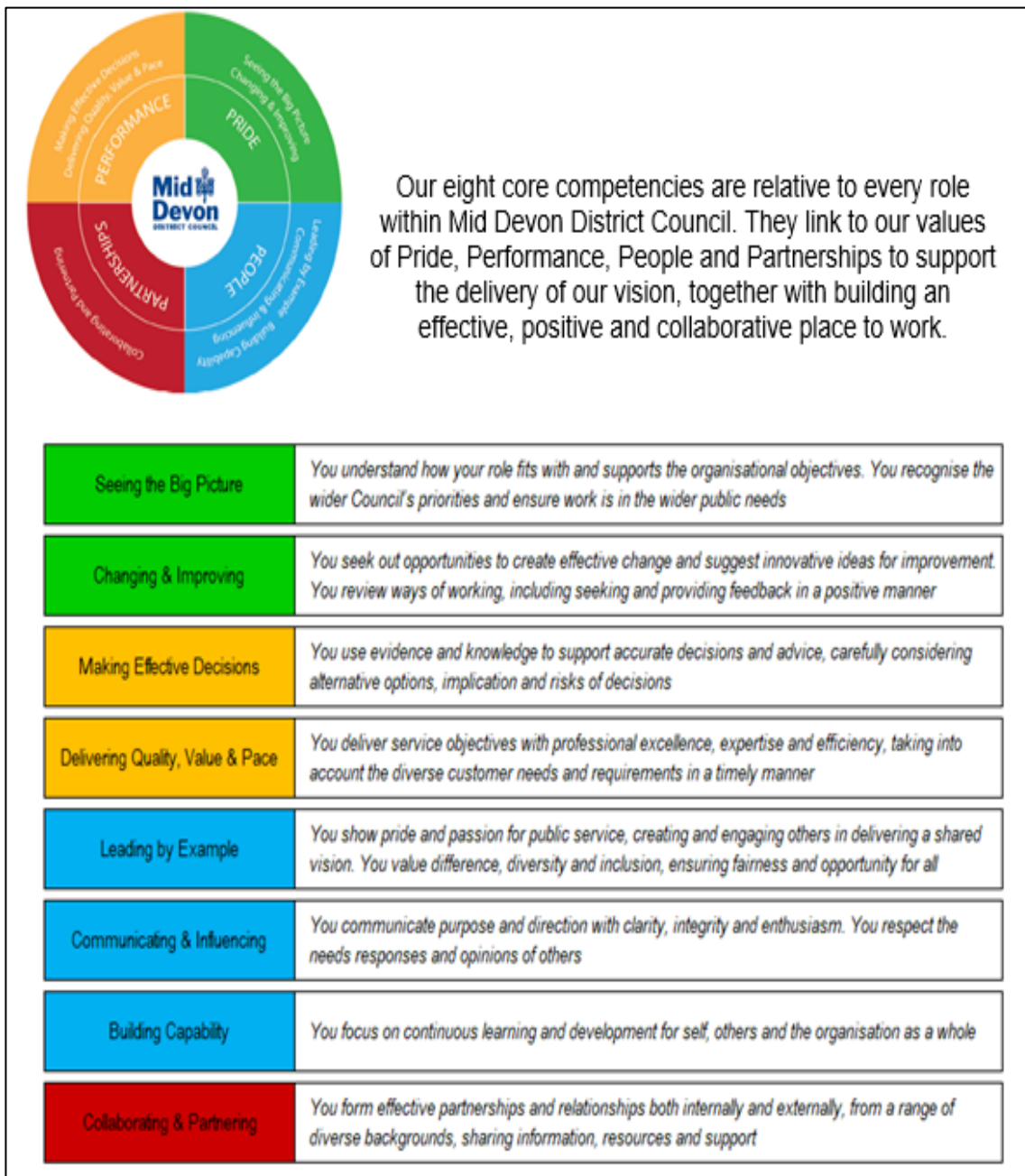
The organisation has an agreed set of core values that underpin the way we work and how we fulfil our aspirations. The values of Pride, People, Partnerships and Performance are known as the four Ps and set out what we believe should be the basis for the type of organisation we are. These values are:

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 reduced the level of Government funding. When combined with the Cost of Living Crisis and ever increasing demand for our services from families and businesses, there is considerable pressure on our budgets.



2 Introduction from the Leader of the Council



This is the first set of accounts that I have had the privilege of introducing as Leader.

In my first comments as Leader, I made it clear that sound financial stewardship would need to be the solid platform from which we could deliver our administration's priorities in future. Among the last acts of the previous administration was the inability to set a budget, followed by a decision to raid the Council's reserves to help prop up the accounts, which left us inheriting a legacy shortfall of over a million pounds.

With a new majority administration in place, a newfound clarity of vision and purpose has come to the fore. Where once there was indecision, there is now direction; where previous chaos and infighting was walking the Council towards a precipice, there is now calm and respectful discussion and debate across the Council on the steps that should be taken. Our first order of business was to repair the financial damage that had been bequeathed to us, and I am pleased to say we managed to address the revenue pressures in-year. No small challenge, but one that we were equal to. As well as all my elected member colleagues I must also thank the dedicated officers working across all departments who helped make this happen. I made a commitment as Leader to focus on efficiencies and

effectiveness without recourse to implementing redundancies, and was open about the financial challenges facing the Council at that time as I saw them. To see everyone pull together to achieve such an outcome is testament to the unifying belief in providing the best services we can for our amazing communities across Mid Devon.

Secondly, I have been keen to move to demonstrate how the Council I lead will show not only commitment, but compassion and care in its policy-making. Mid Devon was the first of the Devon districts to determine to exempt our care experienced young people from Council Tax, and where we led the rest have followed with this becoming a common approach across the whole of Devon. We have supplemented this by making sure that we go further and fulfil our corporate parenting duties by supporting this group with free access to our leisure centres and are now exploring how to amend our HR policies to make work experience and opportunities available.

Within the financial constraints imposed on us by a Government that has only grasped the price of public services and not yet the value, we must continue to take opportunities for external funding as they present themselves and we have continued to see notable success on this front with substantial investment being secured to aid our decarbonisation agenda; delivering the win-win of greater investment with the benefit of lower emissions and reduced running costs moving forward.

Finally, while these accounts tell a transactional story of the past, in my role as Leader I am committed to moving us forward and to that end am particularly pleased about the work being done on renewing and refreshing the Council's corporate plan. In my first year I have dealt with the consequences of our past, am implementing change for the present, and am working across the Council to provide purpose, priority and a compelling vision for our future.

I am pleased to introduce the Council's annual accounts for 2023/24 and would like to extend my thanks and appreciation to all those who have helped compile them, including the Council's auditors, in order to provide these for publication in accordance with our principles of transparency in public service.

Cllr Luke Taylor
Leader of the Council

3 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 has seen some significant changes for the Council at a strategic level; politically, in moving from a position of no overall control to one of having a significant party majority for the Liberal Democrats after the May '23 election; but also operationally, with the move to downsize the management structure in order to prioritise expenditure on service delivery. Both the top-tier and second tier management teams have had a post removed in the last year, reducing the Council's senior management to 9 officers (from 11). Importantly, this was done without incurring any redundancy costs to the Council.

Inflation has been a key focus of our financial stewardship of the Council over the last year, with hope that the record highs continue to dissipate. Almost all the delivery costs of the organisation are impacted when income cannot keep up with inflation, as it means things like construction projects are more expensive – impacting our capital programme, with the revenue budget impacted more by escalating day-to-day operating costs. For an organisation that delivers

most of its services in house, the challenge of below-inflation pay rises (as determined by national negotiation) has meant the holding down of costs through the pay bill, but has led to widespread recruitment and retention challenges in response to real-term cuts in pay. This is starting to spread from 'traditional' areas of challenge to become a more structural concern across most service delivery areas requiring specialist skills. The balance of expenditure between payroll and agency workforce is tracked to try and ensure the right mix, but this feels like a precarious balancing act that is increasingly outside our direct influence. In recent weeks and months the labour market has softened slightly and recruitment has been successful where previously only expensive agency or consultancy was an option, so there is some cautious optimism that a lower-inflation environment is rebalancing some of the epic peaks in the labour market of late.

The last year has seen progress being made on devolution for Devon, with a new Combined County Authority being proposed to draw down both powers and (limited) funding from government. While the details are yet to be established, the principle of decisions being made in Devon rather than London has to be a good thing, and with enhanced partnership and collaboration arrangement with Homes England on the table, I would hope that we have a significant opportunity to develop shared investment pipelines over the coming years to support the Council's strategic ambition on the delivery of more affordable and social homes.

This year also saw the move to implement and operationalise the closing down of the Council's wholly-owned development company. As a number of Councillors have remarked, it was positive to see unanimous agreement across the Council on the way forward, with steps now being taken to divest remaining assets while taking the opportunity to explore the possibilities of renewed focus on affordable and social housebuilding. With some significant sites being brought on stream in the near future, the coming years have a strong trajectory for the accelerated delivery of social housing in the district.

We continue to take opportunities to try and secure external funding and have been successful with a number of bids including securing funds for leisure centre decarbonisation, for tree-planting in the district, and for the Heritage Action Zone scheme in Cullompton which was completed in the last year. However, two significant external funding requirements continue to evade us; funds to complete the relief road and larger strategic motorway junction improvement at J28. Although, with work being progressed on the business case for the motorway scheme, there is hope that government will grasp the need, and opportunity, to invest in this infrastructure as a way to support and unlock the growth planned in this area.

Finally, as a service that touches almost everyone, the progress made over the last year on our waste and recycling scheme has been excellent, with our performance now in the top 10% of councils across the country. An extraordinary achievement and one which we could not have delivered without the support and engagement from our residents, our town and parish councils, and the diligence of our phenomenal waste and recycling staff who, come rain or shine (rain, mostly), are out collecting our recycling and residuals to keep us on track for continued environmental and financial performance in this most tangible of service areas.

Stephen Walford
Chief Executive



Financial Commentary by Deputy Chief Executive (S151)

I say it each year, but it has been another challenging financial year for the Council! This is mirrored the national picture for the local government sector.

The year began with a difficult budget setting process. Political indecision led to political turnover amongst senior political roles and ultimately a caretaker Leader and Cabinet overseeing the setting of the 2023/24 budget which included £400k of staffing savings to be identified and £625k to be taken from reserves to balance the budget. So over £1m was required to be saved in-year to avoid reducing reserves below my recommended minimum level!

The position was further complicated by the soft closure of the Council’s subsidiary company, 3 Rivers Developments Ltd, with all assets being realised and a commitment to paying all contractors, suppliers and tradesmen in full. This led to the crystallisation of further losses of £1,483k. Combined, these financial challenges sum to £2,508k.

Therefore, the Outturn position for the General Fund presented within these accounts, with an over spend of £635k being covered by a transfer from Earmarked Reserves, means that £1,873k has been saved in year to avoid significantly depleting our reserves. This is a major corporate achievement and reflects the hard work and efforts of managers and services during the year.

Considering the wider financial climate, the Cost of Living Crisis and combating increased interest rates spanned the financial year. Whilst the former led to higher wage and material costs, the latter provided an opportunity to increase the yield on our investments.

Despite this, actually the year was more stable operationally than it has been since the Covid-19 global pandemic. The Council did not need to administer additional business rates grants or reliefs, or support with utilities bills. The only ongoing Government schemes were the Homes for Ukraine scheme, which extended in line with the continuation of the war, and the Cost of Living Support scheme. Given these schemes were “live”, this has not been a particular additional administrative burden for the Council.

The Council continues to have mixed fortune in terms of being successful in “winning” additional grant funding for various schemes. The major disappointment and area of biggest impact, is the further rejection of our levelling-up bids for funding to progress the Cullompton Town Centre Relief Road. This continues to prevent significant and much needed infrastructure that would unlock major economic development. On the positive side, we were successful in attracting further Salix and Sport England funding to upgrade our heating systems at the leisure centres to help boost their energy efficiency and keep running costs down. We were also successful in gaining funding through the Local Authority Housing Fund, enabling the purchase of 10 homes across the district to ease the pressure on the homelessness budget and aid the housing of Ukrainian refugee families by providing increased temporary accommodation. Some are now in operation saving on Bed and Breakfast costs, with the remainder operational soon preventing people from becoming rough sleepers.

2023/24 Financial Highlights

Overall, 2023/24 was a successful year for income generation, with many aspects finally returning to pre-Covid-19 levels. Our Council Tax and Business Rates collection rates increased year-on-year, to 97.5% and 99.4% respectively. This enabled a reduction in the deficit on the Council Tax fund and the conversion from a deficit to a surplus on Business Rates. Income was also higher across car parking, leisure and various waste collection services. However, income was lower than assumed within the budget for both Planning (-9%) and Building Control (-32%) due to the economic conditions and depressed housing development leading to fewer planning applications and build sign offs. Yields were higher on our treasury investments which achieved an average of 5.25% return on internally managed funds, a significant increase from the 1.84% in the previous year.

However, once again throughout the year, the Council has struggled to retain and recruit, with the annual staff turnover at approximately 17%. This has led to higher than budgeted agency costs, particularly within Waste, but also in some key professional posts such as Legal, Environmental Health, Planning and Enforcement, which in some cases have exceeded the vacancy saving. Sickness levels have remained high with approximately 10.45 days per FTE lost during the year. However the underlying cause is now more equally spread across all categories of illness compared with the recent post-Covid-19 years.

The roll out of Bin-It 123 has been embedded, which further helped our carbon reduction and increased recycling rates by circa 5% year-on-year, placing us in the top 10% of recycling councils nationwide. The first of circa 500 new social and affordable homes were built and occupied. These were made offsite and put together on site using what is known as Modern Methods of Construction (MMC). Many more are either in the planning, construction or delivery phase which will make a significant difference to waiting lists. We continue our journey towards being net zero carbon, with the benefits of the new air and ground source heat pumps coming into operation, along with the new replacement electric vehicles within our operational fleet, and a greater number of EV charging usage and trees planted.

During the year, the Council soft closed its subsidiary housing company, 3 Rivers Developments Ltd. Following the rejection of three business cases by the previous administration, it was left with little option to continue to trade and deliver a profit to offset previous losses. The following actions were taken to soft close the company:

- St George's Court was sold to the Housing Revenue Account at an agreed price of £8,150k to enable an over 60's social housing scheme.
- Knowle Lane, Cullompton, was bought by the Council at 3Rivers book value (£3,662k) to be held until such time as development is permitted within Cullompton. A decision can then be taken as to the most appropriate use for the site.
- The 5 unsold units at Haddon Heights, Bampton, were bought by the Council at the marketed price (£3,135k) and continue to be marketed for sale.
- The property managed by 3Rivers was bought by the Council at 3Rivers book value (£180k).
- Finally, the outstanding balance on the Working Capital Loan was written off.

An overall loss of £6,800k has been incurred on the loans made to the company in delivering their developments. This required further impairments of the loans against St George's Court and Working Capital of £1,483k. £1,069k of this has been charged to Revenue reflecting the Revenue backed loans and £414k to Capital Charges for the capital funded loans. However, this can be partially offset by the interest paid on these loans and other service recharges, totalling £3,416k. Therefore the net Revenue loss is £3,384k.

In addition, the valuation of the assets purchased from 3Rivers have been reviewed and revalued by the District Valuer. Notional losses on asset valuations are included within this years accounts summing to £2,016k. This has been transferred into a revaluation reserve until such time the asset is disposed of and any real variation from the price paid is realised.

Although an extremely challenging financial year, through excellent budgetary control by service management, the Council has made significant in-year savings to minimise the draw on reserves and retained its strong financial position.

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 decreased by £6,275k to £49,349k in 2023/24. This is largely due to using capital reserves to help fund the Capital Programme, and the impairment of loans to 3 Rivers Developments Ltd during the year.

The Comprehensive Income and Expenditure Statement (CIES)

The Comprehensive Income and Expenditure Statement (CIES) shows an overall surplus of £12,342k. 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 initial outturn is a £635k deficit on the General Fund and a £393k surplus on the HRA and these amounts have been drawn from the General Fund Earmarked Reserves and contributed to HRA Earmarked Reserves accordingly to give a final outturn of nil for both funds.

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 2024 Balance Sheet. The Property, Plant and Equipment valuation, after adjustment for additions, disposals, and finance leases increased by £21,264k during 2023/24. This is mainly due to new housing developments under construction and the acquisition of land and buildings from 3Rivers. The overall Pension Scheme deficit decreased by £5,911k due to Pension Fund assets increasing in value by £7,983k and Pension Liabilities increasing by £2,072k mainly due to high interest/CPI rates being applied.

Cash Flow Statement

The Council had a net cash reduction during 2023/24 of £230k.

The Collection Fund

The Council set a Band D equivalent Council Tax rate of £225.40 in 2023/24. There was a reduced closing deficit of £320k on the Council Tax Collection Fund in 2023/24 due to a higher than budgeted collection rate achieved in the year of 97.5% (97.1% in 2022/23). Circa 13% is due to Mid Devon District Council, amounting to £42k.

Similarly, the Business Rates collection rate achieved in the year was also higher than budgeted at 99.4% (96.8% in 2022/23). This removed the previous deficit (£267k) and created a surplus of £487k in 2023/24, of which 40% is due to Mid Devon District Council, amounting to £195k.

The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 came into force on 1 December 2020. The regulations implemented 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 2023/24 has benefitted by the release of £152k from the Business Rates Smoothing Reserve and £62k from the Council Tax Smoothing Reserve. This smoothing is now complete.

The Financial Outlook

The 2024/25 budget includes increases in income budgets reflecting the positive direction of travel experienced in 2023/24. Pressure on budgets has softened slightly as inflation falls back towards the government’s 2% target. A wide range of service savings and efficiencies have enabled a balance budget to be agreed without any draw from reserves. Indeed, with some last minute additional funding announced within the final settlement, a small contribution to reserves to enable further decarbonisation works was possible.

The financial outlook for councils continues to be uncertain. The sector only has clarity over the level of funding for one year, making planning for future service delivery practically impossible. However, the Council is in a strong financial position due to a good track record of robust financial management, effective budget management, the achievement of planned cost reductions/efficiencies and healthy levels of reserves.

Nationally, the way local councils are funded remains a challenge. The long overdue review of funding mechanisms, known as the Fair Funding Review initially promised in 2016, has now been delayed into the next Parliament. With an accrued loss of around c.£5,000k in Government funding since 2010 and continued additional requirements placed upon us, we look to the next Government to address the funding shortfall and deliver a funding mechanism that is fit for purpose and enables strategic financial planning.

Andrew Jarrett
Deputy Chief Executive (S151)

4 Narrative and Performance Report 2023/24

4.1 Introduction

The Council's Narrative Report sets out the overall financial position and details the financial transactions relating to the Council's activities for the year ended 31 March 2024. 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 offer a more holistic view of the performance of the Council.

Financial Performance

4.2 2023/24 Overview

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 6 February 2024 Cabinet meeting forecast Service expenditure to be an estimated £119k over budget.

This over spend position was heavily influenced by the decisions taken in setting the 2023/24 budget which included a £400k staff savings target and an assumption to draw £625k from reserves. Therefore, to be forecasting to have reduced this £1,025k challenge down to £119k was a significant achievement. Significant challenge was given to all vacancies arising to ensure that each post was vital in the delivery of services. Roles deemed not to directly impact the delivery of statutory services (e.g. waste operatives), the safety of those using the service (i.e. lifeguards), those deemed as business critical (for example IT support) or roles that directly generate income (e.g. coaches taking classes within our leisure centres) were subject to a minimum three month delay in recruiting, allowing time for the service to consider alternative operating options. The need for agency and temporary staff was also heavily challenged. With the help of a 17% staff turnover rate, this enabled the Council to meet its £400k staff saving target.

Income generation was also key in offsetting the £625k draw from reserves. Waste recycling increased by circa 5% following the introduction of the Bin-it 123 scheme. This led to a significantly higher Waste Shared Saving payment from Devon County Council (£520k) reflecting the savings achieved by putting less into landfill. Subscriptions to Trade Waste and Green Waste services also generated income considerably above budget. Customers using our car parks and leisure centres returned to pre-Covid levels, with swimming income particularly increasing. However, the Cost of Living Crisis had a negative impact on Planning and Building Control income, which saw fewer applications due to the depressed housing market.

The third major factor contributing to the offsetting of the budgetary challenge was the reduction in non-essential planned project investments across our property portfolio to replace / enhance assets. An example of this is resurfacing the car parks. Given the budget situation, a risk based review was undertaken to postpone as many projects as safely as possible in order to help contain spend. Essentially, little more than fire safety works at Phoenix House were completed to ensure compliance with the regulations.

Considering the budgetary challenge outlined above, the forecast over spend position shows that excellent budget management continues within services in order to mitigate funding pressures and continue to provide high quality services at an affordable cost. Further information on spending on services, other operating costs and income is shown within the Notes to the Accounts Section.

4.3 Outturn Summary

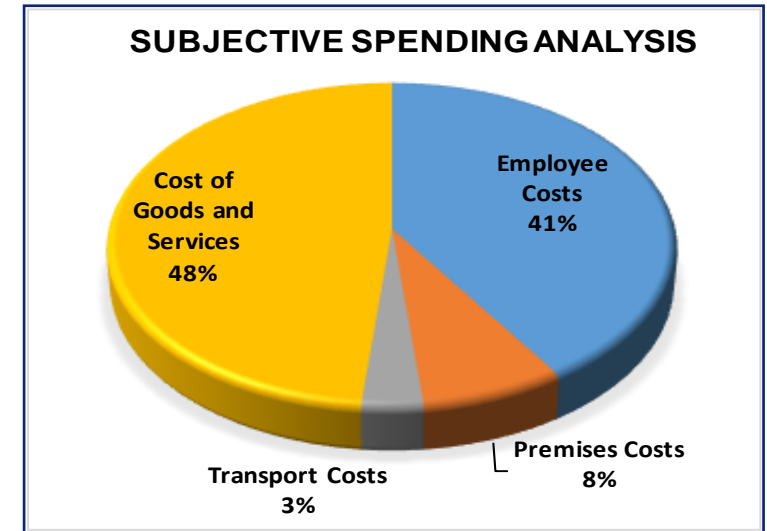
The table below shows the summary outturn position against budget.

Outturn Summary	Budget 2023/24 £	Actual 2023/24 £	Variance 2023/24 £	To / (From) Earmarked Reserves 2023/24 £	variation after Earmarked Reserves 2023/24 £
Community Development	217,761	226,251	8,490	-	8,490
Corporate Management	1,513,274	2,725,317	1,212,043	(58,440)	1,153,603
Car Parks	(545,510)	(674,655)	(129,145)	130,000	855
Customer Services	789,643	765,122	(24,521)	-	(24,521)
Public Health	1,236,696	945,815	(290,881)	243,185	(47,696)
Finance and Procurement	843,489	787,968	(55,521)	54,065	(1,456)
Grounds Maintenance	545,276	541,677	(3,599)	(29,721)	(33,319)
General Fund Housing	342,405	224,164	(118,241)	96,500	(21,741)
Human Resources	582,915	523,992	(58,923)	-	(58,923)
I.T. Services	1,299,553	1,310,229	10,676	(95,761)	(85,085)
Legal and Democratic Services	1,327,690	1,182,332	(145,358)	20,000	(125,358)
Planning and Regeneration	1,990,383	2,195,024	204,641	(393,831)	(189,190)
Property Services	1,976,209	1,234,368	(741,841)	729,714	(12,126)
Revenues and Benefits	849,153	689,157	(159,996)	45,572	(114,425)
Recreation and Sport	1,401,716	809,586	(592,130)	194,484	(397,646)
Waste Services	2,474,712	2,351,273	(123,439)	(76,099)	(199,537)
ALL GENERAL FUND SERVICES	16,845,365	15,837,620	(1,007,745)	859,669	(148,076)
Net recharge to HRA	(1,883,810)	(1,796,110)	87,700	-	87,700
Statutory Adjustments (Capital Charges)	703,264	1,217,295	514,031	30,467	544,498
NET COST OF SERVICES	15,664,819	15,258,806	(406,013)	890,135	484,122
Net Interest Payable / (Receivable)	(851,487)	(1,615,637)	(764,150)	150,000	(614,150)
Net Transfers To / (From) Reserves	(2,350,097)	(1,532,030)	818,067	(645,742)	172,325
Revenue contribution to fund 2023/24 Capital Programme	-	633,637	633,637	(633,637)	0
TOTAL EXPENDITURE	12,463,235	12,744,776	281,541	(239,244)	42,297
Funded by:					
Business Rates	(4,175,875)	(4,329,046)	(153,171)	239,244	86,073
Council Tax	(6,749,030)	(6,749,038)	(8)	-	(8)
Un-Ringfenced Grants	(1,538,330)	(1,666,692)	(128,362)	-	(128,362)
NET INCOME AND EXPENDITURE	-	(0)	(0)	-	(0)

4.4 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.

General Fund Revenue Account Outturn				
Services Subjective Spending Analysis				
	Budget	Actual	Variance	
	2023/24	2023/24		
	£k	£k	£k	%
Employee Costs	16,811	16,777	(34)	(0.20%)
Premises Costs	4,242	3,083	(1,159)	(27.32%)
Transport Costs	1,319	1,323	4	0.31%
Cost of Goods and Services	17,529	19,880	2,351	13.41%
Income	(23,054)	(25,225)	(2,170)	9.41%
TOTAL NET DIRECT SERVICE EXPENDITURE	16,845	15,838	(1,008)	(5.98%)



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4.5 Sources of Income

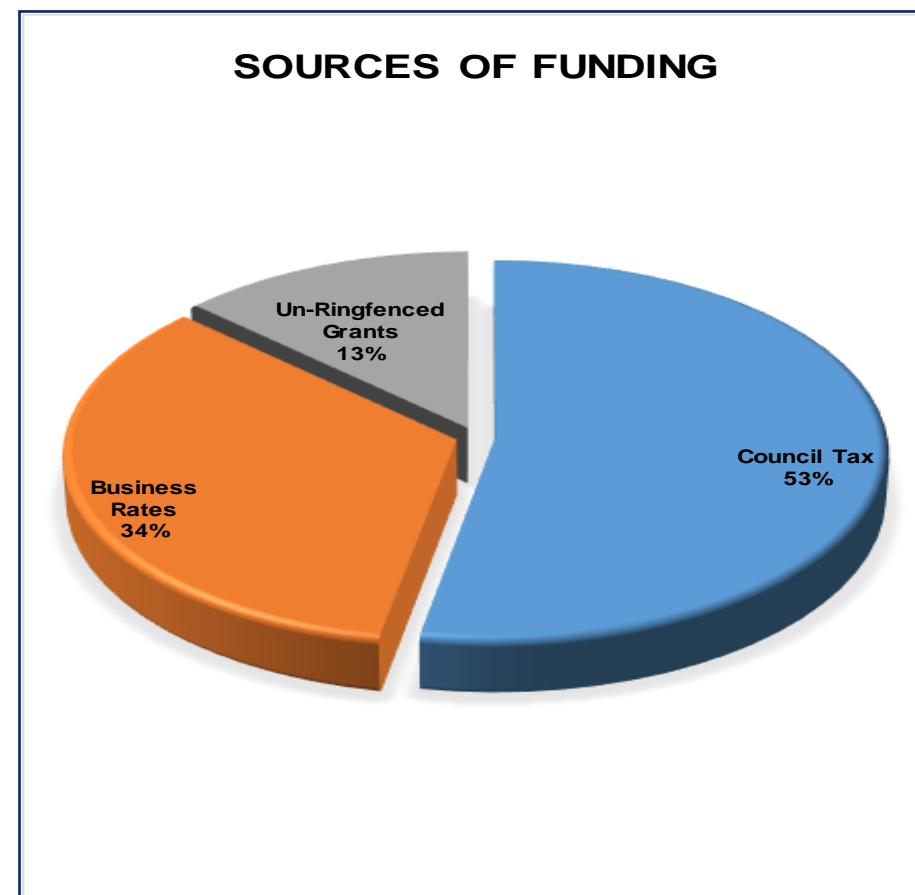
The Council's core funding streams for 2023/24 are detailed below. It shows that the Council is largely funded through localised taxation, namely Council Tax and Business Rates. In setting the budget for 2023/24, the Council increased Council Tax by 2.99% for a Band D property. This meant that the Band D Council Tax rate became £225.40. However, there remained a deficit on the fund, so overall the budget reduced from £6,946k to £6,749k.

The income from Business Rates returned to a more normal calculation as recent national reliefs and additional compensating Section 31 Grant ceased. However, the implications of the 2023 Revaluation (originally due in 2021) still needed to be included. In addition, a new Supporting Small Business Scheme was introduced with losses from the previous small Business Rate Relief or Rural Rate Relief capped at £600 annually. Overall, this increased the retained Business Rates by 12.7% and increased our budgeted income from £3,532k to £4,319k.

Only 13% of our overall funding now comes via Un-ringfenced Grant following more than a decade of austerity measures. This is inclusive of a new "funding guarantee" that ensures all authorities receive at least a 3% increase in the Core Spending Power and for Mid Devon, the reintroduction of the Revenue Support Grant.

The Council received £12,745k from the various sources of funding, £282k above budget, of which nearly half came from the very late payment of Covid-19 Income Compensation for losses on Sales, Fees and Charges in 2020/21. The remainder coming from the Devon Business Rates Pool surplus.

Sources of Funding	2023/24	
	Budget	Actual
	£k	£k
Council Tax	(6,749)	(6,749)
Council Tax	(6,724)	(6,724)
Prior Year (Surplus)/Deficit	(25)	(25)
Business Rates	(4,176)	(4,329)
Non-Domestic Rates	(4,355)	(4,280)
Prior Year (Surplus)/Deficit	179	179
Business Rates Benefit from Devon Pool	-	(228)
Unringfenced Grants	(1,538)	(1,667)
New Homes Bonus Grant	(395)	(320)
Rural Services Delivery Grant	(490)	(547)
Lower Tier Services Grant	(86)	(82)
Revenue Support Grant	(98)	(98)
Funding Guarantee	(469)	(493)
Covid-19 Income Compensation Scheme	-	(109)
Other Grants	-	(18)
Total Funding	(12,463)	(12,745)



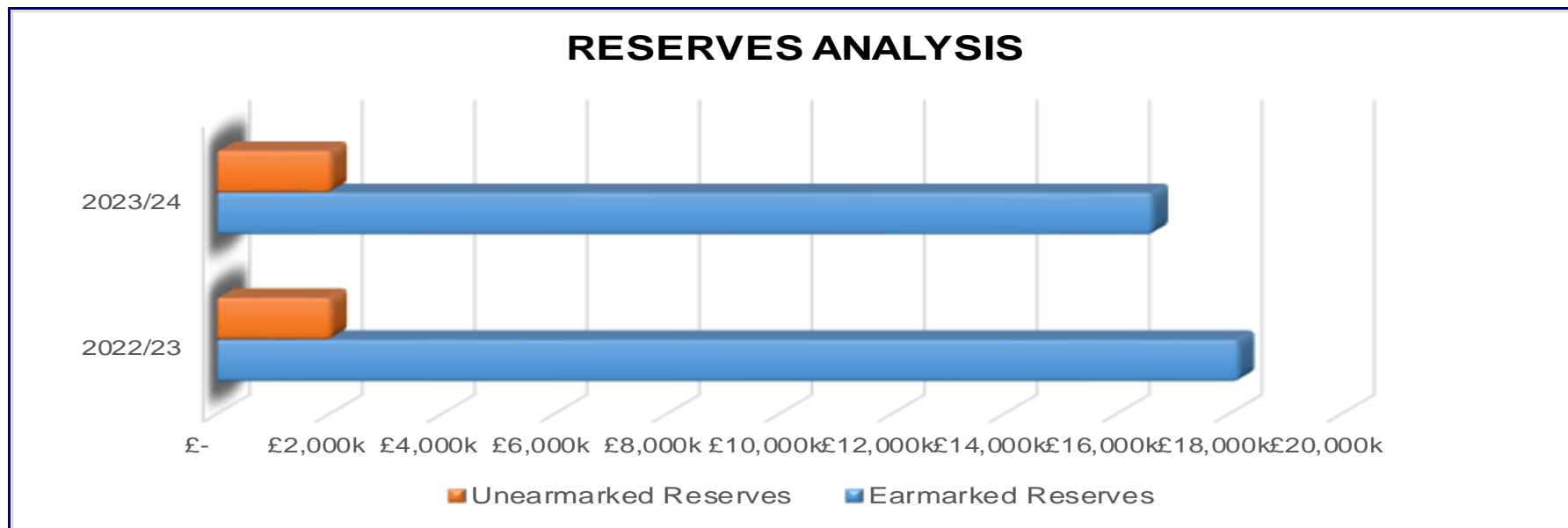
4.6 Revenue Reserves

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. The Cabinet decision taken on 16 January 2020 agreed that the minimum General Fund balance held should be £2,000k. This decision was continued when setting the 2023/24 budget.

