

## Audit Committee

**Tuesday, 9 December 2025 at 5.00 pm**  
**Phoenix Chambers, Phoenix House, Tiverton**

**Next ordinary meeting**  
**Tuesday, 31 March 2026 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.**

To join the meeting online, click [here](#)

### [Join the meeting now](#)

Meeting ID: 328 174 391 460  
Passcode: xB2QY92P

## Membership

Cllr D Broom  
Cllr E Buczkowski  
Cllr G Czapiewski  
Cllr M Farrell  
Cllr B Fish  
Cllr B Holdman  
Cllr L Knight (Chair)  
Cllr R Roberts  
Cllr A Stirling (Vice Chair)

# 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 - 24)**  
To consider whether to approve the minutes as a correct record of the meeting held on 30<sup>th</sup> September 2025.
5. **Chairman's Announcements**  
To receive any announcements that the Chairman may wish to make.
6. **Corporate Risk Report (Pages 25 - 44)**  
To receive a report from Corporate Performance & Improvement Manager and the Head of People, Performance & Waste providing Members with a quarterly update on the Corporate Risk Register.
7. **Audit Action Tracking Report (Pages 45 - 52)**  
To receive a report from the Head of People, Governance & Waste and the Corporate Performance and Improvement Manager providing an update on progress to complete audit actions.
8. **Bishop Fleming Completion Report (Pages 53 - 86)**  
To receive the External Auditors Completion Report for the year ended 31 March 2025 from Bishop Fleming. To also receive the Letter of Representation.
9. **Statement of Accounts 2024/2025 (Pages 87 - 272)**  
To receive a report from the Deputy Chief Executive (S151) presenting the proposed final version of the 2024/25 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 2025.

This includes:

2024/25 Statement of Accounts (updated)  
2024/25 Annual Governance Statement

10. **Bishop Fleming Auditors Annual Report** (*Pages 273 - 294*)  
To receive the External Auditor's Annual Report for the year ending 31 March 2025 from Bishop Fleming.

11. **Devon Assurance Partnership - Internal Audit Progress Report** (*Pages 295 - 310*)  
To receive the Internal Audit Progress Report from the Devon Assurance partnership.

12. **Access to Information - Exclusion of the Press & Public**  
Discussion with regard to the next item, may require the Committee to pass the following resolution to exclude the press and public having reflected on Article 12 12.02(d) (a presumption in favour of openness) of the Constitution. This decision may be required because consideration of this matter in public may disclose information falling within one of the descriptions of exempt information in Schedule 12A to the Local Government Act 1972. The Committee will need to decide whether, in all circumstances of the case, the public interest in maintaining the exemption, outweighs the public interest in disclosing the information.  
  
Recommended that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the next item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 respectively of part 1 of Schedule 12A of the Act, namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

13. **Devon Assurance Partnership - Patch Management Audit Report** (*Pages 311 - 324*)  
To receive the full Patch Management Audit Report from Devon Assurance Partnership. Any detailed discussion of this Report will need to be held in Part II.

14. **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 Recovery Policy
- Corporate Risk Report
- Risk Management Policy
- Anti-Fraud & Corruption and Anti-Money Laundering Policies
- DAP Four Year Strategic Audit Plan and Work Programme
- DAP Internal Audit Charter & Strategy
- DAP Internal Audit Progress Report
- Bishop Fleming External Auditors Progress Report
- Chair's Annual Report for 2025/2026

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

## **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](mailto: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](mailto: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 30 September 2025 at 5.00 pm

**Present  
Councillors**

L Knight (Chair)  
D Broom, E Buczkowski, G Czapiewski,  
M Farrell, B Holdman, R Roberts and  
A Stirling (Vice-Chair)

**Also Present  
Officers**

Andrew Jarrett (Deputy Chief Executive (S151)), Paul Deal (Head of Finance, Property & Climate Resilience), Dr Stephen Carr (Corporate Performance & Improvement Manager) and Sarah Lees (Democratic Services Officer)

**Councillors  
Online**

J Buczkowski, G Duchesne, L G J Kennedy, L Taylor and D Wulff

**Also in  
Attendance**

Mark Bartlett (Bishop Fleming), Jo McCormick (Devon Assurance Partnership) and Jennifer Whitten (Independent Person)

## 14. APOLOGIES

There were no apologies for absence.

## 15. PUBLIC QUESTION TIME

The following questions were received from members of the public:

**Mr Barry Warren**

My questions relate to Items 4, 8 and 9 on the agenda.

Agenda Item 4 records the minutes of the previous meeting of the Audit Committee. Minute 4 records my questions but not the responses which were subsequently sent to me after that meeting and filed with the papers of the previous meeting.

### Question 1

Why were the answers to the questions not reported to this meeting as required by the MDDC Constitution although I note now that they have been added to the website today?

In relation to agenda items 8 and 9 I have forwarded a briefing document and appendix to each member of the committee which I had earlier forwarded to Devon Assurance Partnership (DAP) and Bishop Fleming. Bishop Fleming extended me the courtesy of acknowledging my email but I had heard nothing from DAP until yesterday after my questions were submitted, so my question no. 2, that you will have had, is no longer relevant.

### Question 2

This question was no longer relevant.

### Question 3

Do Devon Assurance Partnership act on information from the public or do they only work to Terms of Reference given them by MDDC Officers?

The Devon Assurance Partnership report contains reference to Home Office guidance on the new criminal offence of “Failure to Prevent Fraud”. My briefing document has drawn attention to the authorisation for payment of invoices, for 6 figure sums, by a Senior Officer. Freedom of Information (FOI) responses (confirmed on review on Friday) show that the Council does not hold any evidence to show that such authorisation was justified.

### Question 4

Doesn’t allowing such authorisation without records of evidence for future reference (which must be a Red Flag for Auditors and Audit Committee) increase the possibility of external fraud?

The External Auditors are only providing a verbal update and therefore members of the public have no opportunity to avail themselves of the information to be provided to enable them to consider whether or not to raise any issues which may benefit or clarify matters for the Council Tax Payers of Mid Devon.

### Question 5

Are the External Auditors looking into the invoices, payments and value for money in relation to dealings of the ‘partnership’ between the Council and the suppliers of the modular homes?

### Question 6

If they are looking into the issue is there any feedback as to findings or action to date?

The Chair responded by saying:

Thank you for your questions Mr Warren.

I note from your own words that these questions were submitted outside of our constitutional time requirement to receive a formal response during today's meeting.

On initial review of your questions I would like to make a few observations:

- a) Apart from your Question 1 – which I will ask the Clerk to respond to – the other questions that you have raised have no direct relevance to anything on today's agenda – so can you ensure that future questions are clearly relevant to matters being considered at a meeting.
- b) The public question process gives members of the public a 3 minute slot to ask direct questions on any items being discussed at the meeting in question (except Full Council). We appear to now regularly be in receipt of some form of "briefing papers" which clearly sits outside of our proper process. If members of the public want to raise issues with outside agencies, I would encourage them to go to them directly.
- c) Returning to the questions from Mr Warren, as they weren't submitted in time, I will ask my officers to provide an update after consultation with both DAP and Bishop Fleming within the standard 10 days, or alternatively I will ask the auditors to respond directly.

Mr Warren asked the Chairman for the courtesy of a response to what he had just said as he felt that the Chair had been given answers by the officers and they were not true. Mr Warren stated that the DAP report had been referenced with regard to fraud and his questions related to that potential.

The Chair reiterated that Mr Warren would receive a written response within 10 working days.