The outturn position resulted in an over spend of £635k that, given the exceptional nature of this over spend and the underlying cause, was covered by a transfer from Earmarked Reserves. Therefore, the General Fund bottom line is net nil and Reserves remain at £2,025k as at the start of the year.

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 reduction across the various General Fund Earmarked Reserves of £1,532k from the start of the year. Therefore, in total they now stand at £16,628k at 31 March 2024.



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 funding cuts.

4.7 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	2023/24	2023/24	Variance	
	Budget	Outturn	£k	%
	£k	£k	£k	%
Gross Income	(14,670)	(15,778)	(1,108)	7.55%
Service Expenditure	7,978	8,046	68	0.86%
Other Operating Costs and Income	187	237	50	26.75%
Earmarked Reserve Transfers	3,962	1,565	(2,397)	(60.51%)
Capital Financing and Debt Repayment	2,242	5,383	3,141	140.07%
Technical Accounting Adjustments	300	153	(147)	(49.01%)
(Gain) / Loss on Sale of Fixed Assets	0	0	0	0.00%
Net Variance	0	(393)	(393)	2.68%

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 £14,670k for the year. The HRA has reported a net surplus of £393k for 2023/24, which is 2.68% of gross income. The surplus will increase the Housing Maintenance Fund 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 £21,330k. 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 and renewable energy projects upgrades.

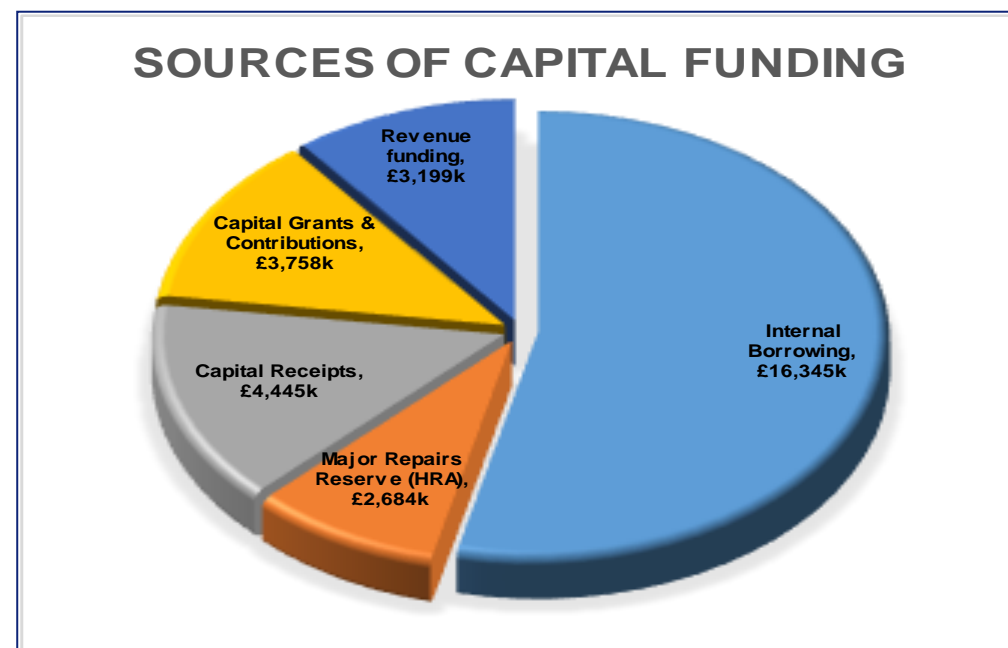
The Housing Revenue Account also holds a MRR (Major Repairs Reserve), which is ring-fenced for capital expenditure on HRA properties. This reserve effectively carries forward any unspent major repairs allowance (see note 66).

4.8 Capital Expenditure

In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, leisure equipment and other projects which are capital in nature. Capital expenditure in the year totalled £30,431k (£17,072k 2022/23). Capital expenditure comprised £13,778k in General Fund schemes and £16,653k on HRA capital works, as summarised in the tables below.

General Fund Capital Expenditure Schemes	£k
Purchase of 3Rivers assets	7,000
Loans to 3Rivers for development schemes	2,686
Purchase of new homelessness accommodation	1,956
Disabled Facilities Grants – Private Sector	659
Replacement leisure equipment and enhancement	406
Leasing costs - vehicles and equipment	353
ICT hardware and equipment	346
Economic Development grant scheme	280
Phoenix House - fire and security upgrades	82
Other small projects	10
General Fund Capital Schemes - Total	13,778

HRA Capital Expenditure Schemes	£k
New social / affordable housing schemes	13,430
Major repairs and enhancements to housing stock	3,117
Leasing costs - vehicles and equipment	106
HRA Capital Schemes - Total	16,653

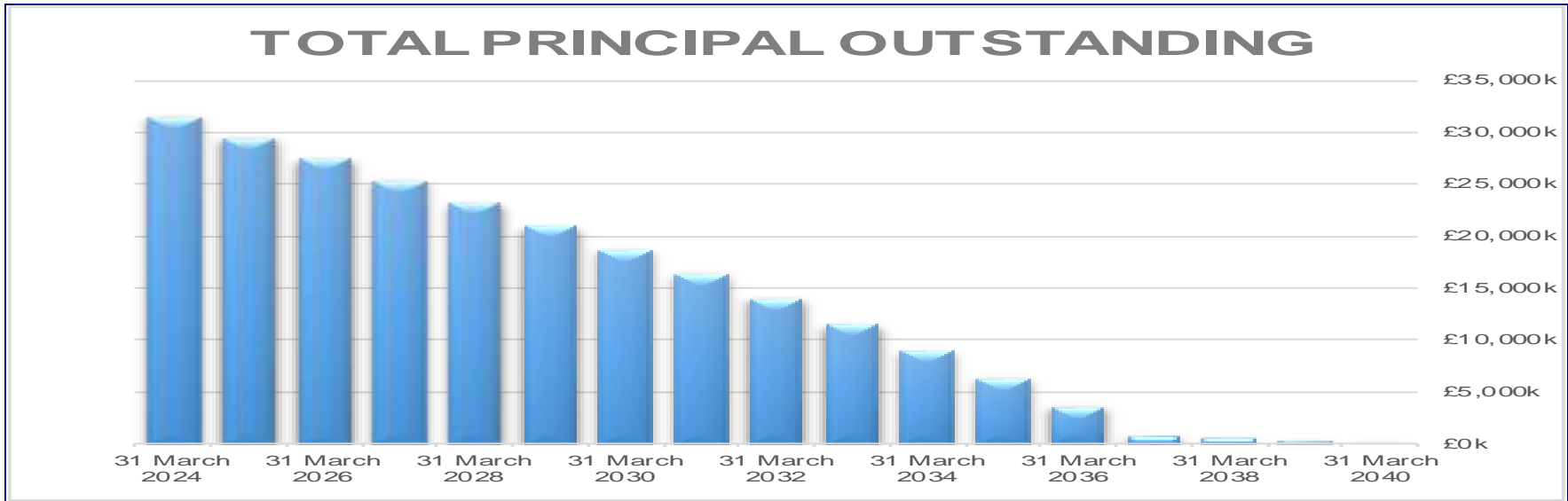


The General Fund capital spend related to a wide range of projects which included £2,686k of additional residual loans to 3 Rivers Developments Ltd to complete the housing development sites at St George's Court and Haddon Heights, Bampton. A further £7m was spent purchasing land at Knowle Lane Cullompton and the unsold units at Haddon Heights, Bampton. £1,956k was spent on new homes to reduce pressure on the homelessness budget. This year renovations to private sector homes funded through the Disabled Facilities Grant have cost £659k, and the leasing of new vehicles cost £353k.

Within the HRA, £13,430k was spent on the initial delivery of the ambitious programme of building 500 new homes to increase the housing stock and reduce the carbon footprint. This included £8.15m for the 40 units at St George's Court which will provide an over 60's scheme, that is expected to release larger properties for younger families. £3,117k was spent maintaining and enhancing housing standards, including replacing kitchens, bathrooms, windows, doors, heating systems and other related works. 10 homes were sold to tenants through the Right-to-Buy scheme and there were none repurchased.

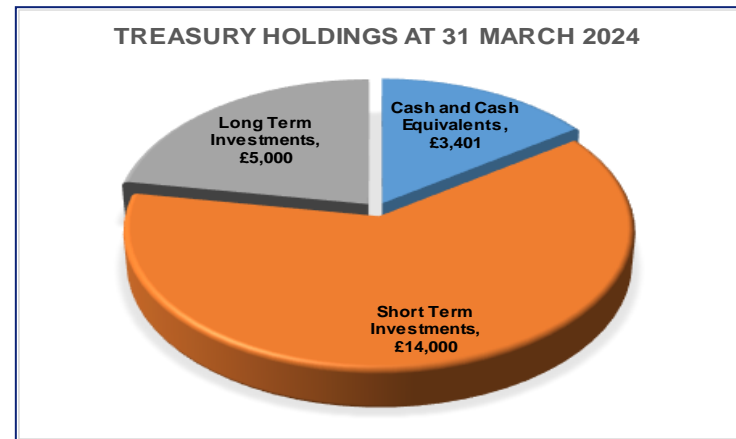
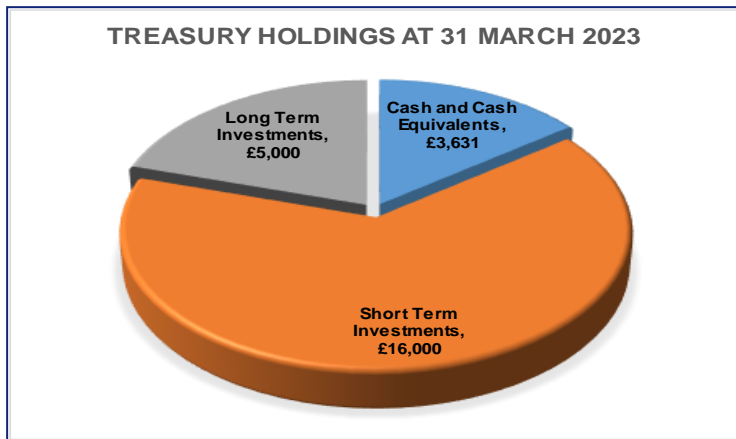
4.9 Borrowing

At the end of 2023/24, the Council had two Public Works Loan Board loans with total principal outstanding of £31,373k. No new loans were taken out during the year. The Council has paid off £1,937k of the outstanding principal during the year and interest of £955k (£81k GF and £874k HRA). The interest rates on these loans were 2.61% and 2.94% pa and give a weighted average of 2.91%.



4.10 Treasury Activities

The charts below gives an overview of the Council's treasury holdings at the 2023/24 financial year end and that held at the end of the previous financial year (2022/23):



From the Short Term investments managed by the Council, investment interest of £1,191k (£539k 2022/23) was generated which gave an average rate of return of 5.25% (1.84% 2022/23). This is a marked increase on the prior year reflecting the significant increase in the interest rates following the Bank of England's attempts to curb inflation and calm the Cost of Living Crisis. The dividends received from the Long Term investments, held with CCLA, totalled £234k or 4.68% (4.02% 2022/23).

Non-Financial Performance

When reviewing the performance of the Council, 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 will be presented to Audit Committee alongside these Statements. Below are some of the key performance statistics:

Non-Financial Performance 2023/24



99% of emergency housing repairs completed on time



100% of householder planning applications determined within 8 weeks

560 trees planted on our land and private land



97.7% of housing complaints responded to on time

46 tonnes of CO2 saved by solar panels generating power at Council sites



74% of residents are very or fairly satisfied with their local area as a place to live



4,323 charging sessions at our electric vehicle charging points



97.5% of Council Tax collected



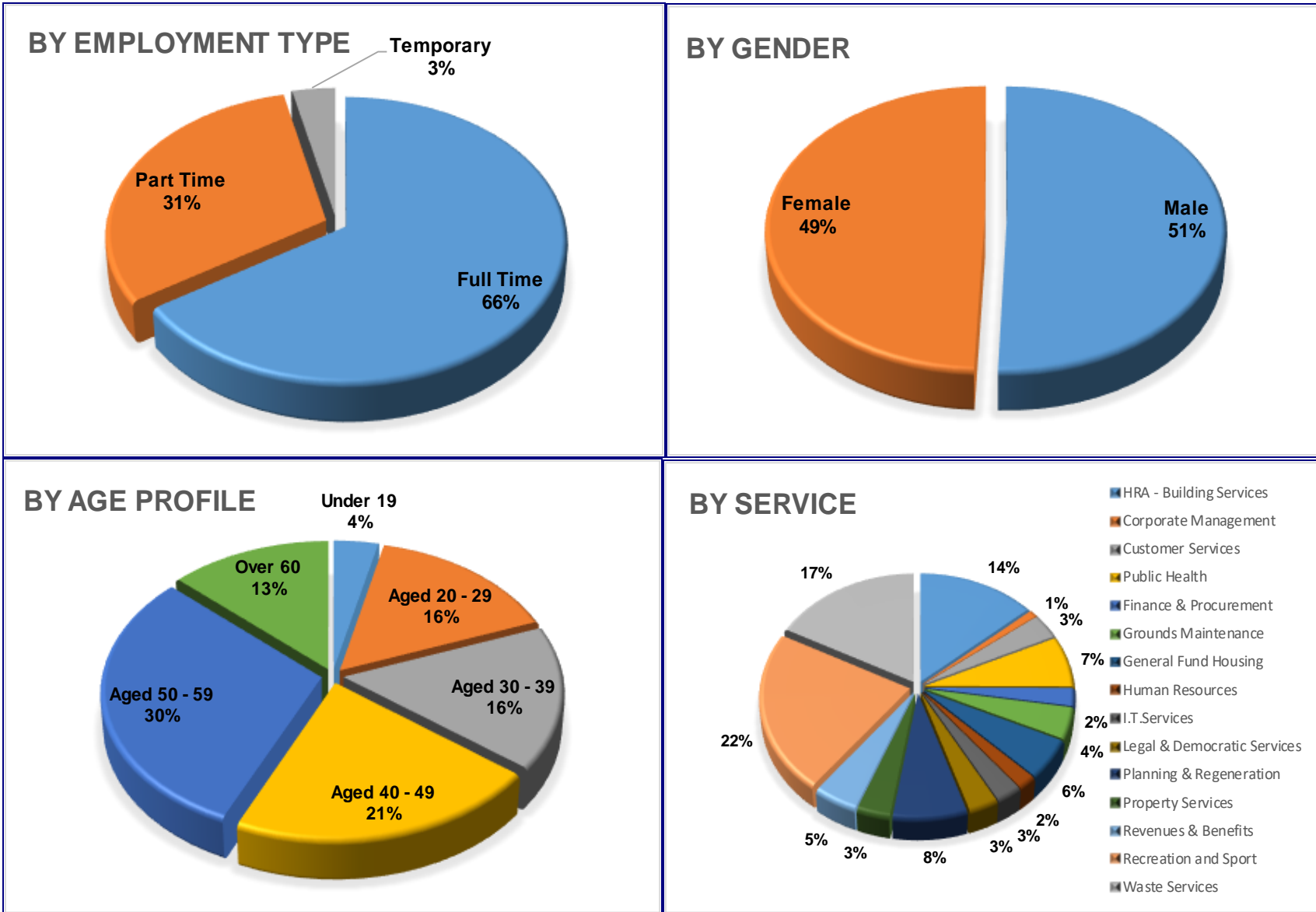
99.4% of Business Rates collected



57.8% of household waste reused, recycled and composted

4.11 Workforce Data

The Council employed 546 people in full, part time or temporary contracts on 31 March 2024. Employees are a valued significant resource within the Council and employees' costs account for 41% of the total gross expenditure. The Council's workforce profile can be seen in the charts below.



4.12 Principal Risks and Uncertainties

A risk 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 2024 centred on:

Ref	Risk Name	Risk Owner	Risk Rating
CR1a	Culm Garden Village – Loss of Capacity Funding	Adrian Welsh	25
CR1b	Culm Garden Village – Delay / impact to project arising from infrastructure delays	Adrian Welsh	20
CR2	Cyber Security	Brian Trebilcock	20
CR3	Failure to meet Climate Change Commitments by 2030	Paul Deal	15
CR4	Homes for Ukraine Scheme	Simon Newcombe	9
CR5	Information Security	Lisa Lewis	8
CR7	Financial Sustainability	Paul Deal	16
CR8	Quality of Planning Committee Decisions	Angharad Williams	12
CR9	3Rivers – Delivery of closedown plan	Paul Deal	8
CR9a	Reputational Impact of 3Rivers	Stephen Walford	8
CR10	Cullompton Town Centre Relief Road	Adrian Welsh	25
CR11	Cost of Living Crisis	Dean Emery	16
CR12	Housing Crisis	Simon Newcombe	12
CR13	Operation of a Waste Management Service	Matthew Page	8
CR14	Workforce Shortage	Matthew Page	6
CR15	Corporate Property Fire Safety	Stephen Walford	9
CR16	Building Control Service Viability	Andrew Howard	9
CR17	Severe Weather Emergency Recovery	Simon Newcombe	12

↑ Risk Severity	5	5	10	15	20	25			
	4	4	CR9; CR13	8	CR8; CR12; CR17	12	16	CR7; CR11	20
	3	3	CR14	6	CR4; CR15; CR16	9	12	CR3	15
	2	2	2	4	6	CR5; CR9a	8	10	
	1	1	2	3	4	5			
		1	2	3	4	5	Risk Likelihood →		

4.13 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).

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.

4.14 Notable Events affecting the Finances

Election

The Mid Devon District Council election took place on 4 May 2023. This saw a significant swing in political control, moving from no overall control to a heavily dominant Liberal Democrat administration. This has helped stable decision making and enable focus on the Council’s financial position as previously covered.

3 Rivers Developments Ltd (3Rivers)

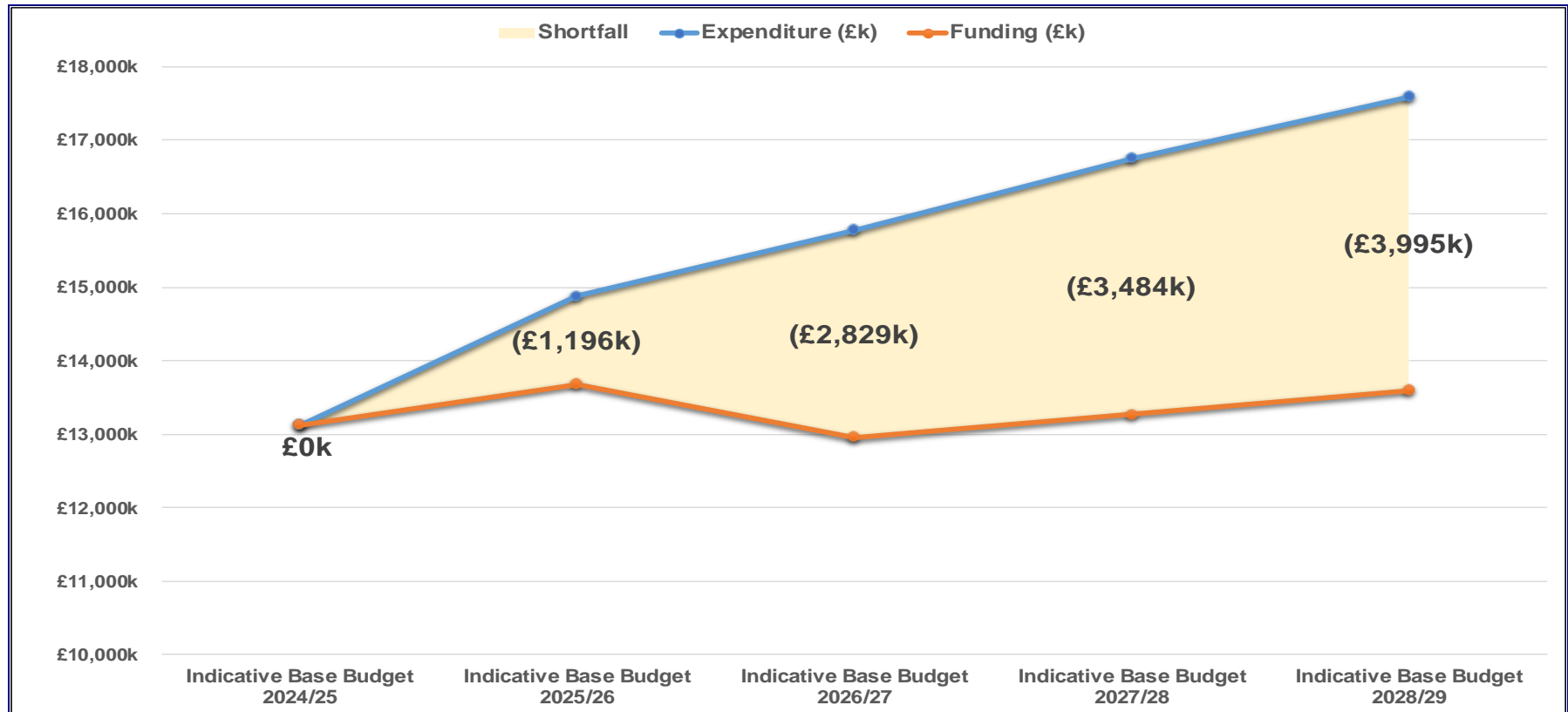
Approval was given by Cabinet and Full Council in September 2023 for the soft closure of the Council’s subsidiary company, 3 Rivers Developments Ltd. The soft closure ensured all assets were realised and committed to paying all contractors, suppliers and tradesmen in full. Although this has been a challenge, all assets have been sold commercially or to the Council and no funds are owed to either the Council or any creditors, placing the company into a period of dormancy prior to applying to Companies House for a voluntary strike off.

Cost of Living Crisis

The invasion of Ukraine had a significant impact on the global economy causing inflation to reach its highest levels in over 40 years and household disposable income to reduce. This has been known as the Cost of Living Crisis. Although the Council has seen increased costs, both in wages and materials, this has also enabled our fees and charges to be increased in order to offset the higher costs and higher interest rates have yielded significantly higher investment returns.

4.15 The Financial Future of Mid Devon – Medium Term Forecast

The Medium Term Financial Plan (MTFP) position 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 £3,995k by 2028/29. As shown in the chart below, the majority of this shortfall falls within the first two financial years due to inflation and reduced grant funding assumptions linked to long outstanding and overdue reforms to Local Government Funding mechanisms. The latter years are forecast to be broadly more manageable.



Funding is expected to fall after 2025/26 due to the Government reviewing the future of Business Rates funding allocation, which could see a loss of the growth in this funding since 2013 known as resource equalisation. Uncertainty also surrounds the various forms of central Government funding

following the extended delays to reforms being considered within the Fair Funding Review, initially commissioned in 2016. New Homes Bonus was formally phased out by 2022/23, however one-off allocations have been received in 2022/23, 2023/24 and again in 2024/25. The Government commitment to provide clarity about the future position of New Homes Bonus in advance of the 2024-25 Finance Settlement failed to materialise. Other one-off funding received such as Services Grant and the Funding Guarantee are assumed to halve, leaving the Rural Services grant as the only steady 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.

This uncertainty makes medium term financial planning far more challenging. However, proactive financial stewardship has seen the Council make provision to manage any adverse consequences emanating from these delays and the potential outcomes of the long awaited Fair Funding Review and Business Rates Baseline Reset consultations.

The Council has prudently maintained 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. 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.

Moving forward, the Council's financial position is more sustainable, as there is little funding left outside of our control that can be cut.

4.16 Conclusion

Overall 2023/24 should be considered a hugely successful financial year. **Despite covering an over spend for the General Fund by a transfer from Earmarked Reserves**, given the financial challenges provided through the budget process and soft closure of 3Rivers, to keep it to £635k is a remarkable achievement. The Housing Revenue Account delivered an under spend close of £393k despite pressure from the price of materials. The Council's performance was strong with the vast majority of our performance targets achieved, despite the significant financial pressures and strain on resources experienced. This achievement should be celebrated.

We are aware that the future position continues to be challenging. Therefore we are taking action now to limit the impact and find solutions to enable the Council to continue to build from its current position of strength. We are looking to expand how we work collaboratively with neighbouring Councils and partners to deliver financial savings and build additional operational capacity and resilience and 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)

5 Statement of Accounting Policies

5.1 General Principles

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year ending 31 March 2024. The Council 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 2023/24 ("the Code"), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government 2003 Act.

There have been no material changes to the accounting policies for 2023/24 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.

5.2 Going Concern

The concept of a 'going concern' assumes that a council, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government).

If a council were in financial difficulty, the prospects are that alternative arrangements would be made by Central Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

Therefore, in accordance with the Code, the Council's single entity accounts are prepared assuming it will continue to operate in the foreseeable future and it is able to do so within the current and anticipated resources available.

On 6 September 2023, Mid Devon District Council agreed to "soft close" 3 Rivers Developments Ltd (a wholly owned subsidiary company). As such, the company's financial statements were prepared on a basis other than going concern, however the Group Accounts within this document were prepared on a going concern basis as only part of the group will cease to operate. At 31 March 2024, the company owned no assets, owed no debt to any creditor (including the Council) and was effectively dormant awaiting voluntary strike off at Companies House.

5.3 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 Council 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 Council.

- 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.

5.4 Overheads and Support Services (Recharges)

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.

5.5 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 Council. 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 within the Comprehensive Income and Expenditure Statement (CIES), but then reversed out through the Movement in Reserves Statement (MIRS) so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis and form part of the relevant service's expenditure in the CIES when the Council 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 Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable, but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of The Local Government 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 Council.

5.6 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.
- Liabilities are discounted to their value at current prices using a discount rate as shown in the assumptions in Note 21 to the accounts. The assets of the fund attributable to the Council are included in the Balance Sheet at fair value.

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 Council – 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 Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, 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.

5.7 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 Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the CIES 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 CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the MIRS. 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.

Any amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

5.8 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 Council 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 MIRS from the General Fund Balance to the Capital Adjustment Account so there is no impact on the level of Council Tax.

5.9 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.

5.10 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 Council 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.

5.11 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 Council'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.

5.12 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 Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (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

The criteria for individual components of any asset to be separately valued are as follows:

De minimus threshold – the overall gross asset value must be in excess of £500,000 to be considered for componentisation; and

Materiality – the component must have a minimum value of £250,000 or represent at least 20% of the overall value of the asset (whichever is higher) and the differential in the asset life must be more than 50% of the that of the total asset; and

Asset lives – the estimated life of the component is less than half that of the main asset.

All three of the above criteria must be met before componentisation becomes an issue.

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 of Non-Current Assets

Non-Current 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. This policy does not apply to loans to third parties, which are treated as financial instruments.

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.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

The Council had the District Valuer estimate current values of approximately 1/5th of the property portfolio at 31 March 2024.

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
Solar panels	Expected asset life of 15 to 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.

5.13 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. In prior years, a proportion of receipts relating to housing disposals and other assets, net of statutory deductions and allowances, is payable to the Government. However, for 2022/23 and 2023/24, the Government have granted further fixed term flexibilities for Right-to-Buy sales receipt, allowing 100% of the sale value to be retained. 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.

5.14 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 (PPE) 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 Council 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 PPE – applied to write down the lease liability; and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

PPE 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 Council at the end of the lease period).

The Council 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, 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 PPE. 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

For this set of accounts the Council has no lessor finance leases.

Operating Leases

Where the Council 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.

5.15 Investments including Cash on Deposit with Banking Institutions

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 Council's cash management.

5.16 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, all parties 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 Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council'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 MIRS.

The Balance Sheet includes the Council'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.

5.17 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. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement;
- Fair value through profit or loss (FVPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.; and
- Fair value through other comprehensive income (FVOCI). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of. A separate accounting policy is required where a Council holds financial instruments at fair value through other comprehensive income.

The Council'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 Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), 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 Council recognises expected credit losses on all of its financial assets held at amortised cost, or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially

recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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

The Council 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.

5.18 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 Council 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.

5.19 Interests in Companies and Other Entities

The Council has material interests in its wholly-owned subsidiary 3 Rivers Developments Ltd, and due to the materiality of the interest the Council is required to prepare Group Accounts which can be found within these accounts. Note, however, that as at 31 March 2024, the company owed nothing to the Council and was effectively dormant awaiting voluntary strike off at Companies House.

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

5.20 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 2024 was £2,025k.

5.21 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 the year.

6 The Statement of Responsibilities for the Statement of Accounts

6.1 The Council's Responsibilities

The Council 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 Council 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.

6.2 The Deputy Chief Executive (S151)'s Responsibilities

The Deputy Chief Executive (S151) is responsible for the preparation of the Council'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;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

6.3 Opinion

In my opinion the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2024.

.....
Signature

.....
Date

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

7 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 2024.

The date on which the draft Statement of Accounts was authorised for issue by the Deputy Chief Executive (S151) was 14 June 2024.

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

.....
TBC

.....
Dated

Approved by the Leader of the Council

.....
Cllr Luke Taylor

.....
Dated

8 Independent Auditor’s Report to the Members of Mid Devon District Council

8.1 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 2023/24”.

- **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 Council 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 & Cornwall Police & 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. The Council’s wholly owned subsidiary, 3 Rivers Developments Ltd has been in operation, therefore the company’s accounts have again been consolidated with the Council’s accounts within the Group Accounts section.

10 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, 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 Council'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.