The Clerk responded to question number 1 asked by Mr Warren:

Thank you Mr Warren for your first question regarding the answers to your public questions from the previous meeting not being included as part of the agenda pack for this meeting tonight.

This was my error as Clerk and I offer you my apologies. For Members reassurance, the answers to the questions asked by Mr Warren's on 24<sup>th</sup> June 2025 were published on the website within the ten day timescale and sent to the questioner and the Committee at the same time. However, they were not included as part of the minutes in your agenda pack for this evening. This had now been corrected, as referenced by Mr Warren, so that they were now showing as part of the agenda and every effort would be made to include written answers to public questions in agenda packs for all future meetings as per the Constitution. Thank you.

## Mr Paul Elstone

### Question 1

Agenda Item 8 Devon Assurance Partnership Internal Audit Progress Report.

Appendix 1 Procurement - which is shown as Green and reported as FINAL says:

"There is a requirement for the Council to maintain and publish a contracts register. This is published on the Councils website". It also says, "The Operations Manager for Financial Services is confident the register is up to date."

I strongly believe this to be inaccurate.

As examples there are only two ZED PODS contracts shown on the Contract Register. One for £2.3 million and believed to be for Shapland Place. Another for £11 million and for undefined projects. Both contracts expired in 2024.

There are no active ZED POD contracts shown on the Contracts Register this despite it being known that there are at least 5 projects in build at the moment and with several more in other stages of development. Projects with very substantial cost running into many millions of pounds involved.

DAP once again it seems have placed full reliance on MDDC officer responses. Will DAP look again into the Contract Register position and in full detail and with particular reference to ZED PODS?

### Question 2

Can it be explained if DAP's remit was/is to examine MDDC's full compliance with the Local Government Transparency Code 2015?

I ask this question as I believe there to be a catalogue of non-compliances.

This involving:

- 1) Failure to publish details of the Councils Land and Building Holdings.
- 2) A failure to publish details of ALL Procurement Contracts exceeding £5,000.
- 3) Failures to always provide proper details of the purpose of expenditures over £500.
- 4) Failure to properly report VAT recoverable status.
- 5) Failure to publish an organisation chart for the top 3 levels of the organisation that is fully compliant with the transparency code requirements.

Will DAP and Bishop Fleming fully examine these public concerns?

### Question 3

There is very good reason to believe that there are some quite serious issues with the billing and payment system involving the modular home projects.

Issues involving but not limited to:

- 1) Double billing.
- 2) Inappropriate charging of the 15% overhead and profit uplift on certain invoices.
- 3) Substantial charges being made against the repairs revenue budget when they are very clearly capital cost for developments.
- 4) Invoices being paid which just say for “Professional Fees” and nothing else.

I have been made aware that some of these billing issues are not isolated examples to this Council and something that I will refer to Bishop Fleming separately.

Will DAP and Bishop Fleming fully examine these public concerns?

The Chair stated that both questioners would receive written responses to their questions within 10 working days in the usual way and that these would be published alongside the minutes.

## **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 24 June 2025 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 (00:15:00)**

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

The following was highlighted within the report:

- The report presented the Council's current corporate risks with an updated position following the most recent review period. These were the risks which were most likely to impact the Council in trying to meet its objectives. This report was produced quarterly and presented to this committee for Member's scrutiny, comment and feedback.
- Paragraph 2.1 of the report presented a summary table of the 17 corporate risks that the Council was currently managing.
- A risk matrix was presented at Appendix 1 showing the relative position of a corporate risk.
- Appendix 2 of the report provided further details for each risk in a standard template.

- Any significant changes to the Corporate Risk Register since it was last reported to committee were listed in the covering report at paragraph 2.3.

Discussion took place regarding:

- The Council's approach to enforcement, not only in the Planning area but also in regard to safeguarding and anti-social behaviour. This came up again and again as an issue for residents. It was explained that enforcement was a discretionary service and there needed to be proportionate measures in place to deal with compliance and income protection. More resource was now available within the Planning Enforcement team which it was hoped would alleviate some of the concerns in this area moving forwards. It was the officer's view that at the moment enforcement was being effectively managed but the Corporate Risk Register was 'owned' by Members so if they felt the risk needed to be rated differently then it was within their gift to amend. It was confirmed that the next Corporate Risk review cycle consideration would be given by officers to ensuring enforcement was appropriately considered on the Corporate Risk Register.
- Staffing levels within the Building Control area and whether the risk needed to have a higher rating?
- The rating of risks should be considered in relation to the other risks on the Corporate Risk Register, such as Cyber Security.
- Some people had been on the Devon Home Choice Band C or D for many years. Could more be done to help with this and move people up the banding? Officers agreed it would be a useful discussion to be held by Homes PDG. The Council was being proactive in building more social housing. There are many components to the housing crisis, if the Committee wanted the Risk Register to have more information streams within it regarding this issue then it could request this.
- It was agreed that the risk description against the 'cost of living crisis' needed to be updated from the 2022/2023 description to include reference to increases in relation to rising costs for such things as water, Council Tax and utilities.
- More context was provided around the rating for 'Financial Sustainability' in terms of the unprecedented amount of uncertainty with the predicted levels of forthcoming Government funding. It was currently rated as a high risk area as relevant factors were outside of the Council's control.
- Cyber Security was seen as the greatest risk to the Council but there were many mitigations in place to address this.
- The process for rating risks was explained whereby managers would rate risks initially by completing the 5x5 matrix and then submitting their assessments to the Corporate Management Team who would then consider this and refer it on to Leadership Team for further check and challenge. The process was very robust. Ultimately the Audit Committee provided the final check and challenge.
- The management of risk in relation to 'unsold property' was deemed to be appropriate.
- Risks in relation to the 'Homes for Ukraine Scheme' could potentially be removed from the Register during the next review.

- Whether the Cyber Security risk and Information Governance risk should be amalgamated. It was confirmed that they are different risks, although some of the mitigations in place are similar.
- Whether the rating in relation to the 'Emergency Planning Response' should be higher? It was explained that it was the managers view that this risk was correctly scored and that the mitigating actions in place were 'fit for purpose'.
- The Register recoded the biggest strategic risks, the Committee were reassured that all other risks were monitored under different processes.

Note: \* Report previously circulated.

## 20. CYBER AND INFORMATION SECURITY UPDATE (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 and Information Security activities over the last 12 months. The report aimed to assure the Audit Committee of ongoing vigilance and remediation work around Cyber and Information Security risks.

The following was highlighted with the report:

- It was confirmed that this was the biggest risk facing the Council. Much of the risk was outside of the Council's control.
- The risks were global and much was in the news headlines at the moment.
- A lot of work had been undertaken by officers in the last 12 months to proactively mitigate this risk.
- A large piece of work had been undertaken by CAF (Cyber Assessment Framework) which had been funded by the Ministry of Housing, Communities and Local Government (MHCLG). This had involved officers from Government coming down and taking the Council through a self-assessment process and then helping to pull together an implementation plan. The initial assessment from them had been that the Council's arrangements were in a good place but they could always be improved.
- An executive summary had been provided listing the ongoing activities although much of the detail remained necessarily confidential.
- It was also explained that there was an IT and Information Governance (ITIG) board in place which was chaired by the Deputy Chief Executive (S151) and had the relevant Cabinet Member on it to oversee activity in this area.

Consideration was given to:

- The need for an all Member Briefing on Cyber Security so more assurance could be provided.
- A request would be made for Members to submit questions in advance before a Briefing took place.
- It was confirmed that there were policies and procedures in place for officers to notify the relevant people should they themselves identify areas of vulnerability. There were also weekly updates in the staff newsletter providing guidance.