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2023/24	USABLE RESERVES										Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority 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 2023	(2,025)	(18,160)	(20,185)	(2,000)	(23,565)	(25,565)	(7,309)	(2,565)	(55,624)	(149,157)	(204,780)		
Movement in Reserves during year													
(Surplus) or deficit on the provision of services	2,100	-	2,100	(7,203)	-	(7,203)	-	-	(5,103)	-	(5,103)		
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(7,239)	(7,239)		
Total Comprehensive Income and Expenditure	2,100	-	2,100	(7,203)	-	(7,203)	-	-	(5,103)	(7,239)	(12,342)		
Adjustments between accounting basis and funding basis under regulations	(568)	-	(568)	8,063	(147)	7,916	3,492	538	11,378	(11,378)	-		
Net (Increase) / Decrease before Transfers to Earmarked Reserves	1,532	-	1,532	860	(147)	713	3,492	538	6,275	(18,617)	(12,342)		
Transfers (to) / from Earmarked Reserves	(1,532)	1,532	-	(860)	860	-	-	-	-	-	-		
(Increase) / Decrease in year	-	1,532	1,532	-	713	713	3,492	538	6,275	(18,617)	(12,342)		
Balance at 31 March 2024 Carried forward	(2,025)	(16,628)	(18,652)	(2,000)	(22,852)	(24,852)	(3,817)	(2,027)	(49,349)	(167,774)	(217,123)		
Held for Revenue Purposes	(2,025)	(16,628)	(18,652)	(2,000)	(21,330)	(23,330)	-	-	(41,982)	-	-		
Held for Capital Purposes	-	-	-	-	(1,522)	(1,522)	(3,817)	(2,027)	(7,367)	-	-		

Movement in Reserves Statement (Continued)

2022/23	USABLE RESERVES									Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	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 2022	(2,215)	(20,655)	(22,870)	(2,000)	(22,650)	(24,650)	(6,529)	(2,697)	(56,745)	(95,122)	(151,867)	
Movement in Reserves during year												
(Surplus) or deficit on the provision of services	3,779	-	3,779	(8,912)	-	(8,912)	-	-	(5,133)	-	(5,133)	
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(47,780)	(47,780)	
Total Comprehensive Income and Expenditure	3,779	-	3,779	(8,912)	-	(8,912)	-	-	(5,133)	(47,780)	(52,913)	
Adjustments between accounting basis and funding basis under regulations	5	(1,093)	-	(1,093)	7,954	42	7,996	(780)	132	6,255	(6,255)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves		2,686	-	2,686	(958)	42	(916)	(780)	132	1,122	(54,035)	(52,913)
Transfers (to) / from Earmarked Reserves	6	(2,496)	2,496	-	958	(958)	-	-	-	-	-	-
(Increase) / Decrease in year		190	2,496	2,686	-	(915)	(915)	(780)	132	1,122	(54,035)	(52,913)
Balance at 31 March 2023 Carried forward		(2,025)	(18,160)	(20,184)	(2,000)	(23,565)	(25,565)	(7,309)	(2,565)	(55,624)	(149,157)	(204,780)
Held for Revenue Purposes		(2,025)	(18,160)	(20,184)	(2,000)	(22,190)	(24,190)	-	-	(44,373)	-	-
Held for Capital Purposes		-	-	-	-	(1,375)	(1,375)	(7,309)	(2,565)	(11,249)	-	-

11 Comprehensive Income and Expenditure Statement (CIES)

This section is a summary of our spending on services.

Gross Expenditure £'000	2022/23		Service Area	Note	2023/24		Net Expenditure £'000
	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	
347	(93)	253	Community Development		412	(91)	321
6,327	(3,113)	3,214	Corporate Management		3,170	(304)	2,866
801	(845)	(43)	Car Parks		843	(1,000)	(156)
106	-	106	Customer Services		-	(35)	(35)
2,821	(1,034)	1,786	Environmental Services		3,014	(807)	2,207
86	(7)	80	Finance and Performance		(26)	(2)	(28)
147	(56)	91	Grounds Maintenance		52	(76)	(24)
1,356	(1,040)	315	General Fund Housing		1,662	(1,209)	452
5,885	(13,641)	(7,756)	Housing Revenue Account		7,614	(14,801)	(7,187)
103	(21)	82	Human Resources		7	(13)	(7)
375	(11)	364	I.T. Services		162	(4)	158
1,486	(307)	1,179	Legal and Democratic Services		1,435	(142)	1,294
5,043	(4,237)	807	Planning and Regeneration		5,219	(2,588)	2,630
1,387	(738)	649	Property Services		2,512	(730)	1,782
12,779	(12,025)	755	Revenues and Benefits		12,993	(12,178)	814
5,953	(2,692)	3,261	Recreation and Sport		5,389	(3,324)	2,065
7,644	(3,097)	4,547	Waste Services		6,801	(3,400)	3,401
52,645	(42,956)	9,690	Costs of Services		51,258	(40,703)	10,554
		1,097	Other Operating Expenditure	8			2,579
		1,898	Financing and Investment Income and Expenditure	9			(246)
		(17,818)	Taxation and Non-Specific Grant Income	10			(17,990)
		(5,133)	(Surplus) or Deficit on Provision of Services				(5,103)
		-	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets				-
		(45,072)	Remeasurements of the Net Defined Benefit Liability	21			(5,763)
		(2,708)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment	44			(1,476)
		(47,780)	Other Comprehensive Income and Expenditure				(7,239)
		(52,914)	Total Comprehensive Income and Expenditure				(12,342)

12 Balance Sheet

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

2022/23			2023/24
£'000	Balance Sheet	Notes	£'000
213,667	Property, Plant & Equipment	22	234,931
330	Heritage Assets	25	330
4,639	Long-term Investments	31	4,458
2,982	Long-term Debtors	32	2,143
221,618	Non-Current Assets		241,862
16,000	Short-term Investments	33	12,000
30	Assets held for sale	34	3,104
367	Inventories	35	339
25,623	Short-term Debtors	36	8,292
3,631	Cash and Cash Equivalents	38	3,401
45,652	Current Assets		27,135
(10,491)	Short-term Creditors	39	(8,008)
(876)	Provisions	41	(640)
(1,937)	Short-term Borrowing	28	(1,975)
(13,304)	Current Liabilities		(10,622)
(1,735)	Long-term Creditors	40	(1,687)
(31,373)	Long-term Borrowing	28	(29,398)
(16,077)	Other Long Term Liabilities	47	(10,166)
(49,186)	Long Term Liabilities		(41,251)
204,781	Net Assets		217,123
55,624	Usable Reserves	42	49,349
149,157	Unusable reserves	43	167,774
204,781	Total Reserves		217,123

13 Cash Flow Statement

This section shows what cash we spend and receive.

2022/23			2023/24
£'000	Cash Flow	Note	£'000
5,133	Net surplus or (deficit) on the provision of services		5,103
(4,962)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	50	19,973
(5,198)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	51	(3,858)
(4,327)	Adjustments for operating activities processed through the Balance Sheet	52	(598)
(9,354)	Net cash flows from Operating Activities		20,620
5,445	Investing Activities	53	(18,490)
(2,291)	Financing Activities	54	(2,360)
(6,200)	Net increase or (decrease) in cash and cash equivalents		(230)
9,831	Cash and cash equivalents at the beginning of the reporting period		3,631
3,631	Cash and cash equivalents at the end of the reporting period	38	3,401

14 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 Council 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 2024 for 2023/24).

The standards introduced by the 2024/25 Code where disclosures are required in the 2023/24 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are

- a) The implementation of IFRS 16 Leases, applying the provisions as they have been adopted in the 2024/25 Accounting Code.

The main impact of IFRS 16 will relate to property that the Council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable. Under IFRS 16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the Council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires.

When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund Balance to be unchanged – ie, that the overall charge for each year will be the rents payable in that year.

The other minor changes, that the Council does not anticipate will have any material effects in relation to these financial, are:

- b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
- specify that an entity's right to defer settlement must exist at the end of the reporting period
 - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
 - clarify how lending conditions affect classification, and
 - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- d) Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.

- e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
- a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
 - targeted disclosure requirements for affected entities.
- f) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
- assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
 - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

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. A threshold of £10k is applied where practical.
- 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 Cost of Living Crisis 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 the auditor 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 Council will be material with an expectation that the current various income streams will be altered, reduced and even ceased in some cases.

3 Material Items of Income and Expenditure

The Council has a 100% interest in its subsidiary 3 Rivers Developments Ltd which builds quality homes in the Mid Devon area. On 6 September 2023, Mid Devon District Council (the company's 100% parent) agreed to "soft close" the company, with all assets being realised and a commitment to paying all contractors, suppliers and tradesmen in full. In closing the company, the Council bought unsold assets from the company for £15,127k. This paid off some of the loans in full, others required further impairment. An overall loss of £6,800k has been incurred on the loans made to the company in delivering their developments requiring a further impairment of the loans against St George's Court and Working Capital of £1,483k. In addition, the revaluation of the assets purchased have been reviewed and revalued by the District Valuer resulting in notional losses of £2,016k.

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 Council 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 Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual results Differ
Property, Plant and Equipment (Note 22)	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 Council 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 on a gross value of £36,281k would increase by £72k for every year that useful lives had to be reduced.</p> <p>The gross value of £36,281k 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 vehicles plant and equipment and finance leases.</p>
Pensions Liability (Note 21)	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 Council 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	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 £95,720k and a 1 year increase in life expectancy assumptions would increase the closing defined benefit obligation to £101,038k. However, the assumptions interact in complex ways.

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	available until some time later, may give a different value of pension assets, but this is not considered to be material.	
Non Domestic Rates Appeals Provision (Note 41)	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.	<p>There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation.</p> <p>Any under or over estimate of the value of successful appeals would be shared across the major preceptors, Central Government and the Council based on their relative share. The Council's share is 40% of the provision (£640k) which is held in the Balance Sheet.</p>
Arrears	At 31 March 2024, the Council had a gross sundry debtors balance of £549k, although only £201k is over 30 days old. A review of significant balances suggested that a provision for doubtful debts of £153k or 28% was appropriate. Allowance has been made in this provision for the effects of the Cost of Living Crisis. 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 £5k.
Fair Value Asset Valuation	The Council 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 current cost of living crisis 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 we highlight the importance of the valuation date.</p>
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.

Impairments	<p>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.</p>	<p>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.</p> <p>There is an impairment from 2019/20 against the loan financing the St George's development of £617k which is being written down over 5 years and £173k Working Capital written down in 2019/20. Following the change in regulations regarding the spreading of impairments, the final £246k for St George's has been processed in 2023/24.</p> <p>In addition, as part of the soft closure, a full and final impairment of £816k has been processed to close the St George's loan.</p> <p>Similarly, the remaining balance of £667k of the Working Capital loan has also been impaired.</p> <p>The District Valuer valued the assets purchased from the Company at £2,016k lower than the price paid. These assets are being held until the market recovers and a higher sales price can be realised.</p>
Loans	<p>This refers to the loans the Council has made, which at the time of lending were deemed to be prudent and fully recoverable.</p>	<p>There is unlikely to be a full default on any loan.</p> <p>The loan to the GP surgery is backed by the NHS therefore risk of default is minimal. However, a default against 10% of our loan portfolio would result in c.£200k needing to be written off.</p> <p>There are no outstanding loans for 3 Rivers Developments Ltd.</p>

5a 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 Council 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 Council to meet future capital and revenue expenditure.

General Fund Balance

The General Fund is the statutory fund into which all of the receipts of a Council 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 Council 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

2023/24	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	(2,195)	(2,831)	-	-	-	5,026
Revaluation (losses)/gains on Property, Plant and Equipment	(1,457)	3,852	-	-	-	(2,395)
Amortisation of intangible assets	-	-	-	-	-	-
Impairment of current assets	(414)	-	-	-	-	414
Capital grants and contributions applied	2,252	780	-	-	-	(3,032)
Income in relation to donated assets	-	-	-	-	-	-
Useable Capital Receipts applied in year	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(938)	-	-	-	-	938
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	(42)	(1,184)	-	-	-	1,226
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	1,217	991	-	-	-	(2,208)
Capital expenditure charged against the General Fund and HRA balances	634	2,568	-	-	-	(3,201)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	187	-	-	-	(187)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	725	(725)
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	90	876	(966)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	4,445	-	-	(4,445)
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	-	-	-	-	-	-
Right to Buy Discounts repaid	-	-	-	-	-	-
Balance carried forward	(666)	5,039	3,492	-	538	(8,402)

2023/24 - Continued	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
Balance brought forward	(666)	5,039	3,492	-	538	(8,402)
Adjustments involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(9)	-	-	-	9
Transfer of deferred capital receipts realised in year to the Capital Receipts Reserve	-	-	-	-	-	-
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	-	2,831	-	(2,831)	-	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	-	2,684	-	(2,684)
Interest credited to the Major Repairs Reserve	-	-	-	-	-	-
Adjustments involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(181)	-	-	-	-	181
Adjustment involving the Pensions Reserve						
Actuarial past service gain adjustment	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,460)	192	-	-	-	3,268
Employer's pension contributions and direct payments to pensioners payable in the year	3,416	-	-	-	-	(3,416)
Adjustment involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	31	-	-	-	-	(31)
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	233	-	-	-	-	(233)
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	59	11	-	-	-	(70)
Total Adjustments	(568)	8,063	3,492	(147)	538	(11,378)

2022/23	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	(2,027)	(2,727)	-	-	-	4,754
Revaluation (losses)/gains on Property, Plant and Equipment	(197)	5,022	-	-	-	(4,825)
Amortisation of intangible assets	-	-	-	-	-	-
Impairment of current assets	(2,186)	-	-	-	-	2,186
Capital grants and contributions applied	3,259	799	-	-	-	(4,058)
Income in relation to donated assets	-	-	-	-	-	-
Useable Capital Receipts applied in year	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(956)	-	-	-	-	956
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	(46)	(684)	-	-	-	730
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	2,868	972	-	-	-	(3,840)
Capital expenditure charged against the General Fund and HRA balances	582	666	-	-	-	(1,248)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	778	-	-	-	(778)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	910	(910)
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	35	1,515	(1,550)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	865	-	-	(865)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(16)	16	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-	-	-
Right to Buy Discounts repaid	-	-	-	-	-	-
Balance carried forward	2,110	5,547	(669)	-	132	(7,120)

2022/23 - Continued	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
Balance brought forward	2,110	5,547	(669)	-	132	(7,120)
Adjustments involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	228	-	-	-	(228)
Transfer of deferred capital receipts realised in year to the Capital Receipts Reserve	-	-	(110)	-	-	110
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	-	2,727	-	(2,727)	-	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	-	2,770	-	(2,770)
Interest credited to the Major Repairs Reserve	-	-	-	-	-	-
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(916)	-	-	-	-	916
Adjustment involving the Pensions Reserve						
Actuarial past service gain adjustment	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,695)	(560)	-	-	-	7,255
Employer's pension contributions and direct payments to pensioners payable in the year.	3,094	-	-	-	-	(3,094)
Adjustment involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(376)	-	-	-	-	376
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	1,648	-	-	-	-	(1,648)
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	42	12	-	-	-	(54)
Total Adjustments	(1,093)	7,954	(780)	42	132	(6,255)

5b Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the Council 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.

2022/23			Service Area	2023/24		
Net Expenditure Chargeable to the GF and HRA Balances	Adjustments	Net Expenditure in the CIES		Net Expenditure Chargeable to the GF and HRA Balances	Adjustments	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
209	44	253	Community Development	226	95	321
1,006	2,208	3,214	Corporate Management	2,725	141	2,866
(529)	486	(43)	Car Parks	(675)	518	(156)
706	(600)	106	Customer Services	765	(800)	(35)
786	1,000	1,786	Environmental Services	946	1,261	2,207
795	(715)	80	Finance and Performance	788	(816)	(28)
528	(437)	91	Grounds Maintenance	542	(566)	(24)
176	140	315	General Fund Housing	224	228	452
(7,390)	(366)	(7,756)	Housing Revenue Account	(7,731)	544	(7,187)
511	(429)	82	Human Resources	524	(531)	(7)
1,362	(998)	364	I.T. Services	1,310	(1,152)	158
1,070	109	1,179	Legal and Democratic Services	1,182	111	1,294
6	801	807	Planning and Regeneration	2,195	435	2,630
1,071	(421)	649	Property Services	1,234	547	1,782
461	293	755	Revenues and Benefits	689	125	814
1,482	1,778	3,261	Recreation and Sport	810	1,256	2,065
2,881	1,666	4,547	Waste Services	2,351	1,050	3,401
5,131	4,558	9,690	Cost of Services	8,106	2,447	10,554
(4,941)	(9,882)	(14,823)	Other Income and Expenditure	(8,106)	(7,550)	(15,657)
190	(5,324)	(5,133)	(Surplus) or Deficit on Provision of Services	-	(5,103)	(5,103)
(47,520)			Opening General Fund and HRA Balances as at 1 April	(45,751)		
1,580			Transfers (to)/from Earmarked Reserves	2,245		
190			(Surplus) or Deficit on Provision of Services	-		
(45,751)			Closing General Fund and HRA Balances as at 31 March	(43,504)		

Adjustments Showing within the Expenditure and Funding Analysis

	2022/23							Service Area	2023/24						
	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
-	14	(4)	73	(39)	-	44	Community Development	-	(5)	(2)	90	12	-	95	
-	111	8	(97)	2,186	-	2,208	Corporate Management	-	(29)	(12)	(231)	414	-	141	
-	-	-	267	218	-	486	Car Parks	-	-	-	302	217	-	518	
-	106	(2)	(704)	-	-	(600)	Customer Services	-	(35)	(3)	(762)	-	-	(800)	
-	119	(4)	761	123	-	1,000	Environmental Services	-	(45)	(2)	791	518	-	1,261	
-	90	(0)	(805)	-	-	(715)	Finance And Performance	-	(28)	(1)	(787)	-	-	(816)	
-	69	(1)	(552)	47	-	(437)	Grounds Maintenance	-	(24)	(1)	(586)	46	-	(566)	
-	56	1	83	-	-	140	General Fund Housing	-	(21)	(3)	146	106	-	228	
-	560	-	-	(2,295)	1,368	(366)	Housing Revenue Account	-	(192)	-	-	(1,021)	1,757	544	
-	54	(6)	(477)	-	-	(429)	Human Resources	-	(15)	(2)	(514)	-	-	(531)	
-	104	(4)	(1,187)	89	-	(998)	I.T. Services	-	(27)	(2)	(1,246)	123	-	(1,152)	
-	84	(6)	31	-	-	109	Legal & Democratic Services	-	(26)	3	134	-	-	111	
-	256	(17)	561	-	-	801	Planning And Regeneration	-	(88)	(6)	530	-	-	435	
-	103	(4)	(919)	399	-	(421)	Property Services	-	(35)	(5)	(1,152)	1,740	-	547	
-	143	(1)	152	-	-	293	Revenues And Benefits	-	(47)	(2)	173	1	-	125	
-	352	(2)	535	893	-	1,778	Recreation And Sport	-	(111)	(11)	589	788	-	1,256	
-	460	0	712	495	-	1,666	Waste Services	-	(161)	(8)	727	492	-	1,050	
-	2,682	(42)	(1,566)	2,116	1,368	4,558	Net Cost of Services	-	(889)	(59)	(1,796)	3,434	1,757	2,447	

Expenditure and Income Analysed by Nature

The Code requires that we report the Council'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.

Expenditure and Income	Note	2022/23 £'000	2023/24 £'000
Expenditure			
Employee benefits		21,691	19,286
Other services		31,007	29,280
Depreciation, amortisation and impairment	18	(70)	2,631
Interest payments	9	2,654	2,004
Precepts and levies	8	2,145	2,310
Loss on the disposal of assets	8	-	269
Total Expenditure		57,427	55,780
Income			
Fees, charges and other service income		(42,938)	(40,644)
Interest and investment income	9	(756)	(2,250)
Income from Council Tax, NDR, RSDG and other government grants including NHB	10	(17,818)	(17,990)
Total Income		(62,560)	(60,883)
(Surplus) or deficit on the provision of services		(5,133)	(5,103)

6 Movements in Earmarked Reserve

The tables below show the amounts set aside from the General Fund and HRA balances in 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 2023/24. Reserves indicated with an asterisk (*) are held for capital purposes.

General Fund Revenue Earmarked Reserves	Balance at 1/4/2022 £'000	Movement £'000	Balance at 31/3/2023 £'000	Movement £'000	Balance at 31/3/2024 £'000
Property Maintenance Reserves	2,382	571	2,953	685	3,638
Maintenance & Amenity Reserve (S106 Funds)	2,816	821	3,637	(389)	3,247
New Homes Bonus Reserve	3,295	(411)	2,883	(1,082)	1,801
Vehicle, Plant & Equipment Sinking Funds *	1,214	151	1,365	169	1,534
NDR smoothing Reserve	2,388	(1,667)	720	81	801
Statutory Development Plan Reserve	588	80	667	4	671
Waste Infrastructure Reserve	2,028	(1,410)	618	-	618
ICT Reserves	330	276	606	(100)	506
Homelessness Support Reserve	505	(128)	377	52	429
Business Systems Reserves	17	108	125	126	251
Economic Development Reserves	313	15	328	(94)	234
Planning Appeal Reserve	100	(100)	-	200	200
Recycling Plant Sinking Fund	131	30	161	30	191
RCCO* Earmarked Reserves	255	(40)	215	(30)	185
ICT Equipment Sinking Fund *	607	(74)	533	(365)	169
NDR New Burdens Grants Reserve	196	(56)	140	28	168
Garden Village Reserve	431	(252)	179	(13)	166
General Revenue Earmarked Reserves	199	21	220	(83)	137
Property Services Staffing Reserve	37	60	97	33	129
Rough Sleeping Initiative	116	-	116	-	116
Community Housing Reserve	108	-	107	(3)	105
Other General Fund Reserves <£100k	2,602	(489)	2,112	(781)	1,332
Total Revenue Earmarked Reserves	20,655	(2,496)	18,160	(1,532)	16,628

*RCCO – Revenue contributions to capital outlay.

The table on the previous page shows the General Fund earmarked reserves balances held at 31 March 2024. The Other General Fund Reserves <£100k relate to a large number of smaller reserves that are for specific projects that will be delivered in 2024/25 and future years e.g.Flood Defences Bampton (£67k), Shared Prosperity Fund grant to support economic development and community cohesion across the District (£22k) and, a Building Control reserve to support additional costs for the Building Control Partnership in complying with changes in regulations (£53k).

The New Homes Bonus Reserve is non-ringfenced. Primarily it will be used to help invest and maintain the Council’s General Fund assets. It may also be used to support short term service provision and Economic Development projects.The £1,801k remaining balance is after the draw of £635k to offset the **General Fund over spend** for the year.

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.

Housing Revenue Account Revenue Earmarked Reserves	Balance at 1/4/2022 £'000	Movement £'000	Balance at 31/3/2023 £'000	Movement £'000	Balance at 31/3/2024 £'000
Housing Maintenance Fund	15,863	(88)	15,775	(1,832)	13,943
HRA - PWLB Loan Premium Deficit	4,270	803	5,073	854	5,928
Renewable Energy Fund	814	(161)	653	93	746
HRA Affordable Rent surplus	255	164	419	(26)	394
Decarbonisation Reserve	-	189	189	-	189
HRA - Vehicle Reserve	-	50	50	50	100
Sewage Treatment Works	30	-	30	-	30
Total Revenue Earmarked Reserves	21,233	958	22,190	(860)	21,330

The table above shows the Housing Revenue Account (HRA) earmarked reserves balances held at 31 March 2024. 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. 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 1/4/2022 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31/3/2023 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31/3/2024 £'000
Repaid PSH Grants	158	-	-	158	-	(84)	74
Affordable Housing Contributions	1,250	130	-	1,380	-	(66)	1,314
Devon County Council Funding	20	-	-	20	-	-	20
MHCLG Disabled Facilities Grant	1,269	647	(910)	1,007	272	(659)	620
Total Capital Grants Unapplied	2,697	777	(910)	2,565	272	(809)	2,027

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	2022/23 £'000	2023/24 £'000
Parish Council precepts payable	2,145	2,310
Payments to the Government housing capital receipts pool	-	-
(Gains)/Losses on the disposal of non current assets	(1,048)	344
Proceeds from Sale of Easements	-	(75)
Total	1,097	2,579

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 and the surplus/deficit on our trading activities.

Financing and Investment Income and Expenditure	2022/23	2023/24
	£'000	£'000
Interest payable and similar charges	1,175	1,263
Net interest on the net defined benefit liability	1,479	741
Interest receivable and similar income	(1,671)	(2,431)
(Gains)/Losses recognised under IFRS 9 Financial Instruments*	916	181
Total	1,898	(246)

* The Council has invested £5,000k in the Church Charities and Local Authority (CCLA) Local Authorities' Mutual Investment Trust (LAMIT) Property Fund, which is carried in the Balance Sheet at its fair value of £4,458k; this is an overall loss of £542k since the investment in 2015/16. The in-year loss of £181k 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.

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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	2022/23	2023/24
	£'000	£'000
Council Tax income (including Parish Council Precepts receivable)	(8,728)	(9,090)
Non Domestic Rates	(3,720)	(4,562)
Non-ringfenced Government grants*	(1,490)	(1,667)
Capital grants and contributions*	(3,879)	(2,671)
Total	(17,818)	(17,990)

* Further detail of non-ringfenced Government grants & Capital grants and contributions is shown in Note 55.

11 Operating Leases

Authority as a Lessee

The Council 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 Council has made payments of £189k under operating leases in 2023/24 (£180k in 2022/23) comprising of the following elements:

Authority as Lessee	2022/23 £'000	2023/24 £'000
Land & Buildings	180	189
Vehicles, Plant & Equipment	-	-
Total	180	189

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 2024 was £12,312k (£11,438k at 31 March 2023). The reason for the reduction in rental income is due to lease renewals and vacant units and the increase in the NBV is due to the change in value of these land & buildings at the 31 March 2024.

Authority as Lessor	2022/23			2023/24		
	Gross Value £'000	Net Book Value £'000	Rental Income £'000	Gross Value £'000	Net Book Value £'000	Rental Income £'000
HRA Shops	1,324	1,324	(120)	1,388	1,388	(118)
General Fund Shops	2,972	2,972	(416)	3,661	3,661	(322)
Other GF Land & Buildings	5,532	5,532	(99)	5,225	5,225	(97)
Industrial Units	1,610	1,610	(139)	2,038	2,038	(143)
Total	11,438	11,438	(774)	12,312	12,312	(680)

The Council also received £359k from the rental of garages (£361k 2022/23) and £13,630k from Council Houses (£12,769k 2022/23). 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	2022/23	2023/24
	Number of Employees	Number of Employees
£50,000 - £54,999	9	3
£55,000 - £59,999	1	9
£60,000 - £64,999	6	1
£65,000 - £69,999	2	-
£70,000 - £74,999	-	4
£75,000 - £79,999	-	-
£80,000 - £84,999	2	1
£85,000 - £89,999	1	1
£90,000 - £94,999	-	-
£95,000 - £99,999	-	1
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	-
£120,000 - £124,999	-	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 Officer with an annual salary of £150k or more and the post title of any officer 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	Compensation	Total	Pension	Total
		(Including Allowances)	for Loss of Employment	Remuneration exc pension contributions	Contributions	Remuneration inc pension contributions
		£	£	£	£	£
Chief Executive	2023/24	121,660	-	121,660	23,115	144,776
	2022/23	118,228	-	118,228	19,626	137,853
Deputy Chief Executive (S151)	2023/24	97,834	-	97,834	18,588	116,422
	2022/23	86,545	-	86,545	14,367	100,912
Director of Corporate Affairs & Business Transformation ³	2023/24	17,057	-	17,057	3,241	20,297
	2022/23	84,877	-	84,877	14,351	99,228
Director of Place	2023/24	89,762	-	89,762	17,055	106,817
	2022/23	83,613	-	83,613	13,880	97,492
District Solicitor and Monitoring Officer ⁴	2023/24	-	-	-	-	-
	2022/23	43,872	1,652	45,523	4,497	50,020
Director of Legal, HR & Governance (Monitoring Officer) ⁵⁺⁶	2023/24	80,226	-	80,226	15,199	95,426
	2022/23	61,950	-	61,950	10,247	72,197

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 19% has been used for the 2023/24 pension contribution figures.
3. The Director of Corporate Affairs & Business Transformation left the Council on 5 June 2023, resulting in earnings below the £50k threshold.
4. The District Solicitor and Monitoring Officer left the Council on 11 August 2022.
5. The District Solicitor and Monitoring Officer post changed title to Director of Legal, HR & Governance (Monitoring Officer) on 1 January 2024.
6. The replacement District Solicitor and Monitoring Officer (now Director of Legal, HR & Governance [Monitoring Officer]) transferred from another role within the Council on 27 October 2022.

13 Termination Benefits

During 2023/24 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.

2023/24				
Exit Package Cost Band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £'000
£0 - £19,999	-	6	6	14
£20,000 - £39,999	-	-	-	-
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
Total	-	6	6	14

2022/23				
Exit Package Cost Band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £'000
£0 - £19,999	-	5	5	41
£20,000 - £39,999	-	-	-	-
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
Total	-	5	5	41

14 External Audit Costs

Fees paid and estimated for the Council's appointed external auditors were as follows:

External Audit Costs	2022/23	2023/24
	£'000	£'000
Grant Thornton: Fees Payable with regard to the annual audit fee	44	-
Bishop Fleming: Fees Payable with regard to the annual audit fee	-	149
Grant Thornton: Fees payable for the certification of claims and returns	25	10
KPMG: Fees payable for the certification of claims and returns	-	27
Grant Thornton: Additional Fees relating to current year audit	22	-
Grant Thornton: Additional Fees relating to previous year audit	1	40
Total	92	226

Note, following the Public Sector Audit Appointments (PSAA) procurement process, Bishop Fleming LLP have been appointed for the 5-year period 2023/24 to 2027/28 to complete the main accounting audit. Within that procurement process, the underlying scale rose from £44k in 2022/23 to £149k reflecting decreasing availability of auditors, increased financial reporting requirements and auditing standards, audit firms profits, and fewer auditors entering the profession.

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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 Council. No material declarations were made in 2023/24.

Officers of the Council are bound by the Council's Code of Conduct. Leadership Team and Senior 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 – Between 1 April 2023 to 9 May 2023, one Councillor of Mid Devon District Council was appointed as a Director of 3 Rivers Developments Ltd. During 2023/24 a further £4,249k (£6,540k 2022/23) was loaned to the Company. However, following the sale of their assets, repayments of £17,524k were received. Combined, with a further final impairment of £1,483k, all outstanding loans were cleared.

16 Members' Allowances and Expenses

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

Members Allowances and Expenses	2022/23	2023/24
	£'000	£'000
Allowances	332	332
Expenses	6	8
Total	338	340

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17 Acquired and/or Discontinued Activities

The Council did not acquire any new activities during 2023/24.

However, the Council discontinued its wholly owned subsidiary company, 3 Rivers Developments Ltd. The following actions were taken to soft close the company:

- St George's Court was sold to the Housing Revenue Account at an agreed price of £8,150k to enable an over 60's social housing scheme.
- Knowle Lane, Cullompton, was bought by the Council at 3Rivers book value (£3,662k) to be held until such time as development is permitted within Cullompton. A decision can then be taken as to the most appropriate use for the site.
- The 5 unsold units at Haddon Heights, Bampton, were bought by the Council at the marketed price (£3,135k) and continue to be marketed for sale.
- The property managed by 3Rivers was also bought by the Council at 3Rivers book value (£180k).
- Finally, the outstanding balance on the Working Capital Loan was written off.

In total, £26,723k was lent to the company over its lifetime. Through previous sales and the above transactions, £19,923k was repaid to the Council, leaving loan impairments required of £6,800k. £5,317k has previously been impaired, leaving an additional impairment of £1,483k required within 2023/24.

As at 31 March 2024, the Company had no loans outstanding.

18 Depreciation and Impairment of Non-Current Assets

House values have increased during 2023/24. This has been reflected in the values applied to our council houses and this along with the revaluation of the land at Knowle Lane and Braid Park are the primary reasons for a net reversal of prior year impairment of £2,395k. 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 2023/24. See Notes 27 and 58 for further details.

Depreciation and Impairment of Non Current Assets	2022/23	2023/24
	£'000	£'000
Depreciation	4,755	5,026
Net reversal of impairment of non current assets	(4,825)	(2,395)
Total	(70)	2,631

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	2022/23	2023/24
	£'000	£'000
Housing Revenue Account - Minimum Revenue Provision		
HRA self-financing settlement	911	911
Housing developments after 1/4/13	43	47
Finance leases	18	33
	972	991
General Fund - Minimum Revenue Provision		
Assets acquired prior to 1/4/13	57	55
Assets acquired by PWLB loans after 1/4/13	141	100
Assets funded from internal borrowing	2,322	673
Finance leases	348	390
	2,868	1,217
Total	3,840	2,208

20 Insurance

All major risks have been identified and are insured with applicable excesses. There were no major claims outstanding as at 31 March 2024. 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 2023/24 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). The pension report has been updated to include the latest 2022 valuation information.

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 retires. 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 Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (e.g. 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, therefore the Council is required to meet the costs of any early retirements awarded.

Impact of McCloud / Sargeant judgment

Regulations in respect of the McCloud and Sargeant judgements came into force on 1 October 2023. Although these may affect the value of the liabilities in respect of accrued benefits, there is no adjustment required within Mid Devon's accounts for the McCloud judgement.

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 2024, the Continuous Mortality Investigation Bureau Model (CMI) is continued to be used as the updated for the funds 2022 actuarial valuations.

Asset Ceiling (Onerous Funding Commitment)

Employers with a funding deficit at the last valuation will be paying secondary contributions to make good the deficit over the recovery period. Under IFRS, there can therefore be a minimum funding requirement to make secondary contributions.

It is possible that these secondary contributions, once paid, lead to a future accounting surplus that can not be realised due to the asset ceiling. In such cases the requirement to make these contributions leads to an additional accounting liability known as the Onerous Funding Commitment.

As a result of the asset ceiling, an increase in the pension liabilities has been recognised by the Council to reflect the current commitment to pay employer's contributions to recover a deficit in the Pension Fund that has been assessed as greater than the net pension liability established under Accounting Code requirements.

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	
	2022/23	2023/24
	£'000	£'000
Service cost comprising:		
Current service cost	5,745	2,527
Past service costs	-	-
(Gain) / loss from settlements	-	-
Financing and Investment Income and Expenditure		
Net interest expense	1,430	690
Administrative expenses	49	51
Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	7,224	3,268
Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on Fund assets (excluding the amount included in the net interest expense)	(3,219)	5,405
Experience gain/(loss) on defined benefit obligation	-	(292)
Actuarial gains and losses arising on changes in demographic assumptions	-	1,339
Actuarial gains and losses arising on changes in financial assumptions	48,291	844
Changes in effect of asset ceiling (onerous funding commitment)	-	(1,533)
Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	45,072	5,763
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	7,224	3,268
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer's contributions payable to the scheme	3,063	3,420
Retirement benefits payable to pensioners	4,323	3,940

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	
	2022/23	2023/24
	£'000	£'000
Present value of the defined benefit obligation	94,437	96,572
Fair value of plan assets	(79,071)	(88,587)
Present value of the unfunded obligation	711	648
Impact of asset ceiling (onerous funding commitment)	-	1,533

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	
	2022/23	2023/24
	£'000	£'000
Opening fair value of scheme assets	81,581	79,071
Interest income	2,104	3,804
Remeasurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	(3,219)	5,405
Administrative expense	(49)	(51)
Contributions from employer	2,173	3,416
Contributions from employees into the scheme	804	882
Benefits paid	(4,323)	(3,940)
Closing fair value of scheme assets	79,071	88,587

Local Government Pension Scheme assets comprised:

Local Government Pension Scheme assets comprised	Fair value of scheme assets			
	2022/23		2023/24	
	£'000	%	£'000	%
Cash and cash equivalents	939	1%	1,994	2%
Equities:				
UK	6,237	8%	1,244	1%
Overseas	35,421	45%	47,367	53%
Sub-total equities	41,658		48,611	
Bonds:				
Other Bonds	16,907	21%	20,130	23%
Sub-total bonds	16,907		20,130	
Other investments:				
Infrastructure	7,109	9%	8,974	10%
Property	6,931	9%	6,804	8%
Target Return Portfolio	5,496	7%	2,092	2%
Alternative Assets	31	0%	(18)	0%
Sub-total other investment funds	19,567		17,852	
Total assets	79,071		88,587	

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	
	2022/23	2023/24
	£'000	£'000
Opening balance at 1 April	137,679	95,148
Current service cost	5,745	2,527
Interest cost	3,534	4,494
Contributions from scheme participants	804	882
Remeasurement (gains) and losses:		
Actuarial gains and losses arising on changes in demographic assumptions	-	(1,339)
Actuarial gains and losses arising on changes in financial assumptions	(59,160)	(844)
Experience loss/(gain) on defined benefit obligation	10,869	292
Benefits paid	(4,244)	(3,858)
Unfunded pension payments	(79)	(82)
Closing balance at 31 March	95,148	97,220

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 2022 and has then been updated for estimated fund returns, asset statement, market returns, and income and expenditure as at the 31 March 2024.

The significant assumptions used by the Actuary have been:

Mortality assumptions	Local Government Pension Scheme	
	2022/23	2023/24
Longevity at 65 for current pensioners		
Men	21.8	21.5
Women	22.9	22.7
Longevity at 65 for future pensioners		
Men	23.1	22.8
Women	24.4	24.1
Rate of increase in salaries	3.90%	3.95%
Rate of increase in pensions (CPI)	2.90%	2.95%
RPI inflation	3.25%	3.25%
Rate for discounting scheme liabilities	4.80%	4.90%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The sensitivity analyses 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 analyses 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	£'000	£'000
Adjustment to discount rate	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	90,084	95,720	97,220	98,760	105,339
Projected service cost	2,193	2,522	2,612	2,704	3,109
Adjustment to long term salary increase	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	97,843	97,343	97,220	97,099	96,621
Projected service cost	2,620	2,613	2,612	2,610	2,603
Adjustment to pension increases and deferred revaluation	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	104,837	98,665	97,220	95,812	90,523
Projected service cost	3,123	2,706	2,612	2,521	2,181
Adjustment to mortality age rating assumption		+1 Year	None	-1 Year	
Present value of total obligation		101,038	97,220	93,568	
Projected service cost		2,704	2,612	2,522	

Impact on the Council'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 will take place around 31 March 2025, the results of which will form the basis of the contribution due in the financial years 2026/27 to 2028/29. 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	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at Historical Cost - 2023/24	16,796	-	-	3,699	362	198	-	21,055
Valued at Fair Value - 2023/24		164,350	46,199	-	-	-	3,326	213,875
Total Valuation - 2023/24	16,796	164,350	46,199	3,699	362	198	3,326	234,931
Previous Fair Valuations								
2022/23	-	158,749	42,980	-	-		445	202,174
2021/22	-	152,646	42,256	-	45	100	33	195,080
2020/21	-	150,862	42,602	-	-	97	33	193,593
2019/20	-	146,558	43,702	-	-	100	60	190,420

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

2023/24	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Historic Cost or Fair Valuation</u>								
At 1 April 2023	7,502	158,749	42,980	8,006	516	280	445	218,477
Additions	14,336	3,597	887	988	-	-	3,865	23,672
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(2,038)	(530)	(425)	-	-	15	(2,978)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	4,405	576	-	-	-	(2,554)	2,427
Derecognition - Disposals	(89)	(1,103)	(51)	(42)	-	-	-	(1,285)
Reclassification	(4,953)	741	2,337	318	-	-	1,556	-
At 31 March 2024	16,796	164,350	46,199	8,845	516	280	3,326	240,313
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2023	-	-	-	(4,593)	(144)	(72)	-	(4,810)
Depreciation charge	-	(2,548)	(1,477)	(978)	(10)	(10)	(4)	(5,026)
Depreciation written out to the Revaluation Reserve	-	2,548	1,477	425	-	-	4	4,454
Reclassification	-	-	-	-	-	-	-	-
At 31 March 2024	-	-	-	(5,147)	(154)	(82)	-	(5,382)
<u>Net Book Value</u>								
At 31 March 2024	16,796	164,350	46,199	3,699	362	198	3,326	234,931
At 31 March 2023	7,502	158,749	42,980	3,413	372	207	445	213,667
<u>Nature of asset holding</u>								
Owned	16,796	164,350	46,199	1,682	362	198	3,326	232,914
Subject to Finance Leases	-	-	-	2,017	-	-	-	2,017

2022/23	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Historic Cost or Fair Valuation</u>								
At 1 April 2022	954	152,646	42,256	7,797	516	306	33	204,507
Additions	6,632	3,671	-	607	-	-	-	10,910
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(2,491)	1,336	(291)	-	(26)	(3)	(1,475)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	5,581	(756)	-	-	-	-	4,825
Derecognition - Disposals	-	(684)	-	(21)	-	-	-	(705)
Reclassification	(84)	26	144	(86)	-	-	415	415
At 31 March 2023	7,502	158,749	42,980	8,006	516	280	445	218,477
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2022	-	-	-	(4,040)	(135)	(64)	-	(4,239)
Depreciation charge	-	(2,482)	(1,350)	(903)	(10)	(10)	-	(4,755)
Depreciation written out to the Revaluation Reserve	-	2,482	1,408	291	-	2	-	4,183
Reclassification	-	-	(58)	58	-	-	-	-
At 31 March 2023	-	-	-	(4,593)	(144)	(72)	-	(4,810)
<u>Net Book Value</u>								
At 31 March 2023	7,502	158,749	42,980	3,413	372	208	445	213,667
<u>Nature of asset holding</u>								
Owned	7,502	158,749	42,980	1,432	372	207	445	211,686
Subject to Finance Leases	-	-	-	1,981	-	-	-	1,981

23 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax. Examples of this would include financial assistance towards capital investment incurred by other parties and works on properties not owned by the Council.

Description	Balance at 1 April 2022	Expenditure	Amount Financed or Written Off	Balance at 31 March 2023	Expenditure	Amount Financed or Written Off	Balance at 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Private Sector Housing Grants & Disabled Facilities Grants	-	421	(421)	-	659	(659)	-
Cullompton Town Centre Relief Road (HIF bid)	-	402	(402)	-	(2)	2	-
Tiverton EUE A361 Junction Phase 2 (HIF bid)	-	133	(133)	-	-	-	-
Shared Prosperity & Rural Prosperity Grants	-	133	(133)	-	280	(280)	-
Total	-	956	(956)	-	938	(938)	-

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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Summary of Capital Expenditure and Financing		2022/23	2023/24
		£'000	£'000
Opening Capital Financing Requirement		61,127	64,592
Capital Investment			
Property, plant and equipment		10,910	26,807
Other capital expenditure		-	-
Revenue Expenditure Funded from Capital under Statute (REFCUS)		956	938
Loans to third parties (net of repayments)		5,288	(13,809)
Sources of Finance			
Capital receipts applied		(865)	(4,445)
Use of Major Repairs Allowance (MRA) to finance HRA new capital expenditure		(2,770)	(2,684)
Government grants and contributions		(4,967)	(3,757)
Direct revenue contributions		(1,248)	(3,201)
Statutory provision for the financing of capital investment		(3,840)	(2,208)
Closing Capital Financing Requirement		64,592	62,234
(Decrease)/Increase in Capital Financing Requirement		3,465	(2,358)

25 Heritage Assets

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

	2022/23	2023/24
Heritage Assets Movements	£'000	£'000
Cost or Valuation		
At 1 April 2023	330	330
Additions	-	-
Donations	-	-
Disposals	-	-
Revaluation increases/(decreases)	-	-
Total	330	330

The Council 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 Bearnese 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 as at 31 March 2024.

Commitments under Capital Contracts	2022/23	2023/24
	£'000	£'000
Various Major Repairs Allowance works to maintain council housing stock	1,350	1,741
Queensway, Beech Road development project	232	-
Property lease contracts	540	378
Vehicle lease contract	1,882	1,961
Modular housing development projects	1,521	371
Total	5,525	4,451

Contracts relating to Major Repairs Works to Council Housing stock include 2024/25 planned maintenance spend: roofing £615k, modernisation of kitchens and bathrooms 222k, Flooring and structural works £500k and window replacement £404k. Lease contracts were included in the Capital programme from 2023/24, prior year figures have been included for comparison.

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27 Non-Current Asset Valuation

The Council instructed the District Valuer to complete a full property valuation exercise for one 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 2024 valuation. The Valuation Office Agency have made their valuation in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

A MRICS qualified Principal Surveyor with the Valuation Office Agency also undertook a valuation exercise to reassess the value of the housing stock as at 31 March 2024. These revised values have been incorporated into the Council's Balance Sheet. This valuation was undertaken based on a Beacon Basis (with one 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 Existing Use Value – Social Housing 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 2024.

28 Short-Term and Long-Term Borrowing

As at the 31 March 2024 the Council had two long-term loans outstanding from the Public Works Loan Board (PWLB) with an outstanding balance of £31,373k.

- 1 - £28,403k to fund the Housing Revenue Account stock purchase - 25 year loan @ 2.94% maturing 28 March 2037;
- 2 - £2,971k 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.

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

Lender	Maturity date	Balance at	Balance at
		31/3/2023	31/3/2024
		£'000	£'000
Public Works Loan Board	< 1 year	1,937	1,975
	2 - 5 years	8,254	8,496
	Over 5 years	23,120	20,903
Total loan value outstanding		33,310	31,373

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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 £316k as at 31 March 2024 and comprised of land and buildings. The reason for this increase is due to increase in residential rental values in this location.

Peoples Park Land & Buildings	2022/23	2023/24
	£'000	£'000
Park Lodge - Land	95	95
Park Lodge - Building	175	221
Total	270	316

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 Council only deals in these kinds of instruments.

The fair values calculated are as follows:

	2022/23		2023/24	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial Assets				
Financial Assets				
Long term investment	4,639	4,639	4,458	4,458
Short term investment	16,000	16,000	12,000	12,000
Cash and cash equivalents	3,631	3,631	3,401	3,401
Loans and trade receivables	18,764	18,764	3,776	3,776
Total	43,034	43,034	23,635	23,635
Financial Liabilities				
Long term borrowing	(33,310)	(32,385)	(31,373)	(29,855)
Finance leases	(1,981)	(1,981)	(2,017)	(2,017)
Trade payables	(2,377)	(2,377)	(1,311)	(1,311)
Total	(37,668)	(36,743)	(34,701)	(33,183)

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

2023/24	Financial liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Financial assets measured at fair value through Profit or Loss	Total
	£'000	£'000	£'000	£'000	£'000
Interest payable	1,077	-	-	-	1,077
Interest payable on finance leases	-	186	-	-	186
Interest payable and similar charges	1,077	186	-	-	1,263
Interest income	-	-	(2,197)	-	(2,197)
Interest and investment income	-	-	(2,197)	-	(2,197)
Fair Value adjustment	-	-	-	181	181
Net (gain)/loss for the year	1,077	186	(2,197)	181	(753)

2022/23	Financial liabilities measured at amortised cost	Finance lease assets	Loans and receivables	Financial assets measured at fair value through Profit or Loss	Total
	£'000	£'000	£'000	£'000	£'000
Interest payable	1,011	-	-	-	1,011
Interest payable on finance leases	-	164	-	-	164
Interest payable and similar charges	1,011	164	-	-	1,175
Interest income	-	-	(1,470)	-	(1,470)
Interest and investment income	-	-	(1,470)	-	(1,470)
Fair Value adjustment	-	-	-	916	916
Net (gain)/loss for the year	1,011	164	(1,470)	916	621

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.

Fair Value Disclosure of PWLB Loans

The Fair Value of Public Works Loan Board (PWLB) loans of £29,855k 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 (£1,518k) measures the discount on early settlement due to the rise in interest rates since the loan was taken out.

Fair Value Disclosure of Long Term Investments (CCLA)

With the introduction of IFRS 9 the Council has designated the equity at 31 March 2024 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	2022/23	2023/24
	£'000	£'000
CCLA Property Fund	4,639	4,458
Total	4,639	4,458

At the 31 March 2024, the Council held 1,634,480 units in the CCLA Local Authorities' Mutual Investment Trust Commercial Property Fund. During 2023/24, the income received amounted to £234k, a 4.68% return for the year. The carrying value of the investment in the Balance Sheet at 31 March 2024 based upon the Fair Value amounted to £4,458k.

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.

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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)	2022/23	2023/24
	£'000	£'000
Other entities and individuals	2,982	2,143
Total	2,982	2,143

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 %	2022/23	2023/24
	From	To		£'000	£'000
Thurrock Council	25/10/2022	24/10/2023	3.55%	2,000	
Thurrock Council	14/07/2022	14/04/2023	2.00%	2,000	
London Borough of Croydon	24/10/2022	24/04/2023	4.00%	3,000	
West Dunbartonshire Council	25/10/2022	25/07/2023	3.90%	2,000	
NBK International PLC	15/11/2022	15/05/2023	3.92%	1,500	
Santander	01/12/2022	01/06/2023	3.90%	2,500	
Aberdeen City Council	26/01/2023	26/05/2023	3.60%	3,000	
City of Liverpool	29/09/2023	31/05/2024	5.70%		2,000
Surrey County Council	26/10/2023	26/04/2024	5.55%		2,500
NBK International PLC	02/11/2023	02/05/2024	5.55%		2,000
Surrey County Council	15/11/2023	15/05/2024	5.55%		2,500
Eastleigh Borough Council	20/11/2023	20/05/2024	5.55%		3,000
Total				16,000	12,000

This table excludes a £2,000k loan to Central Bedfordshire Council placed for a period of 3 months on 19/01/2024 at an interest rate of 5.55%. Due to the duration of this loan being no more than 3 months, it is treated as a cash equivalent instead (see Note 38).

34 Assets Held for Sale

Assets classified as held for sale:

Assets Held for Sale	2022/23	2023/24
	£'000	£'000
Opening Balance	470	30
Additions	-	3,135
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Sen	-	(31)
Derecognition - Disposals	(25)	(30)
Reclassification	(415)	-
Net Book Value	30	3,104

The Council has disposed of the Land at Culm Valley Sports Centre, Meadow Lane during 2023/24 and has purchased from 3Rivers the five unsold newly built houses at Haddon Heights (Elizabeth Penton Way) which are being marketed for sale via Seddon's estate agents.

35 Inventories

The Council holds stock of fuel for its fleet vehicles and materials (such as recycling boxes and maintenance supplies) for its services. At the end of the year, that stock was valued at £339k:

Inventories	2022/23	2023/24
	£'000	£'000
Raw materials	367	339
Total	367	339

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

Debtors are amounts owed to the Council as at 31 March 2024.

Short Term Debtors (amounts due in less than 12 months)	2022/23	2023/24
	£'000	£'000
Trade Receivables	1,117	640
Central Government Bodies	5,598	2,509
Other Local Authorities	995	1,324
NDR Preceptors	504	500
Council Tax Preceptors	2,394	2,139
Housing Benefits	404	417
Other Receivable Amounts	15,797	2,367
Prepayments	680	290
Less Impairment Allowances	(1,866)	(1,893)
Total	25,623	8,292

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The main debtors outstanding as at 31 March 2024 are:

- Other Receivable Amounts – £1,030k of this is loan repayments due to Council within 12 months of the balance sheet date. Also included is £870k of outstanding HRA rents and £105k of investment dividends and interest owed.
- Central Government Bodies – these figures largely relate to £1,556k of VAT reclaimed from HMRC, £345k prepaid Housing Benefits payments, £178k Homes England grant funds, £129k of DLUHC grant funding and £105k of Heritage England grant funding.
- Council Tax Preceptors – Please see note 48 for more information
- Trade Receivables – these are amounts outstanding on our sales ledgers and vary due to timing differences in when invoices are raised.
- Other Local Authorities – this amount includes £84k Household Support Fund 3 (HSF3) grant, £520k Waste Shared Savings Scheme and £130k Recycling credits from Devon County Council, £251k accrued temporary investment interest, and £226k for the Dual Use Agreement with Cullompton Community College.

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	
	2022/23	2023/24	2022/23	2023/24
	£'000	£'000	£'000	£'000
Up to one year	198	198	504	478
Less impairment allowance	(34)	(77)	(116)	(93)
Up to one year	164	121	388	385
One to three years	221	236	357	336
Less impairment allowance	(184)	(192)	(209)	(200)
One to three years	37	44	148	136
Over 3 years	85	66	120	122
Less impairment allowance	(84)	(65)	(119)	(121)
Over 3 years	1	1	1	1
Total Debtors for Local Taxation	504	500	981	936
Total Debtors for Local Taxation less impairment allowance	202	166	537	522

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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.

Cash and Cash Equivalents	2022/23	2023/24
	£'000	£'000
Cash held by the Authority	1	1
Bank current accounts	3,630	1,400
Short-term deposits with financial institutions	-	2,000
Total	3,631	3,401

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

Creditors are amounts owed by the Council as at 31 March 2024.

Short Term Creditors (amounts due in less than 12 months)	2022/23	2023/24
	£'000	£'000
Central Government Bodies	(2,914)	(2,091)
NDR Preceptors	(1,857)	(2,336)
Council Tax Preceptors	(195)	(171)
Other Local Authorities	(471)	(287)
Trade Payables	(3,694)	(1,936)
Other Payables	(1,360)	(1,186)
Total	(10,491)	(8,008)

The main creditors outstanding as at 31 March 2024 are:

- Central Government Bodies – Includes £845k of Business Rate relief s31 for 2022/23, £334k of HFU and LAHF funding, £307k of Capital Receipts, £194k of PCC Election funding, £146k of Covid related grants, £136k of 2023/24 Subsidy grant and some other small grants due to be repaid in 2024/25.
- Trade Payables - These figures relate to amounts payable to our suppliers for goods or services received but not yet paid, in the main because invoices had not been received or the pay terms were not due as at 31 March 2024.
- Council Tax Preceptors – The movement relates to the Precepting Authorities (Devon County Council, Devon & Cornwall Police & Crime Commissioner and Devon & Somerset Fire & Rescue) share of the Collection Fund deficit.
- NDR Preceptors – The movement relates to the Precepting Authorities (Devon County Council, Devon & Somerset Fire & Rescue and the Department for Levelling Up, Housing & Communities) share of the Collection Fund deficit.

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

Long Term Creditors (amounts due in more than 12 months)	2022/23 £'000	2023/24 £'000
Finance Lease Liability	(1,597)	(1,568)
S106 Contributions	(93)	(84)
Other Payables	(45)	(35)
Total	(1,735)	(1,687)

Monies advanced as S106 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. Note 57 gives more details on the finance lease liability.

41 Provisions

Page 160 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.

Page 160 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.

Provisions	2022/23 £'000	2023/24 £'000
Various General Fund	(200)	-
Non Domestic Rates (NDR) Appeals	(676)	(640)
Total	(876)	(640)

Various General Fund

The Provision in 2022/23 related to an ongoing appeal provision, which has been removed and placed into an Earmarked Reserve in 2023/24.

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 £1,600k in respect of the Non Domestic Rates Collection Fund. The Council's 40% share of this being £640k. The Council continues to take a prudent approach to evaluating the risk.

42 Usable 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'. See note 43 for Unusable 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. The S151 Officer recommends that a minimum balance of £2,000k is held;
- Housing Revenue Account – the primary fund for the Council's social and affordable housing function.
- 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 Council's Usable Reserves are detailed below and in the Movement in Reserves Statement.

Usable Reserves	Balance at	Movement	Balance at	Movement	Balance at
	1/4/2022		31/3/2023		31/3/2024
	£'000	£'000	£'000	£'000	£'000
General Fund Balance	(2,215)	190	(2,025)	-	(2,025)
Earmarked General Fund Reserves	(20,655)	2,495	(18,160)	1,532	(16,628)
General Fund Total	(22,870)	2,685	(20,184)	1,532	(18,653)
Housing Revenue Account	(2,000)	-	(2,000)	-	(2,000)
Earmarked HRA Reserves	(21,233)	(957)	(22,190)	860	(21,330)
Capital HRA Reserves	(1,417)	42	(1,375)	(147)	(1,522)
HRA Total	(24,650)	(915)	(25,565)	713	(24,852)
Capital Receipts Reserve	(6,529)	(780)	(7,309)	3,492	(3,817)
Capital Grants Unapplied	(2,697)	132	(2,565)	538	(2,027)
Capital Total	(9,226)	(648)	(9,874)	4,030	(5,844)
Total Usable Reserves	(56,745)	1,122	(55,624)	6,275	(49,349)

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Unusable Reserves

This note shows the total of the Council's unusable reserves. Please see the individual notes for more information on the make up of the balances.

Unusable Reserves	Note	2022/23	2023/24
		£'000	£'000
Revaluation Reserve	44	(18,124)	(18,939)
Capital Adjustment Account	45	(147,659)	(159,406)
Deferred Capital Receipts Reserve	46	(157)	(148)
Pensions Reserve	47	16,077	10,166
Collection Fund Adjustment Account	48	141	(124)
Accumulating Compensated Absences Adjustment Account	49	204	135
Financial Instruments Adjustment Account	9	361	542
Total		(149,157)	(167,774)

44 Revaluation Reserve

The Revaluation Reserve contains the net gains made by the Council 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 Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the Capital Adjustment Account.

Revaluation Reserve		2022/23	2023/24
		£'000	£'000
At 1 April		(15,985)	(18,124)
Upward revaluation of assets		(3,108)	(2,249)
Downward revaluation of assets and impairment losses not posted to the Surplus or Deficit on the Provision of Services		400	773
Total of revaluations (surplus)/deficit		(2,708)	(1,476)
Surplus/deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(18,693)	(19,600)
Accumulated gains on assets sold		-	72
Difference between fair value depreciation and historical cost depreciation		570	589
Amount written off to Capital Adjustment Account		570	661
At 31 March		(18,124)	(18,939)

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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 Council as finance for the costs of acquisition, construction or enhancement.

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

Capital Adjustment Account	2022/23	2023/24
	£'000	£'000
At 1 April	(137,202)	(147,659)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of Non-Current Assets	4,755	5,026
Revaluation gains on Property, Plant and Equipment (PPE)	(4,825)	(2,395)
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	956	938
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	730	1,154
Adjusting amounts written out of the Revaluation Reserve	(570)	(589)
Net written out amount of the cost of non current assets consumed in the year	(136,156)	(143,525)
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	(865)	(4,445)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,770)	(2,684)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(4,058)	(3,032)
Application of grants to capital financing from the Capital Grants Unapplied Account	(910)	(725)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(3,840)	(2,208)
Capital expenditure charged against the General Fund and HRA balances	(1,248)	(3,201)
Impairment of financial instruments classified as capital transactions	2,186	414
At 31 March	(147,659)	(159,406)

46 Deferred Capital Receipts Reserve

This Deferred Capital Receipts Reserve relates to the rent to mortgage scheme that operated some time ago. Under the scheme, homeowners were able to buy a share in their property; in the future, they are able to buy part or the entire remaining share. There are two remaining properties under this scheme; these have been revalued during 2023/24 to give up-to-date figures of the amount that would be received if the remaining Council share were to be sold to the homeowner.

Deferred Capital Receipts Reserve	2022/23	2023/24
	£'000	£'000
At 1 April	(39)	(157)
Revaluations	(187)	9
Transfer to the Capital Receipts Reserve upon receipt of cash	69	-
At 31 March	(157)	(148)

47 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements in accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by the employees' accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council 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 Council 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.

Pensions Reserve	2022/23	2023/24
	£'000	£'000
At 1 April	56,988	16,077
Remeasurement of net defined liability	(45,072)	(5,763)
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	7,224	3,268
Employer's pension contributions and direct payments to pensioners payable in the year	(3,063)	(3,416)
At 31 March	16,077	10,166

Pension reserve balance includes £725k relating to the secondary rate contribution for 2023/24.

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 taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account - Council Tax	2022/23	2023/24
	£'000	£'000
At 1 April	(303)	73
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	376	(31)
At 31 March	73	42

The balance of £42k represents MDDC's share (13.22%) of the overall Council Tax Collection Fund deficit of £320k at 31 March 2024 (£553k deficit at 31 March 2023) (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 taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account - Non Domestic Rates	2022/23	2023/24
	£'000	£'000
At 1 April	1,715	67
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	(1,648)	(233)
At 31 March	67	(166)

The balance of £166k represents MDDC's share (40%) of the overall NDR Collection Fund surplus of £487k at 31 March 2024 (£267k deficit at 31 March 2023), which is £195k; reduced by the element owed from Renewable Energy Schemes of £29k.

49 Accumulated Compensating Absences Adjustment Account

Accumulating Compensating Absences Adjustment Account	2022/23	2023/24
	£'000	£'000
At 1 April	258	204
Settlement or cancellation of accrual made at the end of the preceding year	(258)	(204)
Amounts accrued at the end of the current year	204	135
At 31 March	204	135

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund and HRA 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 and HRA balance is neutralised by transfers to or from the Accumulated Absences Account. The reduction in this year's accrual is due to improvements in the management of annual leave balances across the Council and flexi balances no longer being centrally recorded.

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	2022/23	2023/24
	£'000	£'000
Depreciation	4,754	5,026
Impairment	(4,825)	(2,395)
Increase/(Decrease) in Impairment for Bad Debt	127	27
Increase/(Decrease) in Creditors	(2,331)	(1,717)
Increase/(Decrease) in Provisions	20	(236)
(Increase)/Decrease in Debtors	(8,470)	18,143
(Increase)/Decrease in Inventories	(45)	28
Carrying Amount of Non-Current Assets Sold	730	1,226
Pension Liability Reversal	4,161	(148)
Fair Value Equity Instrument Revaluation	916	181
Other Adjustments	1	(162)
Total	(4,962)	19,973

The large decrease in the Council's Debtors for 2023/24 relates mainly to the repayment and impairment of loans to 3Rivers.

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:

Cash Flow - Adjustment	2022/23	2023/24
	£'000	£'000
Other receipts from financing activities	(3,879)	(2,671)
REFCUS adjustment	956	938
Proceeds from the sale of Property, Plant and Equipment & Investment Property	(1,778)	(957)
Interest Paid	1,175	1,263
Interest received	(1,671)	(2,431)
Total	(5,198)	(3,858)

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	2022/23 £'000	2023/24 £'000
Grant Funds Received		
Self Isolation Payments	16	-
Restart Grants	81	-
Council Tax Energy Rebate	144	-
Alternative Fuel Payment £400	331	-
Alternative Fuel Payment £200	146	-
Homes for Ukraine	1,200	273
Grant Funds Paid to Businesses/Beneficiaries		
NDR Business Support Grant	2	-
National Scheme (LRSG)	(272)	-
Tier 2 Open	(4)	-
Tier 2 Closed	(30)	-
Lockdown 3 Closed	(718)	-
Lockdown 3 Addendum	(660)	-
Restart Grants	7	-
Omicron Grants	(593)	-
Council Tax Energy Rebate	(4,326)	(47)
Alternative Fuel Payment £400	(56)	(275)
Alternative Fuel Payment £200	(23)	(123)
Homes for Ukraine	(462)	(426)
Forward Funding of Pension Fund Deficit Contribution	890	-
Increase/(Decrease) in Grant Funds held on the Balance Sheet	(4,327)	(598)

The items listed in the above table mainly relate to various Government grant schemes that the Council has administered. These schemes provided support during the Covid-19 pandemic and the Cost of Living Crisis, and are gradually reducing in number and monetary value.