- The IT team had completed an operational assessment of Artificial Intelligence (AI).

Note: \* Report previously circulated.

## 21. DEVON ASSURANCE PARTNERSHIP (DAP) INTERNAL AUDIT PROGRESS REPORT (01:06:00)

The Committee had before it, and **NOTED**, a report \* from the Devon Assurance Partnership (DAP) providing a summary of the performance against the Internal Audit plan for the 2025/26 financial year to date, highlighting the key areas of work undertaken and summarising its main findings and recommendations aimed at improving controls.

The following was highlighted within the report:

- This was the first progress update report for 2025/2026.
- An 'assurance' picture would build up as the year progressed.
- The overall 'Assurance Opinion' for 2024/2025 had been 'Reasonable'.
- 6 reports had been issued so far this year and summaries were provided in the report.
- Appendix 2 listed the audit recommendations for the Council and how long they have been outstanding for. Currently there were 2 medium risk recommendations outstanding and 6 low risk.

Discussion took place regarding:

- DAP were content with the approach the Council was taking with regard to the Housing Rents Error issue. Regular meetings were being held with the Regulator and the only repayments that were outstanding were those with some sort of benefit attached to them.
- Procurement processes were sound, there were no significant issues of concerns. Any issues that had been raised in relation to waivers, the Council had now addressed.
- The approach within the Housing Repairs and Maintenance Team was very much more preventative now rather than reactive. There had been a real culture shift.
- A new process was in place to review cumulative supplier spend on a monthly basis.

Note: \* Report previously circulated.

## 22. INTERIM UPDATE FROM BISHOP FLEMING(01:23:00)

A verbal update was provided by Bishop Fleming as to where they were with the external audit of the 2024/2025 accounts. This included the following information:

- The external audit of the 2024/2025 financial accounts was now well progressed but had not been completed as they were still waiting for the Pension Fund Assurance from Devon County Council and Grant Thornton.

The intention was to complete the audit during November and bring a findings report to the next meeting of this Committee.

- At the moment there were no significant areas of concern.
- Some questions had been asked and additional information sought in relation to the 'Value for Money' audit but there was nothing currently to bring to the Committees' attention.
- Bishop Fleming were reviewing ongoing progress with the Housing Rents Error issue and were satisfied the approach was sound.
- They would be bringing two reports to the next meeting, the Audit Completion Report on the Financial Statements and the Auditors Annual Report on the Council's arrangements for 'Value for Money' (VFM). The VFM report would focus on the Council's financial resilience, governance and efforts to improve efficiency, economy and effectiveness. A commentary on each of these areas would be provided.

### **23. IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:28:00)**

The items already listed in the Work Programme for the next meeting were **NOTED**.

In addition it was requested that the following be added to the agenda for the next meeting:

- The External Auditors Annual Report on the Council's arrangements to ensure 'Value for Money'.

(The meeting ended at 6.29 pm)

**CHAIR**



## Audit Committee Public Questions and Answers (30<sup>th</sup> September 2025)

Name of person submitting	Questions
Barry Warren	<p>My questions relate to Items 4, 8 and 9 on the agenda.</p> <p><u>Question 1</u></p> <p>Agenda Item 4 records the minutes of the previous meeting of the Audit Committee. Minute 4 records my questions but not the responses which were subsequently sent to me after that meeting and filed with the papers of the previous meeting.</p> <p>Why are the answers to the questions not reported to this meeting as required by the MDDC Constitution? [Paragraph 9.4 page 100.]</p> <p><b>Response from the Clerk of the Audit Committee:</b></p> <p><i>Thank you Mr Warren for your first question regarding the answers to your public questions from the previous meeting not being included as part of the agenda pack for this meeting tonight.</i></p> <p><i>This was my error as Clerk and I offer you my apologies. For Members reassurance, the answers to the questions asked by Mr Warren's on 24<sup>th</sup> June 2025 were published on the website within the ten day timescale and sent to the questioner and the Committee at the same time. However, they were not included as part of the minutes in your agenda pack for this evening. This has now been corrected so that they are <u>now</u> showing as part of the agenda and every effort will be made to include written answers to public questions in agenda packs for all future meetings as per the Constitution.</i></p>

In relation to agenda items 8 and 9 I have forwarded a Briefing Document and Appendix to each member of the committee which I had earlier forwarded to DAP and Bishop Fleming. Bishop Fleming extended me the courtesy of acknowledging my email but I have heard nothing from DAP in spite of a request for an acknowledgement.

Question 2

Has Devon Assurance Partnership received the documents?

**Response from the Chair of the Audit Committee:**

*The questioner acknowledged the response to Q1 provided and therefore agreed this question was superseded.*

Question 3

Do Devon Assurance Partnership act on information from the public or do they only work to Terms of Reference given them by MDDC Officers?

**Response from Devon Assurance Partnership:**

*The Devon Assurance Partnership (DAP) primarily operates under a risk-based audit plan that is developed in consultation with senior officers and approved by the Audit Committee of Mid Devon District Council (MDDC). This plan is aligned with the council's strategic objectives and risk profile, and it forms the basis of DAP's internal audit work.*

*However, DAP and MDDC are committed to transparency and accountability. While DAP does not typically initiate audits solely based on public submissions, information provided by members of the public—particularly where it relates to governance, fraud, or financial irregularities—can be valuable. Such information may be referred to relevant officers or committees and, where appropriate, could inform future audit planning or be escalated through the council's governance or whistleblowing procedures.*

*If you have specific concerns or information you believe should be considered, I would encourage you to submit them through the appropriate channels, such as the council's complaints process, whistleblowing policy, or via a Freedom of Information (FOI) request.*

#### Question 4

The Devon Assurance Partnership report contains reference to Home Office guidance on the new Criminal Offence of "Failure to Prevent Fraud". My briefing document has drawn attention to the authorisation for payment of invoices, for 6 figure sums, by a Senior Officer. FOI responses (confirmed on review) show that the Council does not hold any evidence to show that such authorisation was justified.

Doesn't allowing such authorisation without records of evidence for future reference (which must be a Red Flag for Auditors and Audit Committee) increase the possibility of External Fraud?

#### **Response the Devon Assurance Partnership:**

*Key financial systems are a core component of our audit work, and to date, our reviews have not identified any significant areas of concern. We are currently undertaking further work on these systems as part of our 2025/26 audit programme. Your briefing document has been noted and will be considered as part of this ongoing work. Any findings arising from our reviews will be communicated to both management and the Audit Committee upon completion.*

#### Question 5

The External Auditors are only providing a verbal update and therefore members of the public have no opportunity to avail themselves of the information to be provided to enable them to consider whether or not to raise any issues which may benefit or clarify matters for the Council Tax Payers of Mid Devon.

Are the External Auditors looking into the invoices, payments and value for money in relation to dealings of the 'partnership' between the Council and the suppliers of the modular homes?

#### **Response from Bishop Fleming:**

*The rights of members of the public and the process to ask questions of the external auditor is derived from the Local Audit and Accountability Act 2014 and are explained in the National Audit Office publication: Local authority accounts: A guide to your rights.*

*Registered electors can ask formal questions of the auditor under the Act during the 30 working day inspection period for the accounts, which has already passed. Outside of this period members of the public can ask questions of the auditor, but these are not formal questions under the Act. If, after considering the publication, a member of the public wants to ask a question of the external auditor they should contact the auditor directly in writing.*

#### Question 6

If they are looking into the issue is there any feedback as to findings or action to date?