53 Cash Flow – Investing Activities

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

Cash Flow Statement - Investing Activities	2022/23	2023/24
	£'000	£'000
Purchase of Property, Plant and Equipment (PPE) & Investment Property	(10,752)	(26,348)
Other cash payments (REFCUS)	(956)	(938)
Proceeds from the sale of Property, Plant and Equipment & Investment Property	1,778	957
Capital grants received	3,879	2,671
Purchase of temporary investments	11,000	4,000
Interest received	1,671	2,431
Interest paid	(1,175)	(1,263)
Net cash flows from investing activities	5,445	(18,490)

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The large increase in the purchase of PPE for 2023/24 is the acquisition of properties from 3Rivers to provide social housing and facilitate the soft closure of the company.

54 Cash Flow – Financing Activities

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

Cash Flow Statement - Financing Activities	2022/23	2023/24
	£'000	£'000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(366)	(423)
PWLB debt repayment	(1,924)	(1,937)
Net cash flows from financing activities	(2,291)	(2,360)

55 Grant Income

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

- The Council will comply with the conditions attached to 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.

The Council 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 (also see Note 10)

Credited to Taxation and Non Specific Grant Income		2022/23	2023/24
		£'000	£'000
New Homes Bonus		(719)	(320)
Revenue Support Grant		-	(98)
Rural Services Delivery Grant		(490)	(547)
Lower Tier Service Grant		(101)	-
Services Grant		(153)	(82)
Covid Income Compensation Scheme		-	(109)
Council Tax Support Scheme New Burdens		-	(10)
Funding Guarantee Grant		-	(493)
Other Non-Ring Fenced Government Grants		(28)	(8)
Total		(1,490)	(1,667)

Credited to Services

Credited to Services	2022/23	2023/24
	£'000	£'000
Business Rates - Cost of Collection Grant	(118)	(121)
Contain Outbreak Management Fund	(55)	-
Council Tax Rebate Scheme New Burdens	(137)	-
Council Tax Support Scheme	-	(95)
*Disabled Facilities Grant	(217)	(270)
Homelessness Prevention Grant (HPG) (Previously known as Flexible Housing & Homelessness Grant)	(229)	(362)
Garden Communities Programme (Previously known as Garden Village Grant - Capacity Funding)	-	(145)
Gardens Communities Programme - J28 Feasibility Work	(800)	-
Historic England	(227)	(588)
Housing Benefit & Council Tax Benefit Admin Grant	(228)	(156)
Housing Benefit Subsidy	(10,739)	(10,896)
Household Support Fund	(508)	(482)
Homes For Ukraine - Service funding & staffing costs	(124)	(251)
*Housing Infrastructure Fund	(536)	-
Shared Prosperity Fund (Revenue)	-	(318)
NDR New Burdens	(66)	-
Rough Sleeping Initiative	(129)	(102)
Rural England Prosperity Fund	-	(145)
Salix - Decarbonisation Funding	(112)	-
Section 106s	(1,323)	(21)
Other Grants & Contributions	(564)	(643)
Total	(15,359)	(14,595)

* Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Capital Grants applied to the Income and Expenditure Account

Capital Grants Receipts Applied to the Income and Expenditure Account	2022/23 £'000	2023/24 £'000
Affordable Housing	(130)	-
Disabled Facilities Grants	(227)	-
One Public Estate Funding	(280)	(607)
Homes and Communities Agency Grant	(519)	(173)
Homes For Ukraine Scheme	-	(788)
Salix Grant	(2,723)	-
Changing Places Grant	-	(62)
Local Authority Housing Fund	-	(1,124)
Repaid Private Sector Housing Grants	-	84
Total	(3,879)	(2,671)

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56 Contingent Assets and Liabilities

The Council has no Contingent Assets or Contingent Liabilities at the 31 March 2024.

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 are recognised on the Balance Sheet at the commencement of the lease at their 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 is now 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 Council 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 Council and finance costs that will be payable by the Council 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

Finance Leases - Future Minimum Lease Payments	2022/23	2023/24
	£'000	£'000
Not later than one year - Vehicles	334	398
Not later than one year - Equipment	49	51
	383	449
Later than one year and not later than five years - Vehicles	1,126	1,225
Later than one year and not later than five years - Equipment	49	5
	1,175	1,230
Later than five years - Vehicles	422	338
Later than five years - Equipment	-	-
	422	338
Total	1,980	2,017

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 reason for reduction in rental income is that some operating leases are due to expire in future years.

The future minimum lease payments due in future years are:

Operating Leases - Future Minimum Lease Payments	2022/23	2023/24
	£'000	£'000
Not later than one year - Land & Buildings	180	190
Later than one year and not later than five years - Land & Buildings	360	189
Later than five years - Land & Buildings	-	-
Total	540	379

Lease Payments incurred during the year

Lease Payments incurred during the year	2022/23	2023/24
	£'000	£'000
Operating Leases for Land and Buildings	180	189
Hire payments for Vehicles, Plant and Equipment	89	49
Total	269	238

Authority as Lessor

Finance Leases

The Council holds no finance leases as lessor.

Operating Leases

The Council 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; and
- economic development purposes to provide suitable affordable accommodation for local businesses.

Future Minimum Lease Payments Receivable

Future Operating Leases	2022/23 £'000	2023/24 £'000
Not later than one year - GF Land & Buildings	284	372
Not later than one year - Industrial Units	7	19
Not later than one year - HRA Commercial Units	57	34
	348	425
Later than one year and not later than five years - GF Land & Buildings	771	987
Later than one year and not later than five years - Industrial Units	20	63
Later than one year and not later than five years - HRA Commercial Units	52	84
	843	1,134
Later than five years - GF Land & Buildings	530	570
Later than five years - Industrial Units	-	21
Later than five years - HRA Commercial Units	-	22
	530	613
Total	1,721	2,172

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 increase in rental income is due to a number of lease renewals entered into during 2023/24.

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 (see note 44).

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	2022/23	2023/24
		£'000	£'000
Council Dwellings		5,581	4,405
Other Land & Buildings		(756)	576
Surplus Assets		-	(2,554)
Assets Held For Sale		-	(31)
Total		4,825	2,395

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The main movements affecting net revaluation increase of £2,395k are an increase in house prices during 2023/24; which has resulted in an increased value of council dwellings, the new ZedPod development at St Andrews, Cullompton being revalued to Existing Use Value – Social Housing; a discount of 65%, and the revaluation of land at Braid Park and Knowle Lane.

59 Non-Adjusting Post Balance Sheet Events

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 the Statement of Accounts is authorised for issue. There are two distinct types: those that existed at the balance sheet date where the accounts should be adjusted to reflect these; and those which arose after the balance sheet date which require disclosure in the notes to the accounts if material.

The Deputy Chief Executive (S151) authorised the Unaudited Statement of Accounts for issue on 14 June 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing as at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no adjusting or non-adjusting events after the Balance Sheet date.

15 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		2022/23	2023/24
	Note	£'000	£'000
Expenditure			
Repairs and maintenance		3,920	4,038
Supervision and management		3,724	3,763
Depreciation and impairment/(revaluation) of Non-Current Assets		(2,295)	(1,021)
Rents, rates, taxes and other charges		75	77
Increase/(decrease) in bad debt provision		134	142
Total Expenditure		5,558	6,999
Income			
Dwelling rents	72	(12,769)	(13,630)
Non-dwelling rents		(513)	(506)
Other chargeable services and facilities		(360)	(511)
Total Income		(13,642)	(14,647)
HRA services share of corporate and democratic core		153	165
HRA share of other amounts included in the Council's net expenditure of continuing operations but not allocated to specific services		175	296
Net Income or Expenditure of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement		(7,756)	(7,187)
(Gain)/loss on sale of HRA fixed assets		(1,058)	317
Interest payable and similar charges - see note below	74	974	1,045
Interest and investment income		(272)	(598)
Capital grants and contributions receivable		(799)	(780)
(Surplus) for the year on HRA Services		(8,912)	(7,203)

The amounts shown above are net of debit adjustments on income codes, and credit adjustments on expenditure codes. These sum to £154k and contra out between income and expenditure.

Movement on the HRA Statement

This summarises the income and expenditure on HRA services included in the Council's Comprehensive Income and Expenditure Statement.

Movement on the HRA Statement		2022/23	2023/24
	Note	£'000	£'000
Balance on the HRA at the end of the previous year		(2,000)	(2,000)
Deficit / (Surplus) for the year on the HRA Income and Expenditure Account		(8,912)	(7,203)
Adjustments between accounting basis and funding basis under statute	60	7,954	8,063
Net (increase) or decrease before transfers to or from reserves		(958)	860
Transfers (to) or from reserves		958	(860)
(Increase) or decrease in year on the HRA		-	-
Balance on the HRA at the end of the year		(2,000)	(2,000)

60 Adjustments between Accounting Basis and Funding Basis under Regulations – HRA

This section shows the statutory adjustments we have to make to arrive at the final charge for Council Housing.

Adjustments	Usable Reserves					Total Usable Reserves	Unusable Reserves	
	2023/24	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			Movement in Unusable Reserves
		£'000	£'000	£'000	£'000			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement								
Adjustments involving the Capital Adjustment Account								
Charges for depreciation and impairment of non current assets	(2,831)	-	-	-	-	2,831		
Revaluation (losses)/gains on Property, Plant and Equipment	3,852	-	-	-	-	(3,852)		
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	(1,184)	-	-	-	-	1,184		
Capital grants and contributions applied	780	-	-	-	-	(780)		
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	991	-	-	-	-	(991)		
Capital expenditure charged against the General Fund and HRA balances	2,568	-	-	-	-	(2,568)		
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	876	(876)	-	-	-	-		
Use of the Capital Receipts Reserve to finance new capital expenditure	-	3,704	-	-	-	(3,704)		
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(13)	13	-	-	-	-		
Adjustments involving the Deferred Capital Receipts Reserve								
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(9)	-	-	-	-	9		
Subtotal	5,030	2,841	-	-	-	(7,871)		

Adjustments	Usable Reserves				Total Usable Reserves	Unusable Reserves		
	2023/24	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve			Capital Grants Unapplied	Movement in Unusable Reserves
		£'000	£'000	£'000			£'000	£'000
Balance Brought Forward		5,030	2,841	-	-	(7,871)		
Adjustment involving the Major Repairs Reserve								
Reversal of Major Repairs Allowance credited to the HRA		2,831	-	(2,831)	-	-		
Use of the Major Repairs Allowance to finance new capital expenditure		-	-	2,684	-	(2,684)		
Adjustment involving the Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		192	-	-	-	(192)		
Adjustment involving the Accumulated Absences Account								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		11	-	-	-	(11)		
Total Adjustments		8,063	2,841	(147)	-	(10,757)		

Adjustments	Usable Reserves				Total Usable Reserves	Unusable Reserves	
	2022/23	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	(2,727)	-	-	-	-	2,727	
Revaluation (losses)/gains on Property, Plant and Equipment	5,022	-	-	-	-	(5,022)	
Amortisation of intangible assets	-	-	-	-	-	-	
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	(684)	-	-	-	-	684	
Capital grants and contributions applied	799	-	-	-	-	(799)	
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the financing of capital investment	972	-	-	-	-	(972)	
Capital expenditure charged against the General Fund and HRA balances	666	-	-	-	-	(666)	
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	1,515	(1,515)	-	-	-	-	
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(16)	16	-	-	-	-	
Adjustments involving the Deferred Capital Receipts Reserve							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	228	-	-	-	-	(228)	
Transfer of deferred capital receipts realised in year to the Capital Receipts Reserve	-	(110)	-	-	-	110	
Subtotal	5,775	(1,609)	-	-	-	(4,166)	

Adjustments	Usable Reserves					Unusable Reserves
	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
Balance Brought Forward	5,775	(1,609)	-	-	-	(4,166)
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	2,727	-	(2,727)	-	-	-
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	2,770	-	-	(2,770)
Adjustment involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(560)	-	-	-	-	560
Adjustment involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	12	-	-	-	-	(12)
Total Adjustments	7,954	(1,609)	42	-	-	(6,387)

61 Housing Stock

The Housing Revenue Account owned and managed the following property:

Housing Stock	Council Housing No. of Units	Other Land & Buildings No. of Units	Total No. of Units
At 1 April 2023	2,960	1,255	4,215
Additions	6	-	6
Sales	(10)	(1)	(11)
Written Out	(19)	(30)	(49)
Reclassified	-	1	1
At 31 March 2024	2,937	1,225	4,162

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62 Number of Dwellings by Type

Type Of Dwelling	2022/23 No. of Units	2023/24 No. of Units
Houses	1,363	1,347
Bungalows	1,005	1,003
Flats	592	587
Total	2,960	2,937

63 HRA Dwelling Valuation

The vacant possession value of dwellings in the HRA is £469,572k as at the 1 April 2024, up by £16,004k 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 £164,350k 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 2023/24, the discount applied to determine this second valuation is 65%.

HRA Dwelling Valuation	2022/23	2023/24
	£'000	£'000
Vacant Possession Value	453,568	469,572
Existing Use Value for Social Housing (EUV-SH) @ 35%	158,749	164,350

64 HRA Non-Current Asset Values

HRA Non-Current Asset Values	2022/23	2023/24
	£'000	£'000
Dwellings	158,749	164,350
Other land and buildings	7,159	7,198
Vehicles, plant and equipment	158	227
Surplus sites	-	1,000
Infrastructure assets	144	136
Assets under construction	4,079	15,104
Total	170,288	188,015

Assets under construction includes costs to date for the additional units at St George's Court and the wider development programme.

65 Capital Expenditure

Capital expenditure within the HRA for 2023/24 and how it has been funded is shown below:

Expenditure	2022/23 £'000	2023/24 £'000
Improvements to dwellings	3,415	3,117
Construction of dwellings & Right To Buy buybacks	256	480
Assets under construction	3,223	12,950
Vehicle leasing	-	106
Total	6,894	16,653

Funding	2022/23 £'000	2023/24 £'000
Major repairs reserve	2,770	2,684
Capital grants	799	846
Revenue contribution	666	2,568
Borrowing	1,859	6,305
Usable capital receipts	800	4,250
Total	6,894	16,653

66 Major Repairs Reserve

The Council 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	2022/23 £'000	2023/24 £'000
At 1 April	1,417	1,375
Amount transferred from Housing Revenue Account	2,727	2,831
Capital expenditure incurred during the year	(2,770)	(2,684)
At 31 March	1,375	1,523

67 Capital Receipts

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

Capital Receipts	2022/23	2023/24
	£'000	£'000
Sale of council houses	1,515	851
Sale of land	-	25
Total	1,515	876

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.

Pension Liability: Current Year Costs	2022/23	2023/24
	£'000	£'000
Net interest on the defined benefit liability	(560)	192
Total	(560)	192

69 HRA Arrears

At 31 March 2024, the total arrears as a proportion of gross dwelling rent income (£13,630k) totalled 6.7% (5.7% at 31 March 2023). Rent written off during 2023/24 amounted to £28k (£16k in 2022/23). The breakdown of the total arrears is shown below.

HRA Arrears	2022/23	2023/24
	£'000	£'000
Rent (dwellings & garages)	525	614
Housing benefit overpayments	20	22
Court costs	16	19
Rechargeable Repairs	141	212
Other	29	43
Total	732	911

70 Bad Debt Provision

The provision for bad debt for the HRA stands at £756k as at 31 March 2024 (£614k as at 31 March 2023). 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 78%.

71 Rents Paid in Advance

Rents Paid in Advance	2022/23	2023/24
	£'000	£'000
Dwellings rental income paid in advance	188	217

72 Dwelling Rents

This represents the total rent income due for the year after allowing for a forecast of voids and other adjustments. The rents set averaged at £89.81 per week based on a 52 week year (2022/23 £83.92).

73 Depreciation of Fixed Assets

Depreciation

Operational Assets	2022/23	2023/24
	£'000	£'000
Dwellings	2,482	2,548
Other land and buildings	216	238
Infrastructure	8	8
Vehicles, plant and equipment	21	36
Total	2,727	2,831

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

The net revaluation increase of £3,852k is primarily attributable to an increase in house prices during 2023/24; which has resulted in an increased value of Council Dwellings.

	2022/23	2023/24
Operational Assets	£'000	£'000
Dwellings	(5,581)	(4,405)
Other land and buildings	559	(4)
Surplus sites	-	556
Total (Increase)/Decrease in Valuation	(5,022)	(3,852)

74 Interest Payable and Similar Charges

Interest payable and similar charges	2022/23	2023/24
	£'000	£'000
Interest charges on finance leases	7	12
PWLB loan interest - HRA self financing	925	874
Interest on S106 charges Post Hill	-	119
Internal self financing - General Fund (Wells Park, Crediton)	42	40
Total	974	1,045

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 loan from the Public Works Loan Board (PWLB) and will be required to make payments of £2,645k per annum (made up of £874k interest and £1,771k principal in 2023/24).

Self Financing Settlement Payment	2022/23	2023/24
	£'000	£'000
Opening Balance	(31,893)	(30,173)
Repaid in Year	1,720	1,771
Closing Balance	(30,173)	(28,402)

16 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 Non-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 & Cornwall Police & Crime Commissioner and Devon & Somerset Fire & Rescue Authority, and the Non-Domestic Rates (NDR) income is distributed between Mid Devon District Council, Devon County Council and Devon & Somerset Fire & 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 Tax 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		2022/23	2023/24
	Notes	£'000	£'000
Income			
Council Tax receivable		(66,030)	(69,185)
Transfer for Transitional Relief, S13A Reliefs and discount for prompt payment		9	(101)
Total Income		(63,512)	(69,286)
Expenditure			
Precepts, Demands and Shares	79		
- Devon County Council		46,400	48,751
- Mid Devon District Council		6,524	6,724
- Devon & Cornwall Police & Crime Commissioner		7,350	7,803
- Devon & Somerset Fire & Rescue Authority		2,736	2,888
- Parish Precepts		2,145	2,310
		65,155	68,476
Charges to Collection Fund			
- Change in allowance for impairment		686	386
		686	386
Apportionment of previous year's surplus/(deficit)			
- Devon County Council		2,143	136
- Mid Devon District Council		401	25
- Devon & Cornwall Police & Crime Commissioner		336	23
- Devon & Somerset Fire & Rescue Authority		127	7
		3,007	191
Total Expenditure		68,848	69,053
(Surplus) / Deficit for the year		2,827	(233)
Opening Balance at 1st April		(2,274)	553
Closing Balance at 31 March	48	553	320

The £320k represents the overall deficit on the Council Tax element of the Collection Fund at 31 March 2024 (2022/23 £553k deficit). Of this 13.22% is attributable to MDDC, which equates to £42k (2022/23 £73k – 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		2022/23	2023/24
	Notes	£'000	£'000
Income			
NDR receivable	77	(14,849)	(15,437)
Transitional Protection Payments		-	(2,383)
Total Income		(14,849)	(17,820)
Expenditure			
Payments of NNDR1 proportionate shares			
- Central Government		7,199	8,461
- Devon County Council		1,296	1,523
- Mid Devon District Council		5,759	6,769
- Devon & Somerset Fire & Rescue Authority		144	169
		14,398	16,922
Charges to Collection Fund			
- Write offs / (Write ons) charged to Collection Fund		(6)	(17)
- Change in allowance for impairment		80	232
- Appeals and list alterations charged to Collection Fund		(187)	(51)
- Change in provision for alteration of lists & appeals		238	(38)
- Transitional Protection Payments		26	-
- Allowance for cost of collection		117	121
- Disregarded amounts - renewable energy		247	343
		515	590
Apportionment of previous year's Surplus/(Deficit)			
- Central Government		(2,073)	(224)
- Devon County Council		(373)	(40)
- Mid Devon District Council		(1,658)	(179)
- Devon & Somerset Fire & Rescue Authority		(41)	(4)
		(4,145)	(447)
Total Expenditure		10,768	17,065
(Surplus) / Deficit for the year		(4,081)	(755)
Opening Balance at 1st April		4,348	267
Closing Balance at 31 March (Surplus) / Deficit	48	267	(487)

The £487k represents the overall surplus on the NDR element of the Collection Fund at 31 March 2024 (2022/23 £267k deficit). Of this 40% is attributable to MDDC, which equates to a surplus of £195k. (2022/23 £107k 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 Non-Domestic Rates (NDR)

The Council collects Non-Domestic Rates for its area, which are based on local rateable values (£54,180k at 31 March 2024) multiplied by a uniform rate (51.2p or 49.9p for those receiving small business relief for 2023/24) The total amount receivable; less certain reliefs and other deductions is distributed between Central Government, Devon County Council, Devon & Somerset Fire & Rescue Authority and Mid Devon District Council. The Council 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 Non-Domestic Rates statement takes into account £8,488k awarded in various discretionary and mandatory reliefs.

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.

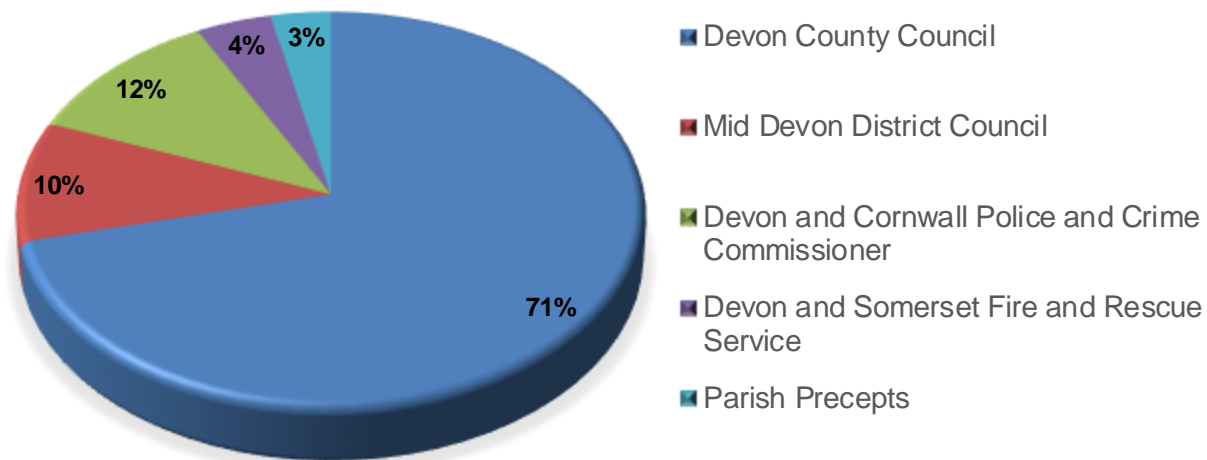
Band	Number of Dwellings		
	Chargeable Dwellings	Multiplier	Band D Equivalent
A	4,206.3	6/9	2,801.2
B	7,528.8	7/9	5,853.7
C	6,366.0	8/9	5,657.3
D	6,028.5	9/9	6,028.6
E	4,545.0	11/9	5,555.7
F	2,375.3	13/9	3,431.4
G	889.8	15/9	1,483.2
H	52.0	18/9	103.9
Total	31,991.5		30,915.0

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	2022/23 £'000	2023/24 £'000
Devon County Council	46,400	48,751
Mid Devon District Council	6,524	6,724
Devon and Cornwall Police and Crime Commissioner	7,350	7,803
Devon and Somerset Fire and Rescue Service	2,736	2,888
Parish Precepts	2,145	2,310
Total	65,155	68,476

2023/24 COUNCIL TAX CHARGE



17 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, 3 Rivers Developments Ltd, as a wholly owned subsidiary with all the voting rights and has been consolidated into the Group Accounts.

3 Rivers Developments Ltd was incorporated on 28 April 2017 as a development company to support the Council's Corporate Plan. During the year, the Council agreed to soft close the company with all assets being realised and a commitment to paying all contractors, suppliers and tradesmen in full. The company sold all asset held and repaid all outstanding loans to the Council. At 31 March 2024, the company was dormant awaiting voluntary strike off at Companies House. Therefore 3Rivers accounts and the Council's Group Accounts have been prepared on a non-going concern basis.

During the year, the Board consisted of Mr Nick Sanderson Managing Director (resigned 31 March 2024), former Councillor Ray Stanley (resigned 9 May 2024), Mr Paul Neilson Finance Director (resigned 31 March 2024) and a Non-Executive Director, Mr William Yardley (resigned 31 March 2024). Mr Paul Neilson was appointed as Secretary and Mr Paul Deal was appointed Director on 29 March 2024.

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 2023/24. As a small company in accountancy terms, 3Rivers 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. 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. Notes have been omitted if there are no material differences to the disclosure already made.

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, 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.

2023/24	USABLE RESERVES									Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiary	Total Group Reserves
	REVENUE RESERVES						CAPITAL RESERVES							
	General Fund Balance	Earmarked General Fund Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied						
Movement	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2023	(2,338)	(18,160)	(20,497)	(2,000)	(23,565)	(25,565)	(7,309)	(2,565)	(55,937)	(152,034)	(207,971)	6,310	(201,661)	
Movement in Reserves during 2023/24														
(Surplus) or deficit on the provision of services	2,100	-	2,100	(7,203)	-	(7,203)	-	-	(5,103)	-	(5,103)	257	(4,846)	
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(7,239)	(7,239)	-	(7,239)	
Total Comprehensive Income and Expenditure	2,100	-	2,100	(7,203)	-	(7,203)	-	-	(5,103)	(7,239)	(12,342)	257	(12,085)	
Adjustment between Group Accounts & Authority Accounts	(135)	-	(135)	-	-	-	-	-	(135)	(5)	(140)	(2,636)	(2,776)	
Net (Increase)/Decrease before Transfers (Group A/c's)	1,965	-	1,965	(7,203)	-	(7,203)	-	-	(5,238)	(7,244)	(12,482)	(2,380)	(14,862)	
Adjustments between accounting basis and funding basis under regulations	(568)	-	(568)	8,063	(147)	7,916	3,492	538	11,378	(11,932)	(554)	-	(554)	
Net (Increase)/Decrease before Transfers to Earmarked Reserves	1,397	-	1,397	860	(147)	713	3,492	538	6,140	(19,176)	(13,036)	(2,380)	(15,416)	
Transfers (to) / from Earmarked Reserves	(1,532)	1,532	-	(860)	860	-	-	-	-	-	-	-	-	
(Increase)/Decrease in 2023/2024	(135)	1,532	1,397	-	713	713	3,492	538	6,140	(19,176)	(13,036)	(2,380)	(15,416)	
Balance at 31 March 2024 Carried forward	(2,473)	(16,628)	(19,100)	(2,000)	(22,852)	(24,852)	(3,817)	(2,027)	(49,797)	(171,210)	(221,007)	3,930	(217,077)	
Held for Revenue Purposes	(2,473)	(16,628)	(19,100)	(2,000)	(21,330)	(23,330)	-	-	(42,430)					
Held for Capital Purposes	-	-	-	-	(1,522)	(1,522)	(3,817)	(2,027)	(7,367)					

2022/23 Movement	USABLE RESERVES						Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Authority's Share of Subsidiary £'000	Total Group Reserves £'000		
	REVENUE RESERVES			CAPITAL RESERVES									
	General Fund Balance £'000	Earmarked General Fund Reserves £'000	General Fund Total	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	HRA Total						Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
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)	(95,817)	(151,419)	2,618	(148,801)
Movement in Reserves during 2022/23													
(Surplus) or deficit on the provision of services	3,779	-	3,779	(8,912)	-	(8,912)	-	-	(5,133)	-	(5,133)	3,803	(1,330)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(47,780)	(47,780)	-	(47,780)
Total Comprehensive Income and Expenditure	3,779	-	3,779	(8,912)	-	(8,912)	-	-	(5,133)	(47,780)	(52,914)	3,803	(49,111)
Adjustment between Group Accounts & Authority Accounts	(1,456)	-	(1,456)	-	-	-	-	-	(1,456)	-	(1,456)	(111)	(1,567)
Net (Increase)/Decrease before Transfers (Group A/c's)	2,323	-	2,323	(8,912)	-	(8,912)	-	-	(6,589)	(47,780)	(54,370)	3,692	(50,678)
Adjustments between accounting basis and funding basis under regulations	(1,093)	-	(1,093)	7,954	42	7,996	(780)	132	6,255	(8,437)	(2,182)	-	(2,182)
Net (Increase)/Decrease before Transfers to Earmarked Reserves	1,230	-	1,230	(958)	42	(916)	(780)	132	(334)	(56,217)	(56,552)	3,692	(52,860)
Transfers (to) / from Earmarked Reserves	(2,496)	2,496	-	958	(958)	-	-	-	-	-	-	-	-
(Increase)/Decrease in 2022/23	(1,266)	2,496	1,230	-	(915)	(915)	(780)	132	(334)	(56,217)	(56,552)	3,692	(52,860)
Balance at 31 March 2023 Carried forward	(2,338)	(18,160)	(20,497)	(2,000)	(23,565)	(25,565)	(7,309)	(2,565)	(55,937)	(152,034)	(207,971)	6,310	(201,661)
Held for Revenue Purposes	(2,338)	(18,160)	(20,497)	(2,000)	(22,190)	(24,190)	-	-	(44,686)				
Held for Capital Purposes	-	-	-	-	(1,375)	(1,375)	(7,309)	(2,565)	(11,249)				

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.

	2022/23			Service Area	2023/24		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	347	(93)	253	Community Development	412	(91)	321
	3,985	(3,108)	877	Corporate Management	2,007	(104)	1,903
	801	(845)	(43)	Car Parks	843	(1,000)	(156)
	106	-	106	Customer Services	-	(35)	(35)
	2,821	(1,034)	1,786	Environmental Services	3,014	(799)	2,215
	86	(3)	84	Finance & Performance	(26)	(2)	(28)
	147	(56)	91	Ground Maintenance	52	(76)	(24)
	1,356	(1,040)	315	General Fund Housing	1,662	(1,209)	452
	5,885	(13,641)	(7,756)	Housing Revenue Account	7,614	(14,801)	(7,187)
	103	(21)	82	Human Resources	7	(13)	(7)
	375	(10)	365	I.T. Services	162	(3)	159
	1,486	(307)	1,179	Legal & Democratic Services	1,435	(141)	1,295
	5,043	(4,221)	823	Planning & Regeneration	5,209	(2,588)	2,620
	1,387	(737)	650	Property Services	2,512	(719)	1,793
	12,779	(12,025)	755	Revenues & Benefits	12,993	(12,178)	814
	5,953	(2,692)	3,261	Recreation & Sport	5,389	(3,324)	2,065
	7,644	(3,097)	4,547	Waste Services	6,801	(3,400)	3,401
	3,713	(21)	3,692	Subsidiary Company	121	(2,501)	(2,380)
	54,020	(42,951)	11,067	Costs of Services	50,210	(42,984)	7,222
			1,097	Other Operating Expenditure			2,579
			2,754	Financing and Investment Income and Expenditure			536
			(17,815)	Taxation and Non-Specific Grant Income			(17,955)
			(2,897)	(Surplus) or Deficit on Provision of Services			(7,618)
			-	Tax Expenses			-
			(2,897)	Group (Surplus) or Deficit			(7,618)
			(45,072)	Remeasurements of the Net Defined Benefit Liability			(5,763)
			(2,708)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment			(1,481)
			(47,780)	Other Comprehensive Income and Expenditure			(7,244)
			(50,677)	Total Comprehensive Income and Expenditure			(14,862)

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 2023 £'000	Service Area	Notes	Consolidated 31 March 2024 £'000
213,623	Property, Plant & Equipment		234,885
175	Investment Properties		-
330	Heritage Assets		330
4,639	Long-term Investments		4,458
2,982	Long-term Debtors	2	2,143
221,749	Non-Current Assets		241,816
16,000	Short-term Investments		12,000
30	Assets held for sale		3,104
11,632	Work In Progress	4	-
367	Inventories		339
10,645	Short-term Debtors	3	8,106
4,281	Cash and Cash Equivalents		3,968
42,956	Current Assets		27,516
(11,046)	Short-term Creditors		(8,388)
(876)	Provisions		(640)
(1,937)	Short-term Borrowing		(1,975)
(13,859)	Current Liabilities		(11,002)
(1,735)	Long-term Creditors		(1,687)
(31,373)	Long-term Borrowing		(29,398)
(16,077)	Other Long Term Liabilities		(10,166)
-	Capital Grants Receipts in Advance		-
(49,185)	Long Term Liabilities		(41,251)
201,661	Net Assets		217,077
49,627	Usable Reserves		45,867
152,034	Unusable reserves		171,210
201,661	Total Reserves		217,077

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	
	2022/23	2023/24
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	2,897	7,622
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(2,621)	3,577
Adjustments for items included in the net Surplus or Deficit on the Provision of Services that are investing and financing activities	(4,342)	(3,076)
Adjustments for Operating activities processed through the Balance Sheet	(4,327)	(598)
Net cash flows from Operating Activities	(8,393)	7,525
Investing Activities	4,589	(5,478)
Financing Activities	(2,290)	(2,360)
Net increase or (decrease) in cash and cash equivalents	(6,095)	(313)
Cash and cash equivalents at the beginning of the reporting period	10,376	4,281
Cash and cash equivalents at the end of the reporting period	4,281	3,968

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 exc pension contributions £	Pension Contributions £	Total Remuneration inc pension contributions £
Chief Executive	2023/24	121,660	-	121,660	23,115	144,776
	2022/23	118,228	-	118,228	19,626	137,853
Deputy Chief Executive (S151)	2023/24	97,834	-	97,834	18,588	116,422
	2022/23	86,545	-	86,545	14,367	100,912
Director of Corporate Affairs & Business Transformation ³	2023/24	17,057	-	17,057	3,241	20,297
	2022/23	84,877	-	84,877	14,351	99,228
Director of Place	2023/24	89,762	-	89,762	17,055	106,817
	2022/23	83,613	-	83,613	13,880	97,492
District Solicitor and Monitoring Officer ⁴	2023/24	-	-	-	-	-
	2022/23	43,872	1,652	45,523	4,497	50,020
Director of Legal, HR & Governance (Monitoring Officer) ⁵⁺⁶	2023/24	80,226	-	80,226	15,199	95,426
	2022/23	61,950	-	61,950	10,247	72,197
Managing Director, 3 Rivers Developments Ltd ⁷	2023/24	83,364	66,839	150,203	76,425	226,628
	2022/23	80,862	-	80,862	7,983	88,845

Notes:

- The amounts included in the two previous tables are shown gross of any related tax which would be levied.
- The primary pension rate of 19% has been used for the 2023/24 pension contribution figures.
- The Director of Corporate Affairs & Business Transformation left the Council on 5 June 2023, resulting in earnings below the £50k threshold.
- The District Solicitor and Monitoring Officer left the Council on 11 August 2022.
- The District Solicitor and Monitoring Officer post changed title to Director of Legal, HR & Governance (Monitoring Officer) on 1 January 2024.
- The replacement District Solicitor and Monitoring Officer (now Director of Legal, HR & Governance [Monitoring Officer]) transferred from another role within the Council on 27 October 2022.
- Following the Council's decision to soft close 3 Rivers Development Ltd, the Managing Director was made redundant on 31 March 2024 and received the redundancy package commensurate with the length of service given.

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

Long Term Debtors	2022/23 £'000	2023/24 £'000
Other entities and individuals	2,982	2,143
Total	989	2,143

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

Short Term Debtors	2022/23 £'000	2023/24 £'000
Other Receivable amounts	11,585	9,345
Trade Receivables	925	654
Less Impairment Allowances	(1,866)	(1,893)
Total	10,645	8,106

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NB. Expected Credit Loss Model

The Council 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.

As part of the soft closure of 3Rivers, the unpaid balances of any loans made by the Council were impaired down to £0 to reflect the expected credit loss as per the guidance set out in IFRS 9. The impairments required in 2023/24 amounted to £1,483k, split between St George's Court (£816k) and Working Capital (£667k).

4 Work in Progress (WIP)

Work In Progress	2022/23 £'000	2023/24 £'000
Work in Progress	11,632	-
Total	11,632	-

2022/23 Work in Progress related to on-going construction projects.

18 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.

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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 Bishop Fleming 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 the executive 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 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 Council 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 Council, 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 Council 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 Council 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 Council'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 one year.

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 Council 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 Council'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.

Non-Domestic Rates (NDR)

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 Council 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 Council.

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 Council 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.

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Mid Devon District Council

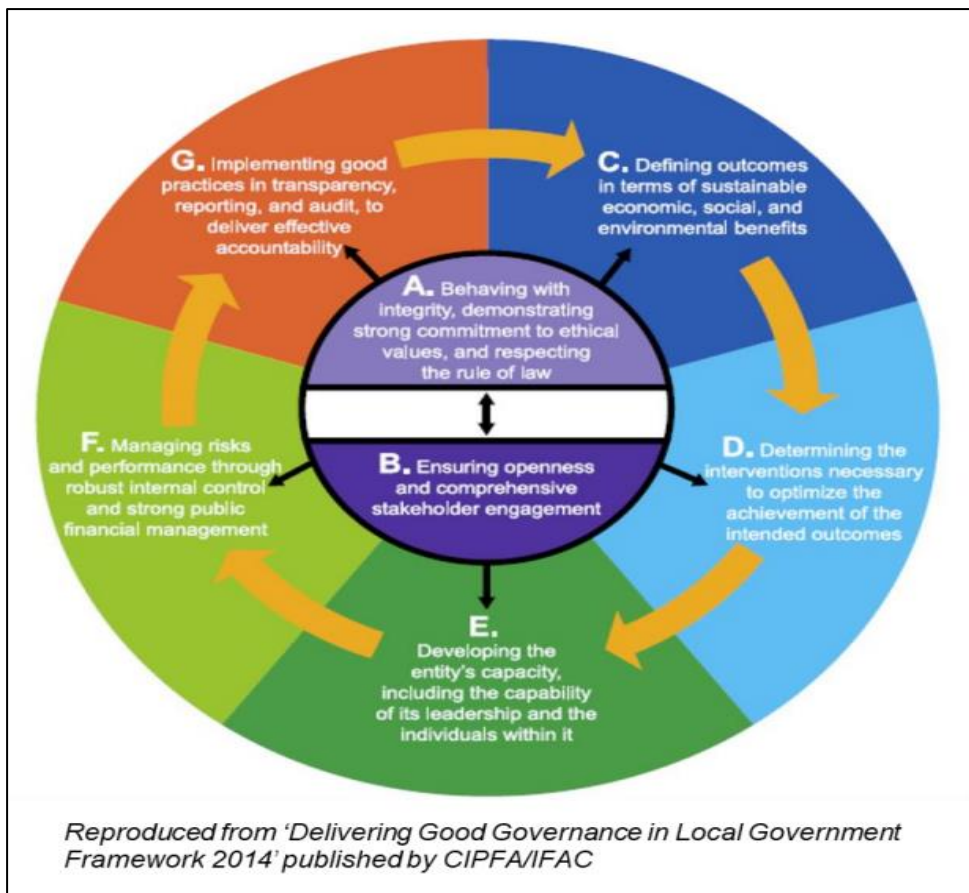
DRAFT Annual Governance Statement 2023/24

**SUBJECT TO CONSIDERATION AND APPROVAL BY THE AUDIT COMMITTEE
SUBJECT TO REVIEW AND SIGNING BY THE LEADER AND CHIEF EXECUTIVE**

1. Introduction

- 1.1. The governance framework generally refers to the culture, values, systems, and processes by which an organisation is directed, controlled and held to account. The Council's governance framework aims to ensure that in conducting its business it operates in a lawful, open, inclusive and honest manner, makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively, maintains effective arrangements for the management of risk and secures continuous improvement in the way that it operates. Additionally, an effective governance framework enables the Council to monitor the achievement of its corporate objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 1.2. 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, known as the Annual Governance Statement (AGS), reporting on the review with any published Statement of Accounts.
- 1.3. 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.
- 1.4. 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. 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



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 Accounts 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 financial year and up to the 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 (PDGs) 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. Effectiveness of the Governance Framework

- 2.1. The effectiveness of the governance framework is reviewed by the Deputy Chief Executive (s151), supported by the Senior Leadership Team. The review considered the following areas:
 - a) Adherence to the 2016 CIPFA / SOLACE framework, Delivering Good Governance in Local Government. Our self-assessment against the Code is included at **Appendix B**
 - b) The work of Internal Audit and their assurance opinion on the adequacy and effectiveness on the Council's internal control environment for the year to date., See section 6 below.
 - c) The external Auditors, Grant Thornton, concluded their 2022/23 accounts audit and their Value for Money conclusion report for 2022/23 to Audit Committee in April 2024. See section 6 below.

- d) The role played by Members, as accountable democratically elected representatives, in providing community leadership, delivering clear policy and financial direction, scrutinising decisions as well as fulfilling regulatory and quasi-judicial duties. **Appendix C** details the key governance impacts of Members' work.
- e) The work of the Senior Leadership Team who have responsibility for the development and maintenance of the control and governance environment. In particular:
 - 2.1.1. The Monitoring Officer has monitored the Council's compliance with the law and considers that, overall, high standards of conduct have been maintained by both officers and members. The Monitoring Officer has managed any amendments to the Constitution and has ensured the decision-making process has been transparent.
 - 2.1.2. The Council's Section 151 Officer has had in place an appropriate internal control framework that has ensured financial transactions have been properly accounted for and ensured financial implications are considered in the delivery of corporate objectives and overseen the effectiveness of the overarching strategic financial processes (e.g., budget setting, financial planning, revenue and capital expenditure monitoring, treasury management).
- f) As part of their business-as-usual operations, Service Managers frequently review and amend their risk registers. The Corporate Risk Register was reported to every Audit Committee during 2023/24. The Audit Committee also considered the effectiveness of the risk management framework in March 2022 and approved a revised Risk Management Policy to be applied from 2023/24.
- g) The provision of regular management and performance information, to Cabinet, Scrutiny and Policy Development Committees.
- h) The ongoing review throughout the year of policies and procedures that underpin the delivery of services alongside new initiatives introduced to enhance governance and/or service delivery.

3. Significant operational event's in 2023/24

- 3.1. The District Election held in May 2023 saw a significant swing political control, moving from no overall control to a heavily dominant Liberal Democrat administration. This has helped stable decision making and enable focus on the council's financial position as previously covered.
- 3.2. The senior management structure of the organisation downsized in order to prioritise expenditure on service delivery. Both the top-tier and second tier management teams have had a post removed in the last year, reducing the Council's senior management to 9 officers (from 11).
- 3.3. On 6 September 2023, Mid Devon District Council agreed to "soft close" the Council's subsidiary company, 3 Rivers Developments Ltd (3Rivers), with all assets being realised and a commitment to paying all contractors, suppliers and tradesmen in full.
- 3.4. The 2022/23 Value for Money opinion was considered by the Audit Committee on 26 March 2024. It identified two significant weaknesses in arrangements:
 - The first was in relation to governance and the impact that debate on the 3 Rivers Developments Limited's business plan and the impact that had on the 2023/24 budget setting process; and
 - The second was in relation to the council not exercising its shareholder role effectively.

Given the closure of 3Rivers, these weaknesses no longer exist.

No significant weaknesses were noted in relation to financial sustainability.

4. CIPFA Financial Management Code

- 4.1. 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.

4.2. 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.

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 Annual Risk Management Policy covering the financial year in March 2023.

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 corporate risks as at 31 March 2024 were: -

Ref	Risk Name	Risk Owner	Risk Rating
CR1a	Culm Garden Village – Loss of Capacity Funding	Adrian Welsh	25
CR1b	Culm Garden Village – Delay / impact to project arising from infrastructure delays	Adrian Welsh	20
CR2	Cyber Security	Brian Trebilcock	20
CR3	Failure to meet Climate Change Commitments by 2030	Paul Deal	15
CR4	Homes for Ukraine Scheme	Simon Newcombe	9
CR5	Information Security	Lisa Lewis	8
CR7	Financial Sustainability	Paul Deal	16
CR8	Quality of Planning Committee Decisions	Angharad Williams	12
CR9	3 Rivers – Delivery of closedown plan	Paul Deal	8
CR9a	Reputational Impact of 3 Rivers	Stephen Walford	8
CR10	Cullompton Town Centre Relief Road	Adrian Welsh	25
CR11	Cost of Living Crisis	Dean Emery	16
CR12	Housing Crisis	Simon Newcombe	12
CR13	Operation of a Waste Management Service	Matthew Page	8
CR14	Workforce Shortage	Matthew Page	6
CR15	Corporate Property Fire Safety	Stephen Walford	9
CR16	Building Control Service Viability	Andrew Howard	9
CR17	Severe Weather Emergency Recovery	Simon Newcombe	12

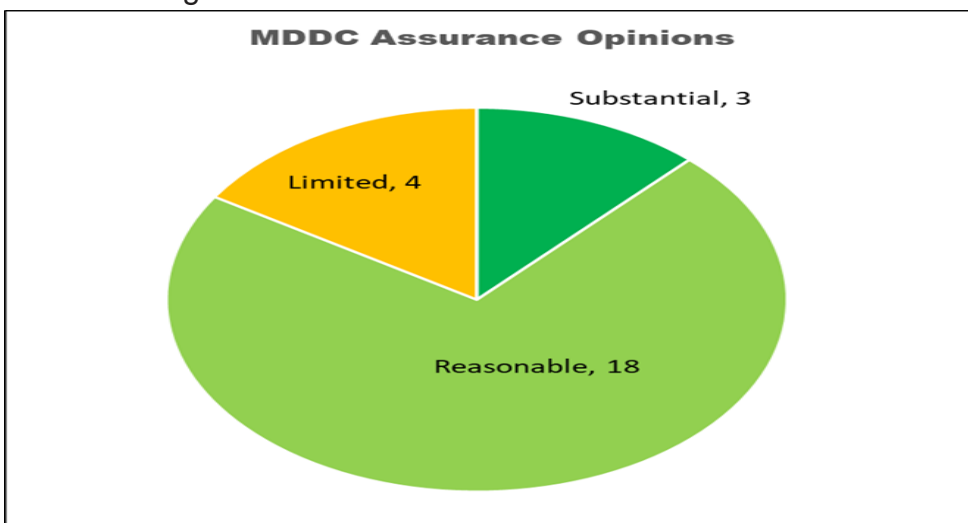
↑ Risk Severity ↓	5	5	10	15	20 CR1b; CR2	25 CR1a; CR10
	4	4	8 CR9; CR13	12 CR8; CR12; CR17	16 CR7; CR11	20
	3	3	6 CR14	9 CR4; CR15; CR16	12	15 CR3
	2	2	4	6	8 CR5; CR9a	10
	1	1	2	3	4	5
		1	2	3	4	5
	↓ Risk Likelihood →					

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.

6.1.2. Overall, based on work performed during 2023/24 and DAP’s experience from previous years audit, the Head of Internal Audit’s Opinion is “Reasonable Assurance” on the adequacy and effectiveness of the internal control framework, underpinned by the following assurance levels on these service areas:



No area reviewed was classified as having ‘no’ assurance.

Substantial assurance	Reasonable assurance	Limited assurance
Housing Benefits	Main Accounting System	Exe Valley Leisure Centre
Waste & Recycling	Creditors	Information Governance – Follow up
Street Care	Debt Recovery	Void Management (General Fund)
	Climate Change	Building Control
	Contract Management	
	Income Management	
	Council Tax and Business Rates (NDR)	
	Trade Waste	
	Cyber Security – follow up	
	Member Allowances	
	Community Engagement and Consultation	
	Corporate Health & Safety	
	Performance Management	
	Travel and Subsistence	
	Emergency Planning	
	Voids Management (HRA)	
	Housing Options	
	Housing Property (Health & Safety)	
	Tiverton Pannier Market	
	Safeguarding	

This year's mix of opinions compares to the 5 Substantial, 19 Reasonable and 5 Limited Assurance audit opinions provided for 2022/23.

- 6.1.3. 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) Exe Valley Leisure Centre: Following changes in key staff, the completion and audit trail related to statutory Health & Safety checks needs improvement. Also, maintenance was too heavily focused on reactive maintenance and impact of asset availability.
 - b) Voids Management – General Fund: Clarity is required on the underlying reasons for holding these commercial properties, considering whether value or benefits from these properties outweigh the risk and cost of owning them. The lack of strategy, purpose and sufficient resource for managing these properties results in this Limited Assurance Opinion.
 - c) Building Control: The main issues related to having sufficient building control officers, which has been addressed.

- d) Information Management Follow Up: Although progress has been made against the previous recommendations, the departure of the Data Protection Officer has delayed the reassessment of some areas.

6.1.4. In addition, progress has been made in the following areas that were previously given a limited assurance opinion:

- e) Cyber Security, Response and Recovery: High priority recommendations were made in relation to offsite backup facility, incident response testing and the need for formal testing of backups arrangements. Sufficient work has been undertaken to allow DAP to increase their opinion to Reasonable Assurance. However, the limited capacity of the ICT team results in risk related to effective support to business areas.
- f) Repairs and Maintenance: DAP found the service to be too heavily focused on reactive maintenance. and does not have an effective system to manage repairs, supported by a range of key performance measures. The audit trail related to Statutory checks also needs improvement. Work continues to implement new asset management systems and condition surveys to enable the move to planned maintenance following failed attempts to recruit a surveyor. Therefore, the follow up audit has been postponed.
- g) Emergency Planning and Business Continuity. The Council currently lacks any operational resource or role dedicated to either emergency planning or business continuity following departures in 2022. Following the recruitment of a new Resilience Officer and the improves they are making, DAP have increased their opinion to Reasonable Assurance.

6.1.5. At the year end, there were a total of 70 recommendations outstanding; 1 High, 41 Medium, 19 Low and 9 are opportunities.

6.1.6. DAP's Counter Fraud Resilience and Assessment report, which it completed on all Devon District partners in support of the Councils Counter Fraud processes and capability, found improvement 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.

6.2. External Audit

6.2.1. Grant Thornton (GT), the Council's External Auditors provided their Annual Audit Report for the 2022/23 financial year on 30 April 2024. The report confirmed that they had not identified any significant adjustments to the financial statements. However, within the Value for Money report weaknesses, two significant weaknesses in arrangements were identified:

1. The first was in relation to governance and the impact that debate on 3Rivers Development Limited's business plan and the impact that this had on the 2023/24 Budget setting process, and
2. The second was in relation to the Council not exercising its shareholder role effectively.

No significant weaknesses were noted in relation to the financial sustainability.

- 6.3. There were no external inspections undertaken during the year.

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 updated 2022/23 Annual Governance Statement was approved, alongside the 2022/23 Accounts.
- 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 as it 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 2023/24 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.

9. Approval

- 9.1. The undersigned are satisfied that the assessment is accurate and indicates that appropriate governance arrangements are in place at Mid Devon District Council.

9.2. We will ensure that steps to address matters raised in the assessment to further enhance our governance arrangements will be taken over the coming year

Approved by the Leader of the Council

Cllr Luke Taylor

Date

Approved by the Chief Executive

Stephen Walford

Date

Appendix A**Action Plan for issues arising from the 2023/24 Annual Governance Statement process**

Ref	Action Arising	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"> a) Exe Valley Leisure Centre b) Voids Management – General Fund c) Repairs and Maintenance – follow up d) Emergency Planning and Business Continuity – follow up e) Information Management – follow up 	<ul style="list-style-type: none"> (a) Head of: Revenues, Benefits, Corporate Recovery, Corporate Fraud, Welfare & Leisure (b) Head of Finance, Property and Climate Resilience (c) Head of Finance, Property and Climate Resilience (d) Head of Housing and Health (e) Hea of Digital Transformation & Customer Engagement 	As per the individual internal audit reports

Appendix B

Self Assessment against the 2016 CIPFA / SOLACE Framework.

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

How We Meet these Principles	Where You Can See Governance in action
Behaving with integrity	
<ul style="list-style-type: none"> We operate an appraisal scheme for all staff to identify development and skills needs and assess performance. 	This is now being monitored via the Learning Management System on-line
<ul style="list-style-type: none"> We have Codes of Conduct for Staff 	Officers code of conduct The Code of Conduct for Councillors and Co-opted Members was approved by Full Council. Members Code of Conduct training is carried out by the Monitoring Officer.
<ul style="list-style-type: none"> We provide new Members and staff with induction training on appointment. 	New Councillors Induction Programme Staff Induction Policy Following the District Election in May 2023, a new Councillor Induction Programme was developed and delivered. New staff members are required to complete a comprehensive suite of courses related to H&S and other related areas such as manual handling.
<ul style="list-style-type: none"> Our constitution sets out how the Council and committee meetings operate. 	Constitution
<ul style="list-style-type: none"> Declarations of interest made at meetings are published with minutes and on our website. 	For members, this is recorded against each individual members website record.
<ul style="list-style-type: none"> We have Registers of Interests (ROI) and gifts & hospitality for Members and Staff. 	Your Councillors - MIDDEVON.GOV.UK Each Council has their own ROI available via the above link. Gifts & Hospitality and Declarations are audited periodically by Internal Audit.

How We Meet these Principles	Where You Can See Governance in action
<ul style="list-style-type: none"> • Our Whistleblowing policy was reviewed in March 2021. 	Whistleblowing policy
<ul style="list-style-type: none"> • We have a clear complaints procedure on our website and an up-to-date Customer Care Policy. 	Complaints Procedure Customer Care Policy A staff survey was undertaken in autumn 2023 to help identify if staff had any concerns or issues. An action plan to address the matters raised has been developed and is being implemented.
<ul style="list-style-type: none"> • We take the Health and Safety of our Staff extremely seriously. 	We hold regular internal Health and Safety Committee meetings
<ul style="list-style-type: none"> • 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. 	Member Development Policy
<ul style="list-style-type: none"> • We operate a protocol to govern the relationship between Members and officers that ensures access to appropriate information. 	Protocol on Member/Officer Relations In the Constitution – Part 5 – Codes and Protocols See the Constitution
Demonstrating strong commitment to ethical values	

How We Meet these Principles	Where You Can See Governance in action
<p>The Council has the following documents which are relevant:</p> <ul style="list-style-type: none"> • Officers' Code of Conduct • Members' Code of Conduct • Protocol on Member/Officer Relations • Guidance for Members and staff on hospitality and gifts • Protocol of good practice for councillors dealing in planning matters • Staff Charter to communicate expected values and behaviours. • Financial regulations 	<p>All of these are considered within our Constitution</p> <ul style="list-style-type: none"> • Cllrs code of conduct • Staff Charter • Our Financial Regulations were updated in February 2024.
Respecting the rule of law	
<ul style="list-style-type: none"> • The Constitution is under continuous review any significant changes are taken through the Standards Committee. 	Constitution
<ul style="list-style-type: none"> • We ensure we comply with Statutory Provisions. 	Adherence to legislation is confirmed in each audit review undertaken
<ul style="list-style-type: none"> • Compliance with CIPFA's <i>Statement on the Role of the Chief Financial Officer in Local Government</i> (CIPFA, 2015) 	The role of the Chief Financial Officer in local government
<ul style="list-style-type: none"> • We have effective and up-to-date anti-fraud and corruption policies and procedures 	See our Fraud and Corruption pages
<ul style="list-style-type: none"> • Legal advice is given either as a stand-alone piece of advice or in relation to a case on which Legal Services are instructed to advise. 	The Council has its own internal legal function, but also commissions legal advice externally where it does not have the expertise or capacity internally.

How We Meet these Principles	Where You Can See Governance in action
<ul style="list-style-type: none"> We recognised the importance of having effective arrangements in place for the Monitoring Officer function by updating and strengthening the role of the Monitoring Officer in the Council and recruiting a suitably qualified person for the post. 	<p>The Director of Legal, HR & Governance (Monitoring Officer) is a qualified solicitor.</p>

Principle B: Ensuring openness and comprehensive stakeholder engagement

How We Meet these Principles	Where You Can See Governance in action
Openness	
<ul style="list-style-type: none"> We publish agendas and minutes for all our meetings on our website. 	Browse Meetings, MIDDEVON.GOV.UK 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).
<ul style="list-style-type: none"> We publish key decisions on the website 	Forthcoming Decisions
<ul style="list-style-type: none"> We have a FOI publication scheme 	Publication Scheme - MIDDEVON.GOV.UK
<ul style="list-style-type: none"> We have a calendar of dates for public meetings, and internally for submitting, publishing and distributing timely reports. 	2023/24 Schedule of meetings
<ul style="list-style-type: none"> Procurements are competed through Pro Contract, and details of all our contracts are held on that system. 	The DAP Internal Audit report on procurement provided a 'Reasonable Assurance' opinion.
Engaging comprehensively with institutional stakeholders	
<ul style="list-style-type: none"> We meet with our local colleges of FE and key local employers to discuss how the Council can support their work 	Communication and Engagement Strategy and Media and Social Media Policy were recommended for approval by Community PDG in June 2023 DAP reviewed the new Engagement Strategy and Policy and confirmed it mitigates the risk of inappropriate use of Social Media by officers.
Engaging with individual citizens and service users effectively	
<ul style="list-style-type: none"> We publish details of consultations and petitions on our website 	Consultation & Involvement
<ul style="list-style-type: none"> We have a strategy and policies for communication and Social Media 	Communication and Engagement Strategy

<ul style="list-style-type: none"> We have an active Tenant involvement group – Tenants Together which produces regular newsletters 	Tenants Survey
<ul style="list-style-type: none"> We have a Customer Engagement Officer to assist us in our work. 	Customer Engagement Officer – HS25
<ul style="list-style-type: none"> Mid Devon Gypsy and Travelling Showpeople Forum established 	The Forum will usually take place twice a year, to enable the travelling community to find out more about planning, housing, and other matters in Mid Devon.

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
Defining outcomes	
<ul style="list-style-type: none"> We have an agreed Corporate Plan for 2020-2024 	<p>The Corporate Plan for 2020-2024 was recommended to Council for adoption by Cabinet and was duly adopted on 26 February 2020.</p> <p>It had a Mid Term Review and the updated Corporate Plan was approved by Cabinet on 12 July 2022.</p> <p>Corporate plan priorities and targets are cascaded throughout the Council.</p> <p>The draft Corporate Plan 2024 – 2028 was provisionally agreed by Cabinet on 4 June 2024 – subject to consideration and feedback from the various Policy Development Groups.</p>
Sustainable economic, social, and environmental benefits	
<ul style="list-style-type: none"> We have a capital asset management group which aims to maximise the return on our capital assets 	Asset Management & Capital Strategy Plan
<ul style="list-style-type: none"> Optimising sustainability and taking a long-term view 	10 Year Management Plan for Open Spaces Medium Term Financial Plan
<ul style="list-style-type: none"> We treat everyone fairly and equally. 	Equality and Diversity

	The Equality Forum is chaired by the Corporate Performance and Improvement Manager and meets quarterly - check
<ul style="list-style-type: none"> Climate Change Declaration made at Full Council on 26 June 2019 	<p>The Climate Change Strategy and Action Plan were approved by Cabinet on 1 October 2020</p> <p>Climate And Sustainability Update</p> <p>Mid Devon Air Quality Supplementary Planning Document (SPD)</p> <p>Non-Statutory Interim Planning Policy Statement: Climate Emergency</p> <p>Regular progress reports are provided to the Environment Policy Development Group.</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
Determining interventions	
<ul style="list-style-type: none"> Our governance structure is based on Leader and Cabinet, with Policy Development Groups (PDGs) and Scrutiny Committee providing robust challenge. 	The Councils governance system has been the subject of debate at a number of meetings over the last couple of years.
<ul style="list-style-type: none"> There is a 'call in' process for Scrutiny Committee, and reviews of performance are undertaken by the PDGs. 	Committee Report Procedure
<ul style="list-style-type: none"> 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 	Three different Business Plans presented to Cabinet, Audit Committee and Scrutiny between October 2022 – February 2023. All were ultimately rejected.
Planning interventions	
<ul style="list-style-type: none"> We have a calendar of dates for aid our development; supporting plans and reports 	Issue - items at meetings - Schedule of Meetings 2023 - 2024 - MIDDEVON.GOV.UK

are prepared for members, with reporting dates strictly adhered to.	
<ul style="list-style-type: none"> We publish details of consultations and petitions on our website. 	Consultation & Involvement
<ul style="list-style-type: none"> 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 	Regular reports on progress against the Corporate Plan including a set of agreed standard measures to Councillors and staff.
Optimising achievement of intended outcomes	
<ul style="list-style-type: none"> We have a financial strategy in place. Finances are controlled via an annual budget and medium-term financial plans 	Medium Term Financial Plan
<ul style="list-style-type: none"> Our budget setting and review process is all-inclusive, taking into account the full cost of operations over the medium and longer term 	<p>The budget and any options are taken through Cabinet, Scrutiny and the four Policy Development Groups.</p> <p>The Resident's survey includes a section on the upcoming Budget.</p>
<ul style="list-style-type: none"> Risk management and performance monitoring are key measures to support interventions. 	Financial information is now regularly included in performance and risk reports
<ul style="list-style-type: none"> The Audit Committee is supported by independent reports – for example Internal Audit assurance reports provided by Internal Audit (DAP), and the External Auditors' annual opinion on the statement of accounts. 	<p>Audit Committee meetings are held in a public forum</p> <p>The plans of work for both Internal and External Audit are considered and approved by the Committee.</p> <p>The Committee 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>Recommendations are tracked to completion to confirm control weaknesses are resolved.</p>

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

How We Meet these Principles	Where You Can See Governance in action
Developing the entity's capacity	
<ul style="list-style-type: none"> 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. 	Staff Charter
<ul style="list-style-type: none"> All Managers have attended our Management Training Programme 	<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 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>
Developing the capability of the entity's leadership and other individuals	
<ul style="list-style-type: none"> We provide all staff with job descriptions; these clearly set out their duties and 	<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>

document the personal qualities and attributes required for each post.	
<ul style="list-style-type: none"> We operate an appraisal scheme for all staff. This identifies development and skills needs and helps us assess performance. 	The annual appraisal process is completed through the Learning Management System – The Learning Hub - and follows a corporate process.
<ul style="list-style-type: none"> We operate a protocol to govern the relationship between Members and officers which ensures good access to appropriate information. 	Constitution
<ul style="list-style-type: none"> We treat everyone fairly and equally. 	Equality, Diversity and Inclusion
<ul style="list-style-type: none"> We take the Health and Safety of our Staff extremely seriously. 	We hold regular internal Health and Safety Committee meetings
<ul style="list-style-type: none"> We provide new Members with induction training on appointment. 	New Councillors Induction Programme Following the District Election in May 2023, a new Councillor Induction Programme was developed and delivered.
<ul style="list-style-type: none"> 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. 	Member Development Policy
<ul style="list-style-type: none"> The Chief Executive has an annual appraisal and is set performance targets by the Cabinet. 	The Chief Executive has an annual appraisal by the Leader of the Council, with the Head of People, Performance and Waste in attendance.