#### **Response from Bishop Fleming:**

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**Paul  
Elstone**

Question 1

Agenda Item 8 Devon Assurance Partnership Internal Audit Progress Report.

Appendix 1 Procurement - which is shown as Green and reported as FINAL, says:

"There is a requirement for the Council to maintain and publish a contracts register. This is published on the Councils website". It also says, "The Operations Manager for Financial Services is confident the register is up to date."

I strongly believe this to be inaccurate.

As examples there are only two ZED PODS contracts shown on the Contract Register. One for £2.3 million and believed to be for Shapland Place. Another for £11 million and for undefined projects. Both contracts expired in 2024.

There are no active ZED POD contracts shown on the Contracts Register this despite it is known that at there are at least 5 projects in build at the moment and with several more in other stages of development. Projects with very substantial cost running into many millions of pounds involved.

DAP once again it seems have placed full reliance on MDDC Officer responses, Will DAP look AGAIN into the Contract Register position and in full detail and with particular reference to ZED PODS?

**Response from Devon Assurance Partnership:**

*Our recent audit work on Procurement has not raised any significant issues. We will review your concerns and any further findings will be reported to both management and the Audit Committee.*

Question 2

Can it be explained if DAP's remit was/is to examine MDDC's full compliance with the Local Government Transparency Code 2015.

I ask this question as I believe there to be a catalogue of non-compliances.

This involving.

1. Failure to publish details of the Councils Land and Building Holdings.
2. A failure to publish details of ALL Procurement Contracts exceeding £5,000.
3. Failures to always provide proper details of the purpose of expenditures over £500.
4. Failure to properly report VAT recoverable status.
5. Failure to publish an organisation chart for the top 3 levels of the organisation that is fully compliant with the transparency code requirements.

Will DAP and Bishop Fleming fully examine these PUBLIC concerns?

**Response from the Devon Assurance Partnership:**

*Key financial systems are a core component of our audit work, and to date, our reviews have not identified any significant areas of concern. We are currently undertaking further work on these systems as part of our 2025/26 audit programme. Your briefing document has been noted and will be considered as part of this ongoing work. Any findings arising from our review will be communicated to both management and the Audit Committee upon completion.*

**Response from Bishop Fleming:**

*The rights of members of the public and the process to ask questions of the external auditor is derived from the Local Audit and Accountability Act 2014 and are explained in the National Audit Office publication: Local authority accounts: A guide to your rights.*

*Registered electors can ask formal questions of the auditor under the Act during the 30 working day inspection period for the accounts, which has already passed. Outside of this period members of the public can ask questions of the auditor, but these are not formal questions under the Act. If, after considering the publication, a member of the public wants to ask a question of the external auditor they should contact the auditor directly in writing.*

### Question 3

There is very good reason to believe that there are some quite serious issues with the billing and payment system involving the modular home projects.

Issues involving but not limited to

1. Double billing.
2. Inappropriate charging of the 15% overhead and profit uplift on certain invoices.
3. Substantial charges being made against the repairs revenue budget when they are very clearly capital cost for developments.
4. Invoices being paid which just say for “Professional Fees” and nothing else.

I have been made aware that some of these billing issues are not an isolated example to this Council and something that I will refer to Bishop Fleming separately.

Will DAP and Bishop Fleming fully examine these PUBLIC concerns?

### **Response from the Devon Audit Partnership:**

*Key financial systems are a core component of our audit work, and to date, our reviews have not identified any significant areas of concern. We are currently undertaking further work on these systems as part of our 2025/26 audit programme. Your briefing document has been noted and will be considered as part of this ongoing work. Any findings arising from our review will be communicated to both management and the Audit Committee upon completion.*

**Response from Bishop Fleming:**

*The rights of members of the public and the process to ask questions of the external auditor is derived from the Local Audit and Accountability Act 2014 and are explained in the National Audit Office publication: [Local authority accounts: A guide to your rights](#).*

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**Report for:****Audit Committee**

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Date of Meeting:	09 December 2025
Subject:	Corporate Risk Report
Cabinet Member:	Cllr Luke Taylor, Council Leader
Responsible Officer:	Steve Carr, Corporate Performance and Improvement Manager. Matthew Page, Head of 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 the 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 Heads of Service and other Council officers.

## 2.0 Summary of Corporate Risk

2.1 There are currently 15 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	Group Manager for GED	9	↔	9
CR1b	Culm Garden Village – Delay/ impact to project arising from infrastructure delays	Group Manager for GED	15	↔	15
CR2	Cyber Security	ICT Operations Manager	20	↔	15
CR3	Failure to meet Climate Change Commitments by 2030	Head of Finance, Property & Climate Resilience	15	↔	9
CR5	Information Security	Head of Digital Transformation & Customer Engagement	12	↔	8
CR7	Financial Sustainability	Head of Finance, Property & Climate Resilience	25	↔	12
CR8	Quality of Planning Committee Decisions	Director of Place & Economy	9	↔	3
CR10	Cullompton Town Centre Relief Road	Group Manager for GED	15	↔	15
CR11	Cost of Living Crisis	Head of Revenues, Benefits & Leisure	16	↔	16
CR12	Housing Crisis	Head of Housing & Health	12	↔	9
CR15	Corporate Property Fire Safety	Chief Executive	9	↔	6
CR17	Emergency Recovery	Head of Housing & Health	8	↔	4
CR18	Housing Rent Error Correction	Head of Housing & Health	12	↑	3
CR19	Devolution and Local Government Reorganisation	Chief Executive	20	↔	15
CR20	Emergency Planning Response	Head of Housing & Health	8	↔	4

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 September 2025, the following significant changes have been made to the CRR:

- CR18: Housing Rent Error Correction. The risk rating has increased from 8 to 12 as we await a national policy decision by the Department for Work and Pensions.
- CR4: Homes for Ukraine Scheme; and CR16: Building Control Service viability have all been de-escalated from the CRR and will be managed as part of service risk registers.

## **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 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 Officer

**Date:** 1.12.25

**Statutory Officer:** Maria De Leiburne

Agreed on behalf of the Monitoring Officer

**Date:** 1.12.25

**Chief Officer:** Stephen Walford

Agreed by or on behalf of the Chief Executive/Corporate Director

**Date:** 1.12.25

**Performance and risk:** Steve Carr

Agreed by the Corporate Performance & Improvement Manager

**Date:** 11 November 2025

**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

	5	5	10	15	20	25
	4	4	8	12	16	20
Risk Severity	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
	1	2	3	4	5	
	Risk Likelihood					

## Appendix 2: Corporate Risk Register

CR1a	Culm Garden Village – Loss of capacity funding	Current Severity: 3	Current Likelihood: 3	Current Risk Rating: 9
<b>Risk Description:</b> 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.				
<b>Risk Owner:</b> Group Manager for GED	<b>Latest Review:</b> 24/10/2025	<b>Risk Type:</b> Economic/ Financial		
<b>Mitigating Actions</b>		<b>Responsible Officer</b>	<b>Current Effectiveness</b>	
CR1a.1	Funding opportunities: Lobby for further rounds of Homes England garden communities capacity funding	Group Manager for GED	Satisfactory	
CR1a.2	Identify alternative opportunities to secure funding to support the project – including from landowners/ developers involved in the Culm Garden Village project.	Group Manager for GED	Satisfactory	
<p><b>Notes:</b>            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. Capacity funding was secured for 2025/26, however we do not currently have any assurances of funding for the next financial year. Although recent developments in relation to funding of the relief road are welcomed along with the capacity funding for this financial year, the risk remains higher than the target risk rating as longer term capacity funding remains uncertain. Officers are actively engaging with Homes England to seek additional funding.</p>				

CR1b	Culm Garden Village – Delay/ impact to project arising from infrastructure delays	Current Severity: 5	Current Likelihood: 3	Current Risk Rating: 15
<b>Risk Description:</b> 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.				
<b>Risk Owner:</b> Group Manager for GED	<b>Latest Review:</b> 24/10/2025	<b>Risk Type:</b> Economic/ Financial		
<b>Mitigating Actions</b>		<b>Responsible Officer</b>	<b>Current Effectiveness</b>	
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.	Group Manager for GED	Fully Effective	
<p><b>Notes:</b>            Funding now secured for provision of the Relief Road from Homes England. Significant progress with regard to land assembly.</p>				

Initial stages of works on Meadow Lane to commence shortly. Outline Business Case for J28 improvements has been submitted to Department for Transport and awaiting a decision (now expected by the end of the year).  
Positive news announced with regard to funding for the Railway Station and Network Rail is mobilising a team to take forward its delivery.