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
Managing risk	
<ul style="list-style-type: none"> All reports to our Committees include a risk assessment; this is as part of the required components of our report template. 	Report Template The Leader’s annual report to Scrutiny is mapped against the Corporate Plan priorities to make the link easier to see.
<ul style="list-style-type: none"> Our Risk Management Policy was reviewed and approved by our Audit Committee. 	Risk Management Policy (March 2023)
<ul style="list-style-type: none"> Risks are identified and recorded on our risk register; these are allocated to appropriate named managers. 	Risk Report example (April 2023)
<ul style="list-style-type: none"> 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)). 	The Audit Committee received regular reports on the content of the corporate risk register to review and challenged the content.
<ul style="list-style-type: none"> Our internal auditors (DAP) deliver a risk based internal audit service, providing assurance on control effectiveness against risks to delivery of business objectives. 	Devon Audit Partnership The internal annual audit report and opinion supports this (see annual report presented to June 2023 Audit Committee).
Managing performance	
<ul style="list-style-type: none"> Our Performance has been mapped to the Corporate Plan; all our Aims have performance measures. 	Performance is monitored through Cabinet, PDG and Scrutiny processes. (See April 2024 Cabinet Report as an example).
<ul style="list-style-type: none"> Benchmarking information is included where available; a Council –wide subscription to ‘LG Inform Plus’ is 	Performance is monitored through Cabinet, PDG and Scrutiny and Audit processes. (See April 2024 Cabinet Report as an example).

improving the use of benchmarking and is regularly promoted at Corporate Manager Team meetings.	
<ul style="list-style-type: none"> We have a calendar of dates for public meetings, and internally for submitting, publishing and distributing timely reports 	2023/24 Schedule of meetings
<ul style="list-style-type: none"> All agenda and minutes of Scrutiny Committee are published on our websites, including recordings of the meetings. 	Meetings, agendas, and minutes - MIDDEVON.GOV.UK
<ul style="list-style-type: none"> With regards 3 Rivers, the Managing Director attends meetings as required by the Council and provides information regarding 3 Rivers activities as reasonably requested. 	Whilst still operational, the Managing Director attended frequent meeting with senior officers and members.
<ul style="list-style-type: none"> Performance and Risk Reports are provided to PDGs, Cabinet, Audit and Scrutiny Committees. 	Performance is monitored through Cabinet, PDG and Scrutiny and Audit processes. (See April 2024 Cabinet Report as an example).
<ul style="list-style-type: none"> Our Leadership Team is committed to the performance framework. 	Performance is monitored through Cabinet, PDG and Scrutiny and Audit processes. (See April 2024 Cabinet Report as an example).
Robust internal control	
<ul style="list-style-type: none"> Our Risk Management Policy is regularly reviewed and approved by Audit Committee. 	Risk Management Policy (March 2023)
<ul style="list-style-type: none"> We have effective and up-to-date anti-fraud and corruption policies and procedures 	Anti Fraud, Bribery and Corruption and Whistleblowing policies

<ul style="list-style-type: none"> We have entered a partnership to provide our Internal Audit Service via Devon Audit Partnership. 	Devon Audit Partnership The internal annual audit report and opinion supports this (see annual report presented to June 2023 Audit Committee).
<ul style="list-style-type: none"> Our Audit Committee attend training offered internally and externally 	Update training provided in Summer 2023
Managing data	
<ul style="list-style-type: none"> We have Data Protection and Information Security Policies in place. 	Please see our website .
<ul style="list-style-type: none"> We have mandatory Data Protection and Information Security training for all staff, Members and contractors (with access to our computer network) 	Learning Management System – The Learning Hub
<ul style="list-style-type: none"> We check performance information as part of every audit we do. 	DAP review and report relevant performance within their audit reports.
Strong public financial management	
<ul style="list-style-type: none"> We publish a Medium-Term Financial Strategy covering 5 years each year. 	Medium Term Financial Plan
<ul style="list-style-type: none"> We publish Monitoring Reports from July to February each year 	Item 66 - Agenda for Cabinet on Tuesday, 14th November, 2023, 5.15 pm - MIDDEVON.GOV.UK
<ul style="list-style-type: none"> The budget book is published on the website 	Budgets - MIDDEVON.GOV.UK

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

How We Meet these Principles	Where You Can See Governance in action
Implementing good practice in transparency	
<ul style="list-style-type: none"> We publish our Statement of Accounts on our website. 	Statement of Accounts Our 2022/23 statement of accounts was presented to, and agreed by, our Audit Committee on 30 April 2024 by our External Auditors .
Implementing good practices in reporting	
<ul style="list-style-type: none"> We report regularly on our performance to PDGs, Cabinet, Audit and Scrutiny Committees 	Performance is monitored through Cabinet, PDG and Scrutiny and Audit processes. See April 2023 Cabinet Report as an example).
<ul style="list-style-type: none"> 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. 	Annual Governance Statement
Assurance and effective accountability	
<ul style="list-style-type: none"> Our Internal Audit provider (Devon Audit Partnership (DAP)) comply with the CIPFA Statement on the Role of the Head of Internal audit. 	The Role of the Head of Internal Audit CIPFA
<ul style="list-style-type: none"> DAP have completed our annual self-assessment against the Public Sector Internal Audit Standards which has been externally validated. Our Internal Audit provider (Devon Audit Partnership (DAP)) comply with the CIPFA Statement on the Role of the Head of Internal audit 	Devon Audit Partnership External Validation of DAP

The Member Governance Framework

The Council operates and discharges its function via the Constitution which establishes the roles and responsibilities for Members of the Cabinet, Scrutiny Committee, Audit Committee and other Regulatory Committees.

In summary, the core functions of the main committees are described below.

Full Council

- a. Received minutes of all other committees of the Council, including their annual reports
- b. Responded to regular questions from the public on a wide variety of issues.
- c. Approve the Constitution, key plans and strategies which together form the policy framework.
- d. Approved the annual budget including setting the annual Precept, Capital Programme and Prudential Indicators within the Treasury Management reports.
- e. Appoint to, and received updates from, members who represent the Council on outside bodies.
- f. Confirming the appointment of the Head of Paid Service; Chief Finance Officer and the Monitoring Officer and the taking of any disciplinary action against the these Officers.

Cabinet

Cabinet carry out the role of the Executive as required by the Council's constitution. It is the main decision-making body. In terms of reviewing and monitoring the governance framework during 2023/24 Cabinet has:

- a) Received regular reports throughout the year on the Council's financial position, including the Medium Term Financial Strategy for 2023/24, the budget for 2023/24 and recommended to Council its approval.
- b) Reviewed and approved key strategies and policies through the year.
- c) Exercise all of the local authority functions that are not the responsibility of any other part of the Council, by law or under the constitution.
- d) May delegate executive functions to:
 - I. A Committee of the Cabinet (comprising executive members only);
 - II. An individual Cabinet Member;
 - III. A joint committee;
 - IV. Another local authority or the executive of another local authority;
 - V. A delegated Officer

Scrutiny

In terms of reviewing and monitoring the governance framework during 2023/24 the Scrutiny Committee has:

- a) Reviewed proposed strategy or policy documents and provided constructive comments to Cabinet.
- b) Received regular reports during the year on council performance.
- c) Received reports from each Cabinet Portfolio regarding their work over the last year.
- d) Received reports / updates on Complaints and Compliments, Whistleblowing, Regulation of Investigatory Powers Act (RIPA) and the staffing establishment,
- e) Received various motions put to the council.
- f) Reviewed and provided comment to Cabinet, on the draft budget for 2024/25 and medium-term financial strategy 2024/25 – 2028/29.
- g) Called in the decisions of Cabinet where members of the Committee have evidence which suggests that the Cabinet did not take the decision in accordance with their principles.
- h) Delivered a lessons learnt report on the experience of operating a Special Purpose Vehicle.
- i) Been kept properly informed of the Cabinet work programme and so allowed the Committee to fulfil its role of holding the Executive to account.

AUDIT COMMITTEE

The Audit Committee is responsible for providing effective assurance on the adequacy of the governance framework. In terms of reviewing the governance framework, the Audit Committee has:

- a) Received regular reports on the content of the corporate risk register to review and challenged the content.
- b) Reviewed and approved the annual Statement of Accounts
- c) Reviewed the Council's Annual Governance Statement, to confirm the content accurately reflects the council's governance framework.
- d) Received regular reports on the work carried out by the Council's External Auditors.
- e) Received regular reports on the work of Internal Audit. This has allowed the committee to monitor their work and ensure the service is able to substantially deliver the audit plan.
- f) Received the Annual Report of the Internal Audit Manager. This provides the committee with the Audit Managers opinion on the effectiveness of the Council's internal control framework.

Audit Completion Report Mid Devon District Council

For the year ended 31 March 2024



Date: 22 November 2024

Those Charged with Governance
Mid Devon District Council
Phoenix House
Phoenix Lane
Tiverton
EX16 6PP

Dear Sirs and Madams

Mid Devon District Council – Audit Completion Report

We are pleased to attach our Audit Completion Report. This report summarises our audit conclusions, highlights the key findings arising from our work and details a number of points that we would like to discuss further with you.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of management and those charged with governance of the Council and should not be shared with anyone beyond the Council without our prior approval.

We would like to take this opportunity to thank the finance team for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming LLP". The signature is written in a cursive, flowing style.

BISHOP FLEMING LLP

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Appendices

1. Letter of representation
2. Required communications with the Audit Committee

1. Executive summary

Status of audit

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (the Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Our audit is largely complete, however, is subject to the resolution of certain outstanding queries outlined in section 2. Subject to the satisfactory finalisation of these points, we anticipate issuing an unmodified audit report.

Amendment to audit deadlines

On 9 September 2024, the Secretary of State for MHCLG laid regulations to introduce statutory deadlines for publication of audited accounts amending the Accounts and Audit Regulations 2015. These came into force on 30 September with the intention of addressing the backlog in local government accounts.

For the 2023/24 financial year, under these new regulations, an authority must publish its audited statements (namely its audited statement of accounts, annual governance statement and narrative statement) on or before 28 February 2025.

Key audit issues

Within our Audit Plan, which was presented to the Audit and Governance Committee in March 2024, we outlined a number of risks that we considered to be of particular significance to the audit. Our plan also detailed our planned approach for addressing each of these risks.

The specific risks highlighted were as follows:

- Management override of controls;
- Fraud in revenue recognition;
- Fraud in expenditure recognition;
- Valuation of land and buildings and council dwellings; and
- Valuation of the pension fund net liability.

Our audit work is largely complete on each of the above areas and is further detailed in section 2 of this report.

Audit Adjustments

During the course of our work, adjustments were identified and, on agreement of management, were adjusted in the financial statements.

Further adjustments were proposed but not made, as those charged with governance do not consider them to be material to the financial statements. We accept this explanation.

Full details of the adjustments identified are included in section 6 to this report.

Management Letter Points and Internal Control Matters

One new control point and one unresolved finding from the prior year are detailed in section 8 to this report.

Value for Money

We are also required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The National Audit Office's Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

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

The predecessor auditor's value for money work as reported in their 2022/23 Auditor's Annual Report to the Council in March 2024 highlighted 'significant weaknesses' in the Council's arrangements for governance and improving economy, efficiency and effectiveness (3Es). These significant weaknesses related to 3 Rivers Developments Limited. The Council has been taking action to address the issues identified with the implementation of the plan to close down 3 Rivers Developments Limited during the financial year, which had been substantially completed by the year end. However, given the timing of the 2022/23 report, we have considered whether the significant weaknesses still applied to the 2023/24 financial year. We have concluded that the significant weakness in the Council's arrangements for the 3Es in respect of 3 Rivers Developments Limited still applied during the 2023/24 financial year.

Our audit procedures identified that the Council has not been setting the rents for its housing tenants in line with the formula rent requirements set out by the Government. This is an historic issue, going back a number of years but the Council's arrangements for setting the rent each year had not identified this issue. We have concluded that this is a significant weakness in the Council's governance arrangements.

The results of the Value for Money work are reported separately in our Auditor's Annual Report.

Independence

The FRC Ethical Standard and ISA 260 requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which you have an interest.

We are not aware of any relationships that, in our professional judgment, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We confirm that in our professional judgment, Bishop Fleming is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

2. Introduction

Responsibilities of the audited body

The audited body is responsible for the preparation of the financial statements and for making available to us all the information and explanations we consider necessary. Therefore, it is essential that it confirms that our understanding of all matters referred to in this report are appropriate, having regard to its knowledge of the particular circumstances.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of Mid Devon District Council.

In consequence, our work did not encompass a detailed review of all aspects of the system and controls and cannot be relied upon necessarily to disclose possible frauds or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might reveal.

Materiality

In carrying out our audit work we have considered whether the financial statements are free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in context of the financial statements as a whole.

In general, misstatements, including omissions, are considered to be material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the size and the nature of the misstatement, or a combination of both. It is also affected by our perception of the financial information needs of users of the financial statements.

	Basis of materiality	Amount
Mid Devon District Council Group	2% of gross income	£1,005k
Mid Devon District Council	2% of gross income	£955k

The level of materiality in our Audit Plan was based on the prior year unaudited financial statements. Therefore, we have updated materiality to reflect the 2023/24 draft statement of accounts.

Anticipated audit report

Subject to the satisfactory resolution of the outstanding items, and to receiving all outstanding information set out below, we anticipate issuing an unmodified audit report on the financial statements of Mid Devon District Council for the year ended 31 March 2024.

Representation Letter

The representation letter is attached at Appendix 1.

Update on our planned approach

Our audit work was carried out in accordance with our Audit Plan in response to the perceived audit risks. No matters were identified which required us to change our approach and no additional risks were identified.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Final review and documentation of our consideration of questions raised by a registered elector and the evidence provided by the Council
- Receipt and review of the supporting working papers for the provision for social rents overcharged
- Final manager and partner review of audit working papers
- Final completion procedures including consideration of post balance sheet events prior to signing







Confidentiality

This document is strictly confidential and although it has been made available to those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Council arising under the Local Audit and Accountability Act 2014 (the Act) and from the Code of Audit Practice. The contents of this report should not be disclosed to third parties without our prior written consent.

3. Audit and accounts process

The preparation of the financial statements is a vital process for the management of the Council and one which should be performed on a timely basis. We met with senior officers as part of our planning work to discuss how we would work together to make the audit process effective.

We discussed key accounting issues early, so they could be considered before the audit commenced.

Readiness for audit	
Quality of financial statements	
Accuracy of financial records	
Quality of working papers - General	
Quality of working papers – Property, plant and equipment	
Availability of Staff	

Key (Impact on audit approach)

None or limited impact 

Some impact 

Significant impact 

We invested significant time into the audit running as smoothly as possible. In addition to carrying out a review of the predecessor auditor’s working papers, we also met with Grant Thornton to discuss key issues, to ensure that we had a clear understanding of the prior year audit. At the start of the audit, we held an audit transition workshop and planning meetings with the finance team. During the final audit, we had daily calls with the finance team. In addition to this, the team had an on-site presence during the final audit visit.

As a result of the investment made by both parties, the audit has generally proceeded very smoothly, although some areas have taken longer to audit than we had expected.

We are keen to continually improve our service and the effectiveness of the process and, therefore, will hold a debrief discussion with management to identify areas where this might be possible.

Readiness for audit

We were provided with a copy of the draft financial statements in line with the timetable agreed before the start of the audit and as outlined in our audit plan.

Information requested during the onsite fieldwork was generally provided promptly to our staff. This made the core audit work progress relatively smoothly, although there were delays in some areas. Most notable of these were in respect of evidence in respect of our work on property, plant and equipment. This was both from the Council’s external valuer, which we recognise is not something that the Council can fully control, but also in respect of the Council’s own working papers for this area.

Quality of financial statements

The statement of accounts produced were of a good standard with significant variances and changes clearly explained to users of the financial statements. We have not identified any significant omissions from the draft financial statements.

The finalisation of the financial statements has not yet occurred to the ongoing items as set out in section 2.

Accuracy of financial records

The majority of the underlying financial records were accurate, agreed to the information provided in the audit file and were easy to understand.

Quality of working papers

The quality of the working papers and supporting evidence provided by the finance team was generally good.

However, there were some areas where audit evidence provided was not appropriate, leading to additional follow up queries being required. This was primarily in relation to the supporting evidence in respect of property, plant and equipment where the individual who prepared the figures in the accounts had left the Council. We will have a wash-up meeting with the finance team to discuss these issues after the conclusion of the audit.

Availability of Staff

Key members of the finance team made themselves available to us throughout the audit where possible. We were kept informed of any instances when staff were not available.

As noted above, there were delays in the provision of information by the external valuer which is not entirely within the Council's control.

4. Audit risks

Management override of controls

Significant Risk

We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed.

Work done and conclusion

To address this risk, we have:

- reviewed the reasonableness of accounting estimates and critical judgements made by management;
- tested material journals processed at the year-end; and
- tested other journals with key risk attributes.

In testing journals, we used data analytics tools to interrogate the whole population of journals posted in the year and focus on those with key risk factors.

We have not identified any material errors from our work carried out. However, we have identified that the Council's retrospective control, where journals over £25,000 are reviewed on a monthly basis, has not been operating during the year. See section 7.

Fraud in revenue recognition

Significant Risk

There is also a presumption under auditing standards that the risk of fraud in revenue recognition is considered to be a significant risk area.

Work done and conclusion

Having considered the risk factors set out in ISA240 and the nature of the revenue streams of the Council, we have concluded that the risk of fraud arising from revenue recognition can be rebutted because:

- There is little incentive to manipulate revenue recognition;
- Opportunities to manipulate revenue recognition are very limited; and
- The culture and ethical framework of local authorities, including Mid Devon District Council, mean that all forms of fraud are seen as unacceptable.

Significant Risk

Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom sets out that the risk of fraud related to expenditure is also relevant.

We consider that the risk of fraud at the Council to be around the cut-off at year end.

Work done and conclusion

At the planning stage, we considered whether we have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.

We concluded that this was not a significant risk for Mid Devon District Council because:

- expenditure is well controlled, and the Council has a strong control environment; and
- the Council has clear and transparent reporting of its financial plans and financial position.

Significant Risk

There is a risk over the valuation of these assets due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements.

Work done and conclusion

To address this risk, we have:

- documented our understanding of the processes and controls put in place by management, and evaluate the design of the controls;
- reviewed the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert;
- written to the valuer to confirm the basis on which the valuation was carried out;
- confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- reviewed the appropriateness of assumptions used in the valuation of land and buildings. For assets not formally revalued in the year we assessed how management has satisfied itself that these assets are not materially different from the current value at the year-end;
- reviewed accuracy and completeness of information provided to the valuer, such as floor areas;
- tested a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; and
- formed our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.

There are no material issues arising from our work.

The Council were unable to provide supporting evidence to support the beacon classification (number of bedrooms etc) for five HRA properties, meaning that we were unable to verify that they had been included in the correct beacon valuation group, see section 7.

Significant Risk

There is a risk over the valuation of the pension fund net liability due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions.

Work done and conclusion

To address this risk, we have:

- documented our understanding of the processes and controls put in place by management, and evaluate the design of the controls;
- reviewed the instructions provided to the actuary and the actuary's skills and expertise, in order to determine if we can rely on the management expert;
- considered the accuracy and completeness of the information provided to the actuary;
- ensured that the disclosures in the financial statements in respect of the pension fund liability are consistent with the actuarial report from the actuary;
- carried out 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
- requested assurances from the auditor of Devon Pension Fund in respect of the controls around 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.

We also considered whether a material onerous funding liability existed at 31 March 2023, and confirmed that the amount was not material. See section 5 for more details.

Our procedures are complete and we have not identified any material errors from our work.

5. Other audit and financial reporting matters

Valuation of the Pension Fund

The macro-economic environment has had a significant effect on the actuarial valuation of the Council's share of Local Government Pension Scheme, with deficits reported by the Council's actuary through their IAS 19 report reducing significantly in each of the last two years.

Across the Local Government Sector accounting surpluses have become more prevalent. IFRIC 14 provides guidance from the International Financial Reporting Interpretations Committee on the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liability needs to be recognised in respect of onerous funding commitments. The sector-wide approach to applying IFRIC 14 has developed over the last year as IAS 19 surpluses are becoming more common. This has resulted in some actuaries revising their approach when producing 'asset ceiling' calculations that adopt the principles set out in IFRIC 14.

On production of the asset ceiling report for the valuation as at 31 March 2024 the Council's Actuary, Barnett Waddingham, determined that an additional liability of £1,553k should be recognised to reflect an onerous funding commitment that results from the Council's commitment to make secondary contributions over the funding horizon period set out at the Triennial Valuation.

Because the approach taken by the actuary was revised in their valuation for 31 March 2024 compared to the prior year, we asked the Council to get confirmation from the actuary whether an onerous funding commitment applied as at 31 March 2023. The actuary provided information confirming that there was no onerous funding commitment at 31 March 2023 and we are content that there is no material misstatement in the prior year balance.

3 Rivers Developments Limited

The Council approved the soft close of 3 Rivers Developments Limited in the year. A significant impact of this process was the sale of the assets of the company and clear down of the associated loans that the Council had made in respect of the projects. The Council made five purchases from the Company in 2023/24:

- Land at Knowle Lane – surplus site for potential future housing development
- Parking spaces at Halberton – Surplus site awaiting decision on use
- St Georges' Court development (Riverside) – Asset under construction, being brought into use as social housing in 2024/25
- Banksia – Single occupied dwelling, surplus site awaiting decision on use.
- 5 unsold properties at Haddon Heights, Bampton (part of 9 property development) – Assets held for sale as being actively marketed.

We have tracked the transactions relating to these purchases through the financial statements and agreed the additions to the value of Property, plant and equipment in the accounts. We have also reviewed the write down of the loans made by the Council in respect of these development, with the sale amounts partially offsetting some of the loans and the balances being written off – as has been reported by the Council.

Social Rents

Our approach for a first-year audit for the testing of HRA rental income was to select a sample of 40 HRA properties and check the weekly rental amount back to the calculated social housing formula rent for the area and type of property. Our work identified variances on all items in our sample, with the variance being both above and below our recalculation of the formula rent.

We raised our concerns with the Council about how the rental charges were being calculated and the Council then conducted further investigations into the issue. As a result of this work, the Council has identified that some of its tenants have been overcharged rent, with others being undercharged. It has subsequently contacted its tenants.

The Council has referred itself to the Regulator for Social Housing and is in the process of calculating the impact of this issue, including the amounts of any refunds due to tenants. A provision will be included in the accounts as this is an adjusting event after the balance sheet date. The Council are in the process of calculating an estimate for the provision.

6. Audit Adjustments

In accordance with the requirements of International Standards on Auditing, we must communicate all adjusted and unadjusted items identified during our audit work, other than those which we believe to be clearly insignificant.

Adjusted items

All adjusted misstatements are set out in detail below along with the impact on the key statements for the year ended 31 March 2024:

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Provision for social rents – historical formula rent error			TBC	
Total				

Misclassifications and adjustments to disclosures

The table below provides details of any misclassification and disclosure changes identified during the audit.

Misclassification/ Disclosure change	Audit comment	Adjusted?
Note 16 – Members' allowances and expenses	The figures within the note disclosing members allowances and expenses had not been updated and were the figures from the 2022/23 note. This has been corrected in the amended financial statements.	✓
Accounting policy 5.2 – Going concern	The Council's accounting policy in respect of going concern refers to the Group Accounts being prepared on a basis other than going concern. While this basis of preparation is appropriate for the financial statements of 3 Rivers Developments Limited, this does not impact upon the basis of preparation for the Group Accounts.	✓
Expenditure and Funding Analysis	The Expenditure and Funding Analysis (EFA) is positioned within the accounts between the primary statements and the notes to the accounts. The EFA should be moved so that it is clear it is a note to the accounts, so that it is covered by our audit opinion.	✓

Unadjusted items

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below. (These are also set out in the Letter of Representation.)

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Mid Devon District Council's share of the net understatement of pension fund assets reported by the auditor of Devon Pension Fund.			234	234

7. Management letter points and internal control systems

The Council’s management is responsible for the identification, assessment and monitoring of risk, for developing, operating and monitoring the systems of internal control and for providing assurance to the Those Charged with Governance that it has done so.

In accordance with the terms of our engagement we have not provided a comprehensive statement of all issues which may exist in the accounting and internal control systems or of all improvements which may be made, but outline below our observations arising from the audit; none of which are considered significant.

KEY:



Observations refer to issues that are so fundamental to the system of internal control that management should address immediately to minimise the risk of a material misstatement within the financial statements.



Observations refer mainly to issues that have an important effect on the system of internal control and, if left uncorrected could potentially lead to a material misstatement within the financial statements.




Observations refer to issues that would, if corrected, improve internal control in general and engender good practice, but is unlikely to have a material impact on the financial statements.


Current Year Issues

Classification of council dwellings	
<p>The Council were unable to provide supporting evidence to support the beacon classification (number of bedrooms etc) for five HRA properties, meaning that we were unable to verify that they had been included in the correct beacon valuation group.</p>	<p><u>Recommendation</u></p> <p>The Council must ensure that it holds data in respect of its council dwellings to support that they are classified within the correct beacon for valuation purposes.</p> <p><u>Management comment</u></p> <p>The council holds a variety of data relating to each dwelling for various reasons, including tenancies, maintenance and valuations. These are cross checked and reconciled to ensure the data is accurate and consistent. Further evidence will be obtained for those five specific properties.</p>

Prior Year Issues reported by the predecessor auditor– Unresolved

Journal system controls	
 <p>Grant Thornton reported 2022/23 that the Council do not have an inbuilt journals authorisation process in place. This means that users can post and authorise their own journals. A mitigating detective control exists wherein all journals above £25,000 posted in the month are reviewed by principal accountants in the subsequent month. Testing of this control identified that this control did not operate as designed and the retrospective review was not undertaken until September 2023, once the evidence was requested.</p>	<p><u>2022-23 recommendation</u></p> <p>That the Council ensures that retrospective controls operate as designed.</p> <p><u>2023-24 update</u></p> <p>Management have confirmed that the mitigating control of journals over £25,000 being reviewed monthly has not been operating due to staffing issues and prioritisation of other tasks. Management is relying on the budget monitoring process to identify any issues with journals that have been posted.</p> <p><u>2023-24 recommendation</u></p> <p>The Council must ensure that the retrospective control, reviewing journals over £25,000 is operating in line with its journal procedures.</p> <p><u>Management comment</u></p> <p>During 2023/24 the finance team suffered from significant sickness and vacancies in key senior positions, leading to limited resources being available for reviewing / approving journals. The process was undertaken in the first part of the year, while resource was available. The risk was considered and felt to be minimal, so was not completed in the second half of the year. Given the unqualified opinion, the assessment of that level of risk is verified. However, the process will be reapplied during 2024/25.</p>

Prior Year Issues reported by the predecessor auditor – Resolved

Debtor and creditor populations	
	
<p>Grant Thornton reported in 2021/22 and 2022/23 that selecting samples for debtors and creditors testing had been made difficult as the Council were unable to provide a list of amounts owed/due at the year end. As the populations were not cleansed the audit team had to adjust their testing strategy to ensure that they were not testing brought forward or contra balances.</p>	<p><u>2022-23 recommendation</u></p> <p>That the Council endeavour to provide cleansed populations in these two areas.</p> <p><u>2022-23 Management comment</u></p> <p>The Local Authority (SOA) disclosure requirements for debtors/creditors makes it difficult for us to simplify our reports without considerable work. Historically this hasn't been a significant issue and seems more to do with a change in audit requirements. We will of course endeavour to refine our reports and working papers to benefit future audits and will work with the audit team, in advance of the year end , to try and ensure we can provide data to assist the testing process.</p> <p><u>2023-24 update</u></p> <p>We did not identify any significant issues when selecting our samples for debtors and creditors and consider this issue to have been resolved.</p>

8. Other matters

Other information

We are required to give an opinion on whether the other information published with the audited financial statements (for example, the Narrative Statement and Annual Governance Statement) is materially inconsistent with the financial statement or our knowledge as obtained during the audit.

The introduction by the Leader to the draft Statement of Accounts includes comments referring to the current and previous administration of the Council that could be construed as being politically motivated. The Code sets out that the narrative report should be fair and balanced. While the introduction is not part of the narrative report, it does form part of the other information within the statement of accounts that we consider as part of the other information.

Reporting by exception

We are required to report to you by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council 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 on these matters.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Going concern

Our work has not identified a material uncertainty related to going concern. We are satisfied that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Value for money arrangements

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

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

We asked management to complete an evidenced self-assessment of the Council's arrangements. We then reviewed the evidence provided and carried out follow-up work as appropriate to consider whether there are any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The predecessor auditor's value for money work as reported in their 2022/23 Auditor's Annual Report to the Council in March 2024 highlighted 'significant weaknesses' in the Council's arrangements for governance and improving economy, efficiency and effectiveness (3Es). These significant weaknesses related to 3 Rivers Developments Limited. The Council has been taking action to address the issues identified with the implementation of the plan to close down 3 Rivers Developments Limited during the financial year, which had been substantially completed by the year end. However, given the timing of the 2022/23 report, we have considered whether the significant weaknesses still applied to the 2023/24 financial year. We have concluded that the significant weakness in the Council's arrangements for the 3Es in respect of 3 Rivers Developments Limited still applied during the 2023/24 financial year.

Our audit procedures identified that the Council has not been setting the rents for its housing tenants in line with the formula rent requirements set out by the Government. This is an historic issue, going back a number of years but the Council's arrangements for setting the rent each year had not identified this issue. We have concluded that this is a significant weakness in the Council's governance arrangements.

The results of the Value for Money work are reported separately in our Auditor's Annual Report.

Whole of Government accounts work

Alongside our work on the financial statements, we also review and report to the National Audit Office on the Council's Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have received the group instructions from the National Audit Office in respect of our work on the Council's WGA submission and will complete this work alongside the conclusion of our audit work.

Audit certificate

At the end of the audit, as auditors, we are required to certify the completion of the audit. The effect of this certificate is to close the audit and marks the point when the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.

We will be unable to issue our audit certificate alongside the auditor's opinion on the accounts until we have received confirmation from the NAO that no additional work (beyond submission of the Assurance Statement) will be required in respect of the Whole of Government Accounts exercise.

Audit fees

Our final fee for the 2023/24 audit (pending finalisation of our audit work) is set out below:

	Fee proposed at planning stage (£)	Final fee (subject to approval by PSAA) (£)
PSAA scale fee 2023/24	148,667	148,667
Fee variation for additional procedures in relation to the revision to ISA 315	TBC	11,995
Fee variation in relation to additional work in respect of the risks of significant weakness for the VFM work	-	TBC
Fee variation in respect of our work in respect of questions raised by local electors.	-	TBC

Fee variation in respect of our additional work in respect of the social rents issue.	-	TBC
Total (excluding VAT)	148,667	TBC

We can confirm that we have not undertaken any non-audit work at the Council during the year.