CR2	Cyber Security	Current Severity: 5	Current Likelihood: 4	Current Risk Rating: 20
<b>Risk Description:</b> 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.				
	<b>Risk Owner:</b> ICT Operations Manager	<b>Latest Review:</b> 24/10/2025	<b>Risk Type:</b> Data Protection/Information Security	
<b>Mitigating Actions</b>		<b>Responsible Officer</b>	<b>Current Effectiveness</b>	
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.	ICT Operations Manager	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.	ICT Operations Manager	Completed	
CR2.7	Establish Supply Chain Risk Management: There is no risk on the IT risk register to highlight supplier failure. It would be beneficial to include a risk regarding supplier failure to ensure that all associated supplier risks & potential controls are considered, e.g. a Standard Operating Procedure and/or minimum requirements to obtain assurance e.g. from regular meetings etc.	Head of Digital Transformation & Customer Engagement	Action Required	
<b>Notes:</b> CR2.6 marked as complete in October 2025. The Active Directory Review has now been completed as is being monitored regularly to keep NCSC and Microsoft Security baselines up to date. All user devices will be upgraded to Windows 11 before the end of November to ensure security patches and updates are applied promptly.				

Regular Vulnerability test are completed on all laptops, desktops and servers, with a monthly review. Action is taken to mitigate High and Critical Vulnerabilities with 14 days, where possible.
Risk Ledger is now in place to assist with the monitoring of the MDDC Supply chain. As new suppliers are added, they will be evaluated against a set of requirements to ensure they meet a satisfactory level of governance and assurance.
Improved Security Awareness training will be introduced in the next few months, to provide bite size training and simulated Phishing/malware emails to monitor staff efficiency and to increase awareness.

CR3	Failure to meet Climate Change Commitments by 2030	Current Severity: 3	Current Likelihood: 5	Current Risk Rating: 15
<b>Risk Description:</b> 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).				
<b>Risk Owner:</b> Head of Finance, Property & Climate Resilience	<b>Latest Review:</b> 24/10/2025	<b>Risk Type:</b> Environmental		
<b>Mitigating Actions</b>		<b>Responsible Officer</b>	<b>Current Effectiveness</b>	
CR3.1	<p>Policy and Strategy: Policy and strategy relevant to the climate emergency includes:</p> <ul style="list-style-type: none"> <li>Corporate Plan 2020-2024 sets a number of relevant aims;</li> <li>Climate Strategy and Handbook 2020-2024;</li> <li>Housing Strategy 2021-2025;</li> <li>Procurement Strategy (March 2023);</li> <li>Cabinet adopted a new Climate Emergency planning policy statement (March 2023);</li> <li>Local Plan 2013-2033 review; Plan Mid Devon sets the Climate Emergency as the top overarching priority for the next Local Plan.</li> </ul>	Climate and Sustainability Specialist	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.	Climate and Sustainability Specialist	Action Required	
CR3.3	Climate Change Strategy and Climate Action Plan: Cabinet approved the new Cabinet Climate Change Strategy (2025-2028) and a Climate Action Plan (CAP) in December 2024. Themed alignment of strategic, policy and operational activity. CAP to be reviewed annually to reflect the pipeline of planned projects, budgets, etc. The	Climate and Sustainability Specialist	Satisfactory	

	Strategy serves as a starting point for engagement with communities, businesses and other partners, to co-create a vision.		
<p><b>Notes:</b> The Council has a themed alignment of strategic, policy and operational activity through the Climate Change Strategy 2024-2028. A Climate Action Plan (CAP) is being implemented to reduce emissions; the CAP is to be reviewed annually to reflect the pipeline of planned projects, budgets, etc. progress is reported regularly to PES PDG. The Strategy has also served as a starting point for better engagement with communities, businesses and other partners, seeking to co-create a vision and plans for community-led activity.</p>			

CR5	Information Security	Current Severity: 4	Current Likelihood: 3	Current Risk Rating: 12
<b>Risk Description:</b> Inadequate data protection could lead to breaches of confidential information and ultimately enforcement action by the ICO.				
<b>Risk Owner:</b> Head of Digital Transformation & Customer Engagement		<b>Latest Review:</b> 28/10/2025	<b>Risk Type:</b> Data Protection/Information Security	
<b>Mitigating Actions</b>		<b>Responsible Officer</b>	<b>Current Effectiveness</b>	
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.	Head of Digital Transformation & Customer Engagement	Action Required	
CR5.3	Supply Chain Management: Inadequate supply chain management decreases organisational resilience and information security. Manual review is slow and unresponsive. Procurement practice has been strengthened. Market testing and business case being pursued for software solution to manage supplier risk overview. This will be done via ITIG board during summer 2025. A risk review is also being initiated by the Head of Service on cyber risk in conjunction with Cyber Assessment Framework assurance findings.	Head of Digital Transformation & Customer Engagement	Satisfactory	
<p><b>Notes:</b> Work still required on information tagging - near misses now recorded. New education software being procured and will be implemented in next few months. Supply chain risk management software now in place. ICT/ Information Management now building catalogue of supplier info and more robust security assessment/ Data Protection Information Assessments (DPIAs) being done through procurement/re-contracting exercises.</p>				

CR7	Financial Sustainability	Current Severity: 5	Current Likelihood: 5	Current Risk Rating: 25
<b>Risk Description:</b> 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.				
<b>Risk Owner:</b> Head of Finance, Property & Climate Resilience	<b>Latest Review:</b> 27/10/2025	<b>Risk Type:</b> Economic/Financial		
<b>Mitigating Actions</b>		<b>Responsible Officer</b>	<b>Current Effectiveness</b>	
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.	Head of Finance, Property & Climate Resilience	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.	Head of Finance, Property & Climate Resilience	Satisfactory	
<p><b>Notes:</b>            During the Government's current fair funding review we have been singled out with about 50 other Councils (Districts and London Boroughs) for the largest funding reductions, currently estimated at overall cuts of between 5-7%. In addition, there are the changes associated with the elimination of all Business Rates growth back to a baseline created in 2013/14. These 2 inter-related issues may result in the Council losing circa £2.5m in funding p.a. All set against a back drop of Local Government reorganisation making any medium term financial planning extremely challenging.</p> <p>CR7.2: Met with all service managers in August to discuss various savings targets and income maximisation potential.</p> <p>CR7.5: Senior finance officers are attending Ministry of Housing, Communities and Local Government and District Council Network meetings to understand what is currently being modelled and then assess the direct impact on the Council. Unfortunately, it remains likely that individual Council figures will not be available until November/ December which will make the 2026/27 budget setting process extremely difficult.</p>				

CR8	Quality of Planning Committee Decisions	Current Severity: 3	Current Likelihood: 3	Current Risk Rating: 9
<b>Risk Description:</b> 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.				
<b>Risk Owner:</b> Director of Place & Economy		<b>Latest Review:</b> 16/10/2025	<b>Risk Type:</b> Reputation	
<b>Mitigating Actions</b>		<b>Responsible Officer</b>		<b>Current Effectiveness</b>
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.	DM Manager / Director of Place & Economy		Satisfactory
<b>Notes:</b> Training has been provided with respect to the new decision making environment. To date no significant applications likely to challenge councillor's approaches to decision making have been before committee.				

CR10	Cullompton Town Centre Relief Road	Current Severity: 5	Current Likelihood: 3	Current Risk Rating: 15
<b>Risk Description:</b> Inability to deliver the Cullompton Town Centre Relief Road				
<b>Risk Owner:</b> Group Manager for GED		<b>Latest Review:</b> 24/10/2025	<b>Risk Type:</b> Economic/Financial	
<b>Mitigating Actions</b>		<b>Responsible Officer</b>		<b>Current Effectiveness</b>
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.	Group Manager for GED		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.	Group Manager for GED		Satisfactory
<b>Notes:</b> Works are progressing well with the delivery of the relief road, Enabling works including Meadow Lane minor works to start early 2026, with the main construction anticipated to start in summer 2026. Land assembly is going well. Works continue to relocate the sports clubs that are affected by the road. Risk is expected to reduce further as progress is made with delivery.				

CR11	Cost of Living Crisis	Current Severity: 4	Current Likelihood: 4	Current Risk Rating: 16
<b>Risk Description:</b> 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. <b>Other increases year on year such as water, Council Tax and utilities will also reduce the disposable income in households.</b>				
<b>Risk Owner:</b> Head of Revenues, Benefits & Leisure		<b>Latest Review:</b> 15/10/2025		<b>Risk Type:</b> Financial, Social
<b>Mitigating Actions</b>		<b>Responsible Officer</b>	<b>Current Effectiveness</b>	
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.	Operations Manager - Revenues Benefits and Recovery	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.	Operations Manager - Revenues Benefits and Recovery	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.	Growth and Regeneration Officer	Fully Effective	
<b>Notes:</b> Risk description updated in October 2025 (red text). Housing Support Fund 7 scheme is running until 31/03/2026 after which the Government wish Districts and first tier authorities to run a crisis and resilience fund for two years. Letter received states this will continue from 2028 when Local Government Reorganisation has happened.				

CR12	Housing Crisis	Current Severity: 4	Current Likelihood: 3	Current Risk Rating: 12
<b>Risk Description:</b> 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>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>			
<b>Risk Owner:</b> Head of Housing & Health		<b>Latest Review:</b> 28/10/2025	<b>Risk Type:</b> Financial, Social
<b>Mitigating Actions</b>		<b>Responsible Officer</b>	<b>Current Effectiveness</b>
CR12.1	MDDC Housing Strategy 2021-2025: Coherent, corporate approach to providing affordable homes and maintaining housing quality	Head of Housing & Health	Full Effective
CR12.2	MDDC Homeless Prevention & Rough Sleeping Strategy 2020-2025: Focus on rough sleeping, prevention, accommodation options and client support	Head of Housing & Health	Satisfactory
CR12.3	Strategic lobbying on social housing funding, flexibilities and homelessness pressures: Continued membership of DLUHC LA Strategic Housing Advisory Group	Head of Housing & Health	Fully Effective
CR12.4	Devon Housing Forum: Regional engagement and collaboration on affordable housing delivery and supported housing – continued engagement	Head of Housing & Health	Satisfactory
CR12.5	Local Plan housing delivery: Market provision of affordable homes	Forward Planning Team Leader	Action Required
CR12.6	Mid Devon HRA Development Programme: 500 new homes 2022/23 – 2026/27	Head of Housing & Health	Satisfactory
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	Head of Housing & Health	Fully Effective
CR12.8	Empty Homes: Bringing empty homes back in to use/local leasing scheme for TA (link to CR12.7) or to alleviate wider	Head of Housing & Health	Action Required
CR12.9	Long-term development voids: Effective use of long-term development voids in Mid Devon Housing stock as TA where safe	Head of Housing & Health	Fully Effective
CR12.15	Private Sector Homes for Ukraine: Team Devon Homes for Ukraine scheme Private Sector Housing transition support	Head of Housing & Health	Complete
CR12.16	Residents Financial Support: Cost of living pressure, grants and signposted support, help with/access to benefits ( <a href="https://www.middevon.gov.uk/residents/residents-financial-support/">https://www.middevon.gov.uk/residents/residents-financial-support/</a> )	Head of Revenues, Benefits & Leisure	Satisfactory

CR12.17	Housing Assistance Policy (Better Care Funding): living well at home/homeless prevention and Home Start grants/loans	Head of Housing & Health	Satisfactory
<p><b>Notes:</b>            Ongoing successful bids into Homes England Affordable Homes Programme and Ministry of Housing, Communities and Local Government PBP with a number of new Housing Revenue Account (HRA) development projects live/ supported. Significant uplift in Quarter2 in terms of additions to HRA stock Former vets property for conversion to additional TA in Tiverton now legally acquired and planning application for conversion submitted following planning pre-application advice.            CR12.15: Marked as complete in October 2025.</p>			

CR15	Corporate Property Fire Safety	Current Severity: 3	Current Likelihood: 3	Current Risk Rating: 9
<p><b>Risk Description:</b>            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>				
<b>Risk Owner:</b> Chief Executive		<b>Latest Review:</b> 16/10/2025	<b>Risk Type:</b> Physical, Reputational, Financial	
<b>Mitigating Actions</b>			<b>Responsible Officer</b>	<b>Current Effectiveness</b>
CR15.2	Investment Programme: Ensure that funding has been allocated and is drawn down to implement fire safety improvements.	Contracts and Services Manager	Satisfactory	
<p><b>Notes:</b>            Funding is available for 2025/26 and a tender is being drawn up to go to the market for fire doors and passive fire protection. The expectation is to complete this work within 2025/26.</p>				

CR17	Emergency Recovery	Current Severity: 4	Current Likelihood: 2	Current Risk Rating: 8
<p><b>Risk Description:</b>            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</p>				

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. Currently there has been little training on Recovery and MDDC's Recovery Plan is out of date. In addition to this, low staff resources would make Recovery very difficult as it can be a very time consuming and costly endeavour with some Recovery groups sitting years after the initial incident.