9. Audit backlog update

On 9 September 2024, the Secretary of State for MHCLG laid regulations to introduce statutory deadlines for publication of audited accounts amending the Accounts and Audit Regulations 2015. This came into force on 30 September with the intention of addressing the backlog in local government accounts.

For the 2023/24 financial year, under these new regulations, an authority must publish its accountability statements (namely its audited statement of accounts, annual governance statement and narrative statement) on or **before 28 February 2025**.

This follows on from proposals from the Department for Levelling Up, Housing and Communities (DLUHC) outlined a comprehensive plan before the general election which involved three key phases to address the audit backlog and reform the local audit process:

1. **Reset Phase:** This phase focuses on clearing the backlog of audits up to the financial year 2022/23 by a proposed backstop date. Auditors would be required to issue opinions based on the work completed at a backstop date, even if it means providing modified or disclaimed opinions due to the tight deadlines.
2. **Recovery Phase:** Following the reset, this phase aims to stabilize the audit process and prevent future backlogs by setting clear backstop dates for subsequent years. The goal is to ensure that audits are completed timely while maintaining auditor independence and compliance with auditing standards.
3. **Reform Phase:** This long-term phase addresses systemic challenges within the local audit system. It includes measures to enhance auditor capacity, improve financial reporting standards, and ensure sustainable and timely audits. The Financial Reporting Council (FRC) and other system partners will play a crucial role in implementing these reforms.

The intention when this plan was issued was that the backstop date for 2022/23 audits would be 30 September 2024. The general election delayed the finalisation of plans and supporting changes in legislation and guidance required. The first backstop date has now been set as 13 December 2024 to clear the backlog of unaudited accounts up to and including financial year 2022/23.

The legislation includes five further backstop dates up to and including financial year 2027/28 to allow for a phased return to a timely audit sign-off. The proposed backstop dates are:

- FY up-to-and-including 2022/23: 13 December 2024
- FY 2023/24: 28 February 2025
- FY 2024/25: 27 February 2026
- FY 2025/26: 31 January 2027
- FY 2026/27: 30 November 2027
- FY 2027/28: 30 November 2028

Appendices

1. Letter of representation

Bishop Fleming LLP
Salt Quay House
4 North East Quay
Sutton Harbour
Plymouth
Devon
PL4 0BN

[Date]

Dear Sirs

Mid Devon District Council

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the Mid Devon District Council (the Council) financial statements for the year ended 31 March 2024. These enquiries have included inspection of supporting documentation where appropriate, and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

1. General

We have fulfilled our responsibilities for the preparation of the 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 2023/24 (the Code) and applicable law and for being satisfied that they give a true and fair view and for making accurate representations to you.

All the transactions undertaken by the Council have been properly reflected and recorded in the accounting records.

All the accounting records have been made available to you for the purpose of your audit of the Council. We have provided you with unrestricted access to all appropriate persons within the Council, and with all other records and related information requested, including minutes of all Council and Committee meetings.

The financial statements are free of material misstatements, including omissions.

The effects of uncorrected misstatements (as set out in the appendix to this letter) are immaterial both individually and in total.

2. Internal control and fraud

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe that we have appropriately fulfilled these responsibilities. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.

We have disclosed to you all instances of known or suspected fraud affecting the Council involving management, employees who have a significant role in internal control or others where fraud could have a material effect on the financial statements.

We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the Council's financial statements communicated by current or former employees, analysts, regulators or others.

3. Assets and liabilities

The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets, except for those that are disclosed in the notes to the financial statements.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include PPE and investment property valuations, pension liability and NNDR provisions

All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

4. Accounting estimates

The methods, data and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

5. Legal claims

We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

6. Laws and regulations

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 the financial statements.

We confirm that all correspondence with our Regulators has been made available to you.

7. Related parties

Related party relationships and transactions comply with the Council's financial regulations, relevant requirements of the Code and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with regulatory, legislative and accounting standards requirements.

8. Subsequent events

All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

9. Going concern

We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that the financial reporting framework applicable to local government bodies means that the anticipated continued provision of entity's services in the public sector is normally sufficient evidence of going concern. We have not identified any material uncertainties related to going concern.

10. Annual Governance Statement

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.

11. Narrative Report

The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We have taken all the appropriate steps in order to make ourselves aware of any relevant audit/ other information and to establish that you are aware of that information.

Yours faithfully

.....
Signed on behalf of the Audit Committee of Mid Devon District Council

[Date]

2. Required communications with the Audit Committee

Under the auditing standards, there are certain communications that we must provide to the Audit and Governance Committee as those charged with governance. These include:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Plan
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of those charged with governance to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report Discussions at audit committees
Significant matters arising during the audit in connection with the entity's related parties.	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters significant to the oversight of the financial reporting process or otherwise identified during the audit that we believe will be relevant to the Committee when fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations	Audit Completion Report Discussions at audit committees
Significant matters in relation to going concern.	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity.	Audit Completion Report
Confirmation of independence and objectivity of the firm and engagement team members.	Audit Plan Audit Completion Report



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Date: 22 November 2024

Mid Devon District Council
Phoenix House
Phoenix Lane
Tiverton
EX16 6PP

Dear Sirs and Madams

Mid Devon District Council – Auditor's Annual Report

We are pleased to attach our draft Auditor's Annual Report. This report summarises our audit conclusions and highlights the key findings arising from our value for money work.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of management and those charged with governance of the Council.

We would like to take this opportunity to thank the Council's officers for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully



Bishop Fleming LLP.

BISHOP FLEMING LLP

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Draft

1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Mid Devon District Council for the year ended 31 March 2024.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts and for maintaining an appropriate system of internal control. The Council is responsible for the preparation of annual accounts for each financial year. Such accounts must present a true and fair view and comply with the requirements of enactments that apply to them.

The Council is also responsible putting in place appropriate arrangements to secure the economy, efficiency and effectiveness in its use of resources and to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives whilst safeguarding and securing value for money from the public funds at their disposal.

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are responsible for and are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We are also required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council 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.

In addition, we are also responsible for reviewing the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

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

We carried out our work in accordance with our External Audit Plan that we issued to the Council in March 2024.

2. Executive summary

Results from the audit of the financial statements

We have substantially completed our audit of the financial statements and anticipate issuing an unmodified audit on finalisation of our completion procedures.

On finalisation of the external audit, we will also complete the component auditor procedures, in line with the National Audit Office group auditor instructions for the work required on the Whole of Government Accounts return.

We have issued this report as draft as these procedures have not been finalised. We will issue a final version to confirm when both of these matters have been resolved.

See section 3 for more details.




Results on our work on other matters

We completed our review of other matters reported in the statement of accounts as part of our audit approach. There were no issues to report.




Results from our work on 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 for the year ended 31 March 2024.

Our conclusions are summarised below. See sections 4-8 for more details.

Financial sustainability		No significant weaknesses in the Council's arrangements identified but one recommendation for improvement made.
Governance		Significant weakness in the Council's arrangements identified and recommendations made.
Improving economy, efficiency and effectiveness		Significant weakness in the Council's arrangements identified and recommendations made.

Key:

	No significant weaknesses in arrangements identified and no recommendations made
	No significant weaknesses in arrangements identified but recommendations made
	Significant weaknesses in arrangements identified and recommendations made

3. Audit of the financial statements

Audit opinion on the financial statements

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014..

Our audit is largely complete, however, is subject to the resolution of certain outstanding queries. Subject to the satisfactory finalisation of these points, we anticipate issuing an unmodified audit report.

Key issues arising from the accounts audit

The key risk areas we focussed on are management override of controls, the valuation of land and buildings, the valuation of council dwellings and the valuation of the pension fund net liability.

Other matters

We are required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council 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 concluded that there were no matters to bring to the Council's attention in respect of these matters.

More detailed findings can be found in our Audit Completion Report which was reported to the Audit Committee on 3 December 2024.

4. Value for Money

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 for the year ended 31 March 2024.

The Code requires us to report our commentary on the Council's arrangements under three specified reporting criteria:

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

The NAO has issued guidance for auditors to report against each of the three specified reporting criteria. The guidance also includes a number of further areas for review within each criteria for the auditor to assess those arrangements.

Our risk assessment identified the following potential risks of significant weakness:

- Governance – your predecessor auditor identified a significant weakness in arrangements in relation to the conduct of the debate around the business plan for 3 Rivers Development Limited and the subsequent impact on setting the 2023/24 budget; and
- Improving economy, efficiency and effectiveness – your predecessor auditor identified a significant weakness in arrangements for managing 3 Rivers Development Limited

We asked management to complete an evidenced self-assessment of the Council's arrangements. We then reviewed the evidence provided and carried out follow up work as appropriate to consider whether there are any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our commentary on the Council's arrangements in each of these three areas is set out in sections 5, 6 and 7 of the report. Our recommendations for improvement are included in section 8.

5. Financial sustainability

We considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including how it:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Overview and 2023/24 outturn

The Council reported a deficit to the Cabinet on 4 June 2024 of £635k on the general fund in its 2023/24 outturn report on the general fund. This deficit was met from the New Homes Bonus reserve. There had been some significant financial challenges in the year, having identified the need to achieve savings of £1.4m and anticipating the need to draw on reserves when setting the budget. The Council also incurred one-off costs of £1.5m in the year when delivering the soft close of 3 Rivers Development Limited. The delivery of additional savings and increased income to limit the level of reserves needed to be drawn on is seen as a positive achievement in light of the challenges in the year, where the worst-case scenario was general fund reserves falling below the £2m recommended level.

The Housing Revenue Account reported a surplus of £393k, which was transferred to the ring-fenced HRA earmarked reserves.

Financial planning and monitoring

The Council keeps its financial forecast position under review throughout the year with quarterly monitoring reports to the Cabinet covering general fund and HRA revenue and capital performance. The monitoring focusses on significant budget variances and sets out any remedial actions where necessary.

The Medium-Term Financial Plan (MTFP) was presented to the Cabinet on 7 March 2023 and identified deficits of £1,832k for 2024/25, £1,532k for 2025/26, £450k in 2026/27 and £132k in 2027/28. The cumulative budget gap over the four years is £3.9m. These deficits increased because of assumed funding reforms to take effect with funding not increasing as costs continue to rise. Our review indicated that the assumptions and estimates included in the MTFP appear prudent.

When the 2024/25 budget was set in February 2024, the updated MTFP budget gaps were £1,196k in 2025/26, £1,633k in 2026/27, £655k in 2027/28 and £511k in 2028/29, a cumulative budget gap of £4m.

Currently, the Council has sufficient reserves to address any potential future deficits, and they continue to develop options for closing the future budget gaps.

Achieving efficiency savings

The Council's 2023/24 Budget report does not set out a specific plan for savings schemes to be achieved by the Council and savings plans are not specifically monitored by the Council. The quarterly monitoring reports refer to savings that are being achieved during the year but there is no tracking of savings against a target for the year.

The Council reported in its Outturn report that in-year savings and additional income of c£1.9m were delivered in 2023/24, with this being the result of concerted efforts by management due to the budgetary pressures being experienced in the year. This represents a positive result from where the Council was earlier in the year, even though it did still need to draw on £635k of reserves to fund the overall deficit. The Council's arrangements could be improved by setting out a savings plan,

with specific schemes, which it can then monitor its performance against throughout the year. We have included a recommendation in respect of this.

2024/25 financial planning

The budget setting process starts with the budget holders at service level reviewing their performance in the previous financial year. Budget holders work closely with the finance team to create the budgets. A balanced 2024/25 budget was presented to the Cabinet on 6 February 2024 and approved by the Council on 21 February 2024.

The financial planning assumptions feeding into the 2024/25 budget are based on assumptions captured by the MTFP. Considerations of these risks appear to be appropriately scrutinised as they are monitored through the Policy Development Groups and are captured within the financial planning process.

We also noted that the Council aligns its financial plans with other internal plans such as its workforce (establishment reporting) and capital plans.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's financial sustainability arrangements. We have made a recommendation for an area of improvement at section 8.

Draft

6. Governance

We considered how the Council ensures that it makes informed decisions and properly manages its risks, including how it:

- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Risk management

The Council have a Risk Management Strategy in place which is subject to an annual review by the Audit Committee. This sets out the process of identifying and reporting risks, and the responses and monitoring processes which will be put in place.

Corporate risk responsibility is delegated through the Strategy to the Audit Committee. Risk reports are received by the Committee quarterly where the full reporting details risk scoring and monitoring updates. Each risk is scored on the potential impacts and likelihood of occurrence and placed on the risk matrix where it is given a RAG rating, documented alongside the mitigations required and responsible individuals. From our review of the Council's risk reporting, we are content that there are adequate arrangements in place to monitor and raise risks, with new risks being identified throughout the year.

The Council does not include its corporate objectives or key performance indicators alongside the reporting of risks. As a result, it cannot be identified when specific service delivery is impacted by individual risks. We have raised a recommendation for the Council to clearly identify links between risk management and service delivery so that there is awareness of the implications on each risk area.

The Council's governance structure is made up of a full Council which is supported by a Cabinet and a number of Committees who have delegated responsibility for their own portfolio areas, each of which is chaired by a Member of the Council.

Internal control

The Council's Internal Audit function is provided by Devon Audit Partnership, who have a representative at each Audit Committee meetings to present any findings. The Audit Committee approves the annual Internal Audit Plan and is provided with a progress report on the delivery of the plan at each meeting.

Through our review of the Internal Audit reports along with the Audit Committee minutes and papers, we have not identified any significant gaps in the assurance the Council receives over matters in the work programme.

The Council have adequate arrangements in place for the prevention and detection of fraud through the design and implementation of appropriate policies and procedures.

The Audit Committee has a key role to play in ensuring the overall effectiveness of internal controls. The Committee discharges this function appropriately by adhering to its terms of reference and challenging officers in relation to internal and external audit findings.

Our audit procedures identified that the Council has not been setting the rents for its housing tenants in line with the formula rent requirements set out by the Government. This is an historic issue, going back a number of years, but the Council's arrangements for setting the rent each year had not identified this issue. The Council is working to determine the scale of the issue and next steps, which will include a provision in the accounts for where rents have been overpaid by tenants. We have concluded that this is a significant weakness in the Council's governance arrangements.

Budget setting and budgetary control

The Council's budget is prepared and set through the Leadership Team meetings, in consultation with budget holders and the wider finance team. The Council monitors trends and factors these appropriately into their strategy. They also appropriately consider a number of different proposals throughout the lifetime of the Medium-Term Financial Plan to reduce cost pressures.

Policy Development Groups are in place throughout the Council in order to monitor and approve budget proposals in their areas of responsibility. When they meet, medium term financial planning is regularly on the agenda to ensure they are monitoring progress within their areas.

Final budget proposals are considered by the full Council meetings each year where they are voted on accordingly.

The Council provides accurate and timely financial monitoring reports to budget holders, with a breakdown of total expenditure alongside appropriate variance analysis focussing on significant budget variances (+/- £20k), including any remedial action where necessary. Financial reporting is clear and includes sufficient qualitative detail to support decision making.

Decision making

We are satisfied that appropriate arrangements are in place to ensure that all relevant information is provided to decision makers before decisions are made and that arrangements are in place for challenge of any decisions before they are made.

The Council has a partnership arrangement in place with the North Devon District Council to deliver building control services, discussed further within the 'Improving efficiency, economy and effectiveness' section of this report. This is monitored through a Joint Committee arrangement with membership from both Council's officers and members. There are documented agreements in place which provide a strong governance framework for the Joint Committee to perform its functions.

There is an appropriate culture set by senior officers, driven by the Council's constitution and the Officer Code of Conduct. These set out the expectations for the behaviour of officers and promotes best practice, including the requirements to follow Nolan's Seven Principles of Public Life.

Ensuring appropriate standards

We have been informed that there have been no instances of significant non-compliance with laws and regulations within the year. Throughout our review, we have not identified anything that has contradicted this.

The Council's review of the Treasury Management Strategy evidenced that they were compliant with the CIPFA Treasury Management Code and MHCLG Guidance on Local Government Investments. There is no evidence from our work indicating any non-compliance with capital or other statutory requirements.

The Officer Code of Conduct sets out the required processes for compliance and reporting any gifts and hospitality to the Council's Monitoring Officer. The Council do not hold a central register for officers or members declarations. They are received on individual forms, rather than documented centrally. A recommendation for improvement has been raised in relation to the Council's procedures for reviewing compliance with the policy.

Elected Members declarations of interest are publicly available on the page with each member's contact details. The declarations of interest published are made in line with the relevant regulations and the LGA model Code of Conduct expectations.

Prior to and during all meetings, there is an opportunity for members to declare an interest in the items on the agenda. Any declarations made at meetings are within the published minutes of each meeting. The Officer Code of Conduct clearly identifies that officers are required to make formal declarations where they have pecuniary interest. All declarations are to be made to the Monitoring Officer.

From our communications with the Council's Monitoring Officer, there have not been any instances where declarations have not been made and subsequently been identified and had impacts to the Council, including reputational damage

Based on the work carried out, we have identified a significant weakness in arrangements, that the Council's HRA rent setting procedures had not identified that the rents were not being set in accordance with the required formula rent.

We have made recommendations for areas of improvement at section 8.

7. Improving efficiency, economy and effectiveness

We considered how the Council uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Assessing performance and evaluating service delivery

The Council produces quarterly performance monitoring reports to the Cabinet meetings with a detailed assessment of performance against key indicators. The reporting monitors the current position and performance trends across the year. However, the performance reporting is not presented through a single report for the whole Council. We have raised a recommendation for the Council to develop reporting mechanisms which provide members with a clear overview of all performance indicators.

The Council utilises Local Government Association tools to undertake benchmarking across similar authorities, including being members of the 'Peer Challenge' scheme whereby a range of independent experienced Members and officers from the accredited pool of peers review the Council's corporate performance. This has resulted in a follow up review to consider the implementation of the action plan. Additionally, the Council use LG Inform and CIPFA to provide key benchmarking information alongside their own information such as the Resident's Survey 2023.

There is evidence that the Council seeks to deliver savings and not place unnecessary cost pressures on residents. This is clear through their reviews of the 'Bin It 123' scheme whereby plans to implement changes to recycling services were delayed so that due attention could be given to the cost implications of such a change.

The Audit Committee receive recommendations from Internal Audit which is provided by the Devon Audit Partnership. This reporting includes tracking of the recommendations made by Internal Audit, whether the recommendations have been implemented or whether the actions are overdue. For overdue recommendations rated medium or higher, detailed reporting is provided to the Committee with comments from the relevant manager to understand the status of the recommendation.

Partnership working

The Council have a formal partnership arrangement in place with North Devon District Council in relation to building control. This provides a service to residents to make sure that projects are getting building regulations approval where planning permission is not required.

There is a Building Control Joint Committee which has been formed between the Councils and has membership from across both Council's officers and members. There are documented agreements in place in relation to the Joint Committee between the two Councils.

The Council use a public facing portal, 'Let's Talk Mid Devon' to consult with members of the community on issues which arise throughout the year and their annual resident's survey.

The predecessor auditor in 2022/23 reported that the Council did not exercise its shareholder role effectively in respect of 3 Rivers Developments Limited, contributing to the failure of its arm's length company and a significant financial loss. The Council has been taking action to address the issues identified with the implementation of the plan to close down 3 Rivers Developments Limited during the financial year, which had been substantially completed by the year end. Due to the timing of the 2022/23 recommendation and the actions taken by the Council we have concluded that the significant weakness in the Council's arrangements for the 3Es in respect of 3 Rivers Developments Limited still applied during the 2023/24 financial year.

Commissioning and procuring services

The Council have a procurement strategy in place covering 2023-24 to 2027-28, which has been prepared using national guidance from the Local Government Association (LGA). The procurement strategy clearly identifies the responsibilities of

individual officers to uphold the principles set out within the LGA guidance. We have not identified, and have not been made aware, of any instances of the Council failing to operate a fair procurement exercise on significant contracts.

The Cabinet receive specific reporting on tendering of major contracts for approval. This has been evidenced through the link where tendering of both the HRA property cleaning services and energy services was considered.

In relation to the repeated commission from previous service partners, we have not identified that the Council have commissioned services without due regard. We have also not identified any unexplained use of consultants or interim staff throughout the year.

Based on the work carried out, which included follow-up of prior year issues, we have concluded that the significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness noted in the 2022/23 Auditor's Annual Report remained a significant weakness in 2023/24. We have made recommendations for areas of improvement at section 8.

Draft

8. Recommendations

KEY:






Recommendations that refer to issues that have resulted in a significant weakness in the Council's arrangements.



Recommendations that should improve the arrangements in place at the Council but are not as a result of identifying a significant weakness.


Current Year Issues

Social rents	
<p><u>Governance</u></p> <p>Our audit procedures identified that the Council has not been setting the rents for its housing tenants in line with the formula rent requirements set out by the Government. This is an historic issue, going back a number of years, but the Council's arrangements for setting the rent each year had not identified this issue.</p>	<p><u>Recommendation</u></p> <p>The Council must complete its work to identify and agree the scope of the issue and take the necessary rectification actions.</p> <p><u>Management comment</u></p> <p>The Council recognise the importance of this work and are actively addressing the issue as swiftly as possible in conjunction with the Regulator, auditor and legal advisors</p>
Savings plans	
<p><u>Financial sustainability</u></p> <p>The Council does not set specific savings plans as part of the budget process. The Council needs to achieve savings to bridge the future budget projected in the Medium-Term Financial Plan and having agreed savings plans would help to support this process.</p>	<p><u>Recommendation</u></p> <p>The Council should agree a savings plan as part of the budget setting, with specific schemes. This will enable it to track performance against the savings target throughout the year.</p> <p><u>Management comment</u></p> <p>The Council has produced a savings plan for the 2025/26 budget setting process and will look to continue this approach in future years.</p>



Mapping Risks to Corporate Objectives	
	
<p><u>Governance</u></p> <p>The strategic risk register does not map the individual risks to specific corporate objectives or KPIs of the Council.</p>	<p><u>Recommendation</u></p> <p>The Council should seek to map its risks to its corporate objectives so that it can be identified which areas of service delivery are impacted by each risk.</p> <p><u>Management comment</u></p> <p>This recommendation will be considered.</p>
Gifts and Hospitality Register	
	
<p><u>Governance</u></p> <p>The Council does not hold a central register of gifts and hospitality. This means that all declarations are received and monitored through individual forms. As a result, this could risk the teams missing certain declarations and not reporting correctly.</p>	<p><u>Recommendation</u></p> <p>The Council should implement a central gifts and hospitality register for all officers and members, made available to the public where required.</p> <p><u>Management comment</u></p> <p>This recommendation will be considered.</p>
Performance Reporting Overview	
	
<p><u>Improving economy, efficiency and effectiveness</u></p> <p>The Council issue quarterly performance reporting to the Cabinet.</p> <p>There are five separate detailed performance reports provided with an overview provided.</p> <p>There is no summary of all performance metrics in one document. Members are required to review each report individually to have a clear picture of the status across all performance indicators.</p>	<p><u>Recommendation</u></p> <p>The Council should improve its performance reporting to the Cabinet meetings to provide a clear overview report of all performance indicators which align to the Council's Plan.</p> <p><u>Management comment</u></p> <p>Cabinet receive a quarterly performance report. This includes all performance indicators that form part of the Corporate Plan. This report is also reviewed twice per year by Scrutiny, and Corporate Plan indicators are further reviewed quarterly by the relevant Policy Development Group.</p>

Prior Year Issues reported by the predecessor auditor – Ongoing

Key recommendations (Significant weaknesses)

3 Rivers – Shareholder role	
	
<p><u>Improving economy, efficiency and effectiveness</u></p> <p>The Council did not exercise its shareholder role effectively, contributing to the failure of its arm's length company and a significant financial loss. At the time of compiling this report, however, the exact scale of this loss is not yet clear but it was expected to be significant.</p>	<p><u>Recommendation</u></p> <p>The Council needs to ensure it follows an action plan with a clear timeline and allocation of responsibilities due the Company's closure, and to work effectively to ensure the closure is conducted in a way that minimises its financial loss. The Council should also ensure its decisions are based on high quality expert advice as necessary.</p> <p>When working through this or any other significant partnerships, the Council should ensure both members and officers uphold effective political and management oversight of key partnerships and commercial entities. It must ensure it maintains a clear focus on the Council's objectives, ensures high quality reporting on performance and risk to inform key decisions, and acts promptly on information and significant changes of circumstances, that challenge the basis for establishing the partnership, supported by a clear exit strategy where necessary.</p> <p><u>2022/23 Management comment</u></p> <p>Excluding 3Rivers, the council has no other significant partnerships. In respect of 3Rivers, a clear plan is in place and being followed that will ensure the soft closure of the company.</p> <p>3Rivers financial losses clearly need to be reconciled against a backdrop of:</p> <ul style="list-style-type: none"> Cost of Living Crisis Covid-19 (material and contract availability and prices) A challenging political environment Planning Committee decisions Major contractor failure Government geographical restrictions <p><u>2023/24 Follow up</u></p> <p>Due to the timing of the 2022/23 recommendation and the action being taken by the Council in closing down the Company we consider that there remained a significant weakness during the 2023/24 year. However, the Council has taken appropriate actions during the year to resolve this issue as the Company has now been struck off and the Council has no similar arrangements.</p>

Improvement recommendations

Medium term financial planning	
 <p>Financial sustainability</p> <p>We have previously recommended that the Council develop a more strategic approach to developing and reporting on savings proposals. More systematic monitoring of savings proposals, targets and progress would enable members to routinely track progress on key savings proposals. Some Councils set out such plans on a multi-year basis, recognising that invest-to-save activities, for example, may take more than one year to deliver a net saving.</p>	<p>Recommendation</p> <p>To support medium term financial planning the Council should:</p> <ul style="list-style-type: none"> • set out a medium-term programme showing how it will close its forecast medium-term gaps in its financial plans, including the contribution of savings plans and related activities, such as income generation. • revisit the sensitivity analysis it uses to illustrate divergence from key assumptions, as a 1% variance may not adequately capture the level of volatility or the Council’s view of the degree of error possible in its estimates. <p>Management comment</p> <p>The Council will review best practice and consider any changes required for the 2025/26 budget process. However, it is worth reflecting how the council has successfully balanced budgets and increased its reserves set against a backdrop of government funding cuts.</p> <p>2023/24 Follow up</p> <p>Due to the timing of the 2022/23 recommendation the Council has not had the opportunity to implement any changes. We have raised a linked improvement recommendation in respect of the development and monitoring of savings plans. We will follow up on this recommendation in 2023/24.</p>
Compliance with policies	
 <p>Governance</p> <p>The Council could increase the level of assurance it has that officers and members have reviewed, and complied with, the terms of key policies such as those governing the receipt of gifts and hospitality.</p>	<p>Recommendation</p> <p>The Council should put in place a mechanism to provide positive assurance that officers and members have complied with the Council’s policies on receipt of gifts and hospitality during the year. This could be achieved through a periodic declaration, for example. The Council may wish to include in such a declaration confirmation that other key parts of the Code of Conduct had been read and complied with.</p> <p>Management comment</p> <p>The Council will consider this recommendation and assess what mechanisms could be put in place that provide more positive assurance of compliance with such policies.</p> <p>2023/24 Follow up</p> <p>Due to the timing of the 2022/23 recommendation the Council has not had the opportunity to implement any changes. We will follow up on this recommendation in 2023/24.</p>

Prior Year Issues reported by the predecessor auditor – Resolved

Decision making	
<p><u>Governance</u></p> <p>The Council conducted the debate around the approval of the Company's 2022 Business Plan in a way that damaged the Council's reputation and meant the Council was not able to set its budget in a robust and timely manner.</p>	<p><u>Recommendation</u></p> <p>The Council should learn lessons from the debate over 3 Rivers Development Limited's business plan and ensure future discussions around key strategic financial and operational decisions are conducted in a robust but constructive manner. This includes ensuring relevant actions and recommendations from internal and external reviews of its management of the Company, including this AAR report and the recent report of the Scrutiny Committee Working Group review, are monitored and implemented.</p> <p><u>2022/23 Management comment</u></p> <p>All external recommendations from the previous review of 3Rivers have been implemented. The 3Rivers soft closure timetable is agreed and progressing well and should transfer all assets back to the Council before the end of March 2024. The lessons learnt report has been considered and agreed by Scrutiny. Already delivered necessary savings to offset use of reserves in 2023/24 and balanced 2024/25 budget without the use of reserves. Remaining write off of losses to be funded from underspend / reserves without any short term implication on service delivery.</p> <p><u>2023/24 Follow up</u></p> <p>The actions taken by the Council in 2023/24 in closing 3 Rivers Developments Limited mean that we are satisfied that this recommendation has been actioned.</p>

Performance reporting	
<p><u>Improving economy, efficiency and effectiveness</u></p> <p>The Council has already improved its performance reporting regime and could develop this further to support delivery of key savings plans.</p>	<p><u>Recommendation</u></p> <p>The Council should include further information on the cost-effectiveness of services in its performance reporting to Cabinet, drawing on relevant benchmarks.</p> <p><u>Management comment</u></p> <p>The council has subscribed to CipfaStats+ and implemented the new performance reporting regime which will include national and local benchmarking for the 2024/25 financial year.</p> <p><u>2023/24 Follow up</u></p> <p>We have noted the actions set out in the management response. We have raised an improvement recommendation in respect of the performance reporting and consider this specific recommendation to be closed.</p>



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Dear Sirs

Mid Devon District Council
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the Mid Devon District Council (the Council) financial statements for the year ended 31 March 2024. These enquiries have included inspection of supporting documentation where appropriate, and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

1. General

We have fulfilled our responsibilities for the preparation of the 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 2023/24 (the Code) and applicable law and for being satisfied that they give a true and fair view and for making accurate representations to you.

All the transactions undertaken by the Council have been properly reflected and recorded in the accounting records.

All the accounting records have been made available to you for the purpose of your audit of the Council. We have provided you with unrestricted access to all appropriate persons within the Council, and with all other records and related information requested, including minutes of all Council and Committee meetings.

The financial statements are free of material misstatements, including omissions.

The effects of uncorrected misstatements (as set out in the appendix to this letter) are immaterial both individually and in total.

2. Internal control and fraud

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe that we have appropriately fulfilled these responsibilities. We have disclosed to you the results of

our risk assessment that the financial statements may be misstated as a result of fraud.

We have disclosed to you all instances of known or suspected fraud affecting the Council involving management, employees who have a significant role in internal control or others where fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the Council's financial statements communicated by current or former employees, analysts, regulators or others.

3. Assets and liabilities

The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets, except for those that are disclosed in the notes to the financial statements.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include PPE and investment property valuations, pension liability and NNDR provisions.

All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

4. Accounting estimates

The methods, data and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

5. Legal claims

We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

6. Laws and regulations

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 the financial statements.

We confirm that all correspondence with our Regulators has been made available to you.

7. Related parties

Related party relationships and transactions comply with the Council's financial regulations, relevant requirements of the Code and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with regulatory, legislative and accounting standards requirements.

8. Subsequent events

All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

9. Going concern

We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that the financial reporting framework applicable to local government bodies means that the anticipated continued provision of entity's services in the public sector is normally sufficient evidence of going concern. We have not identified any material uncertainties related to going concern.

10. Annual Governance Statement

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.

11. Narrative Report

The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. We have taken all the appropriate steps in order to make ourselves aware of any relevant audit/ other information and to establish that you are aware of that information.
Yours faithfully

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Signed on behalf of the Audit Committee of Mid Devon District Council
[Date]

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