<b>Risk Owner:</b> Head of Housing & Health		<b>Latest Review:</b> 17/10/2025	<b>Risk Type:</b> Economic/Financial/Capacity/Reputation
<b>Mitigating Actions</b>		<b>Responsible Officer</b>	<b>Current Effectiveness</b>
CR17.1	CMT Capacity: There will be a member of CMT on rota specifically assigned to the recovery phase including the chairing/co-chairing LRF recovery group. This will be in addition to their day to day job requirements and will add additional stress and pressures. Due to this, the Resilience Officer or another Corporate Manager can be brought in to assist with the multi-agency duties as required.	Head of Housing & Health	Satisfactory
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.	Resilience Officer	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.	Resilience Officer	Action Required
CR17.4	Out of Hours Capacity: Only Emergency Duty Officer, Housing, Homeless/Housing Options and Customer Service 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. Recovery is often completed within office hours however the services with an Out of Hours service will be trained to ensure that any initial assessments and actions can be completed to a sufficient level until which point a full Recovery co-ordination group can be stood up. This will be detailed within the renewed Recovery plan.	Resilience Officer	Action Required
CR17.9	Reputational damage: During the recovery phase of an emergency there will be a lot of differing priorities and expectations from our communities and Councillors at all levels. This can lead to potential conflicts, disputes and confusion. The Communications Team will work to give clear messaging which is in line with the	Head of Digital Transformation & Customer Engagement	Action Required

	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.		
CR17.10	Financial Availability: Due to the circumstances, vulnerable people may require additional financial assistance due to the damages caused by an incident. In addition there may be other additional costs incurred through the recovery stages and there is no central fund for the recovery phases of an emergency. The finance team will review other instances of Recovery within other districts to understand what potential funding streams there may be should MDDC be required to chair or assist in Recovery.	Head of Finance, Property & Climate Resilience	Action Required
CR17.11	Competency Training: To ensure staff that may be involved in the Recovery phase are competent, Recovery Training will be rolled out as detailed within the Devon Emergency Planning Partnership Competency Framework. This will be led as a joint project between MDDC and Devon County Council.	Resilience Officer	Action Required
CR17.12	Competency Exercises: Once training is completed, exercises will be developed to ensure that the processes and procedures are tested and fit for purpose.	Resilience Officer	Action Required
<b>Notes:</b>			

CR18	Housing Rent Error Correction	Current Severity: 4	Current Likelihood: 3	Current Risk Rating: 12
<b>Risk Description:</b> That the Council doesn't effectively manage the correction and repayment process associated with the recently identified housing rent error.				
<b>Risk Owner:</b> Head of Housing & Health	<b>Latest Review:</b> 28/10/2025	<b>Risk Type:</b> Reputational, Financial		
<b>Mitigating Actions</b>		<b>Responsible Officer</b>	<b>Current Effectiveness</b>	
CR18.1	Officer Review Groups: These have been operating since the error was identified and regular update meetings are held with: the Regulator for Social Housing; the Department for Work & Pensions; and our external auditors Bishop Fleming	Head of Housing & Health and Head of Revenues, Benefits & Leisure	Satisfactory	
CR18.2	Key stakeholders: We also are communicating regularly with key local stakeholders: Churches Housing Action Team (CHAT); Citizens' Advice Bureau; Involve, etc.	Head of Housing & Health and Head of Revenues, Benefits & Leisure	Satisfactory	

CR18.3	Progress Updates: Regularly provided to the two relevant Cabinet Members and formal update reports will be made to Cabinet as and when required.	Deputy Chief Executive	Satisfactory
<b>Notes:</b>			
Risk Rating increased from 8 to 12 in October 2025.			
Regulatory decision published by Regulator of Social Housing (RSH) who are satisfied with actions taken to address historic error. Regular monitoring arrangements in place between RSH and Council on plan implementation - 13 November next scheduled meeting. Officer resources/team continue to be in place.			
All current/ live tenancy cases completed where either no benefit or Housing Benefit - c169k paid to tenants and £464k of Housing Benefit subsidy processed for Department for Work and Pensions (DWP). Universal Credit/ DWP refunds still await national policy decision by DWP via Treasury. Update from DWP (28 October) indicates a national communication will be going to all impacted landlords, but no timeline given.			
Work has progressed on the review of historic evictions and has commenced on wider former tenancy cases in lieu of a DWP update/ guidance.			
Regular tenant, Homes PDG, Cabinet and Scrutiny updates being provided (next will be Homes PDG update in November) Tenant communications ongoing including three scheduled drop in sessions in November and further letters to Universal Credit tenants and £0 refund tenants.			

CR19	Devolution and Local Government Reorganisation	Current Severity: 4	Current Likelihood: 5	Current Risk Rating: 20
<b>Risk Description:</b> The Government published its English Devolution White Paper in December 2024, which set out its intended directions for the future arrangements of local government service provision in England. It introduced the concept of 'Strategic Authorities' (SA), which it is intended will be large entities of circa 1.5m people – to be headed politically by a directly elected Mayor. It is not yet clear what expanded grouping will cover Devon, since our current Combined County Authority (CCA) covering Devon and Torbay is only around 975k (this could be a peninsula geography, expanded to include Plymouth and Cornwall, but this is not yet confirmed). How Mid Devon's influence is brought to bear in any new SA of this scale is not yet clear.				
In addition, the Government has made it clear that beneath these new Strategic Authorities, their desire is to see new councils created of a unitary structure and of a scale suitable to withstand future service pressures. This is described as being of 500,000 population, although exceptions below this are possible. In Devon, this would mean the restructuring of all current councils, with the likelihood that Devon County, the 8 districts, Torbay (unitary) and potentially Plymouth City council will all cease to exist in their current form by 2028, to be replaced by larger restructured council(s) covering the Devon area. Clearly, such a change will impact significantly upon corporate delivery and objectives as work				

<p>is undertaken to identify what the future looks like and how to best restructure and realign service provision across Devon with a view to seeking to use this as an opportunity to enhance outcomes for our residents and businesses.</p>			
<b>Risk Owner:</b> Chief Executive	<b>Latest Review:</b> 23/10/2025	<b>Risk Type:</b> Political, Legal, Financial	
<b>Mitigating Actions</b>		<b>Responsible Officer</b>	<b>Current Effectiveness</b>
CR19.1	Effective collaboration: To continue to work with other system leaders across Devon to maximise collaboration and share effort/resource where possible	Chief Executive (and Council Leader)	Satisfactory
CR19.2	Performing during transition: To use the well-established relationships across Devon to continue to meet strategic aims over the coming years while change is managed.	Chief Executive (and Leadership Team)	Satisfactory
CR19.3	Staff communication: To communicate regularly with staff to provide reassurance, explanation, updates and context, in order to minimise concern and maximise effective operational delivery across this changing organisational context.	Chief Executive	Satisfactory
CR19.4	Engage with all council members ahead of key decision points: 21 <sup>st</sup> March and 28 <sup>th</sup> November 2025 being notable known dates at this time.	Chief Executive (and Council Leader)	Satisfactory
CR19.5	Community Engagement and Communication: To seek views on priorities to inform LGR proposals, and to ensure the public is kept updated alongside, and in addition to, council meetings covering LGR.	Chief Executive (and Communications & Engagement Manager)	Satisfactory
<p><b>Notes:</b> Resident consultation closed on the 31/08/2025. Update to Scrutiny Committee on 08/09/2025. CR19.5 Added in September 2025. State of the district debate on LGR and learning from town and parish experiences in the Somerset LGR process – 17/09/25</p>			

<b>CR20</b>	<b>Emergency Planning Response</b>	<b>Current Severity:</b> 4	<b>Current Likelihood:</b> 2	<b>Current Risk Rating:</b> 8
<p><b>Risk Description:</b> Mid Devon District Council has a Statutory Duty as a Category 1 organisation to respond to Major Incidents. By their definition, Emergencies can happen at any time however much of Mid Devon District Council Services do not have Out of Hour functions and so some rely on best endeavours response and in some cases due to resourcing only have a small number of competently trained personnel that could respond. This then has the risk that certain services within MDDC will be unavailable out of hours even if requested by the Devon, Cornwall and the Isles of Scilly Local Resilience Form (DCIOS LRF) which may result in reputational damage of MDDC as aspects of Response may take longer. MDDC has the following services that contain 24/7 cover: Emergency Duty Officer; Housing (for MDDC Stock but could diversify if required); Housing Options/Homeless; Customer Service.</p>				

<p>Notable services without 24/7 cover which are on best endeavours which may be requested in a Major Incident: Communications; Building Options; Environmental Health; Strategic Emergency Duty Officer.</p> <p>In addition, MDDC's ability to staff a rest centre will be difficult due to large scale changes within the Rest Centre plan from DCC including its staffing requirement. Because of this, there is no up to date contact list of staff volunteers that could aid in the setting up of a rest centre in the unlikely case that we are asked to do so.</p>			
<b>Risk Owner:</b> Head of Housing & Health		<b>Latest Review:</b> 17/10/2025	<b>Risk Type:</b> Economic/Financial/Capacity/Reputation
<b>Mitigating Actions</b>		<b>Responsible Officer</b>	<b>Current Effectiveness</b>
CR20.1	Competency Training: To ensure that staff are capable, MDDC will be following the Devon Emergency Planning Partnership Competency Framework for training. This includes Tactical and Strategic training to ensure that MDDC is competent but also to identify and manage the risk of Out of Hours resource demand during a Major Incident.	Resilience Officer	Action Required
CR20.2	Competency Exercises: Once training is completed, exercises will be developed to ensure that the processes and procedures are tested and fit for purpose.	Resilience Officer	Action Required
CR20.3	Capability: To ensure that the DCIOS LRF is aware of the capability of MDDC, a document will be created that can be shared which clearly shows what services are available 24/7 and which are not to ensure that partners are aware of this capability and do not over promise or expect actions from MDDC that we are simply unable to complete until within hours.	Resilience Officer	Action Required
CR20.4	Communications: To ensure communications and warning and informing can be maintained in an emergency, a "Crisis" Communications plan has been developed. This includes some pre-approved messaging that can be sent out. We will increase these pre-approved messages and review who has access to communications channels which in turn increases the likelihood of communications being sent out, out of hours. This review can include potential of allowing on-duty staff access to share messages from other partner agencies.	Communications and Engagement Manager	Complete
CR20.5	Rest Centres: Once the DCC review of Rest Centres is complete, MDDC will quickly embed that plan and ensure that its staff are trained and ready to mobilize as per the plan.	Resilience Officer	Action Required
CR20.6	Out of Hours Capacity: Only Emergency Duty Officer, Housing, Homeless/Housing Options and Customer Service 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	Corporate Management Team	Satisfactory

<p>work during response and recovery. MDDC out of hour's capacity will be addressed within the emergency plan and capability review which will both undergo periodic reviews to ensure that the organisation is assessing the risk that our capacity limitations create, and that new mitigating actions are created if the risk is deemed too high.</p>			
<p><b>Notes:</b></p>			
<p>CR20.3 Capability: Not yet completed due to focus on the update of the Response Emergency Plan which had to first be completed before Training, Exercising and other documents could be created.</p>			
<p>CR20.5 Rest Centres: Awaiting review from Devon County Council on the Humanitarian Assistance Plan which includes Rest Centres and we are unable to progress until that is complete.</p>			
<p>CR20.4 marked as complete in October 2025.</p>			

<b>Report for:</b>	<b>Audit Committee</b>
Date of Meeting:	09 December 2025
<b>Subject:</b>	<b>Audit Action Tracking Report</b>
Cabinet Member:	Cllr John Downes, Cabinet Member for Governance, Finance and Risk.
Responsible Officer:	Matthew Page, Head of People, Governance & Waste.  Dr Steve Carr, Corporate Performance and Improvement Manager.
Exempt:	N/A
Wards Affected:	All
Enclosures:	Appendix 1: Current Audit Actions

## **Section 1 – Summary and Recommendation(s)**

This report provide an update on progress to complete audit actions.

### **Recommendation(s):**

**That Audit Committee note the report.**

## **Section 2 – Report**

### **1.0 Introduction**

- 1.1 As part of the audit process, audit recommendations are made by the internal audit service and actions agreed by Council officers to improve the assurance position.
- 1.2 This report provides the current position on the number of audit actions currently being managed, and details on any which are overdue.

1.3 Audit actions are managed by the Council in its performance management system, SPAR. This process is overseen by the Corporate Performance and Improvement Manager.

## **2.0 Audit Recommendations Tracking**

- 2.1 There are currently 59 audit actions currently being managed by the Council. Of these none are high priority, 33 are medium priority, and 26 are either low priority or have been identified as opportunities.
- 2.2 There are currently four medium priority actions that are overdue, and five low priority actions or opportunities overdue (see Appendix 1).
- 2.3 The agreed policy is that only High priority actions require Audit Committee agreement to extend target dates, and that management can decide to extend Medium, Low, and Opportunity target dates.

## **Financial Implications**

Resource implications arising from audit actions should be addressed by the relevant Services and where required, will be reported to the relevant PDG/ committee.

## **Legal Implications**

The Global Internal Audit Standards (the GIAS) require the Chief Audit Executive to establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. Details of this process known as action tracking.

## **Risk Assessment**

The implementation of the management agreed actions will improve the control environment and assist in reducing the risk exposure to the Council.

## **Impact on Climate Change**

There are no direct impacts on climate change resulting from this report.

## **Equalities Impact Assessment**

There are no direct implications on equalities arising from this report.

## **Relationship to Corporate Plan**

The timely delivery of audit recommendations ensures that the Council continues to be high performing and able to deliver on its operational and strategic priorities.

### **Section 3 – Statutory Officer sign-off/mandatory checks**

**Statutory Officer:** Andrew Jarrett  
Agreed by or on behalf of the Section 151 Officer  
**Date:** 1.12.25

**Statutory Officer:** Maria De Leiburne  
Agreed on behalf of the Monitoring Officer  
**Date:** 1.12.25

**Chief Officer:** Stephen Walford  
Agreed by or on behalf of the Chief Executive/Corporate Director  
**Date:** 1.12.25

**Performance and risk:** Steve Carr  
Agreed on behalf of the Corporate Performance & Improvement Manager  
**Date:** 24 November 2025

**Cabinet member notified:** yes

**Report:** Exclusion of the press and public from this item of business on the published agenda on the grounds that it involves the likely disclosure of exempt information. (No)

**Appendix:** Exclusion of the press and public from this item of business on the published agenda on the grounds that it involves the likely disclosure of exempt information. (No)

### **Section 4 - Contact Details and Background Papers**

**Contact:** Dr Steve Carr, Corporate Performance and Improvement Manager  
**Email:** [scarr@middevon.gov.uk](mailto:scarr@middevon.gov.uk)  
**Telephone:** 3CX Extension: 4217

**Background papers:**

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## Appendix 1: Ongoing Audit Recommendations

The table below shows all ongoing audit recommendations by audit subject.

Audit reference	High Priority		Medium Priority		Low Priority or Opportunity		Total Due and Overdue
	Not Due	Overdue	Not Due	Overdue	Not Due	Overdue	
Asset Management			1				1
Building Control						1	1
Care Services			1				1
Cemeteries and Bereavement Services				1			1
Contract Management			4				4
Corporate Plan			1		1		2
Corporate Repairs and Maintenance			4		2		6
Cyber Security				1		1	2
Gifts & Hospitality			2		2		4
Health and Safety					1		1
Housing Health & Safety			1				1
Housing Rents			1		2		3
Information Governance			2				2
Firewalls				1	1		2
Pannier Market					2	1	3
Performance Management			2				2
Procurement			5		4		9
Risk Management			1		2		3
Safeguarding				1			1
Service Charges					1		1
Sickness and other Time off						1	1
Staff Performance and Appraisals			1		3		4
Street Cleaning						1	1
Void Business Property			3				3
<b>Total</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>4</b>	<b>21</b>	<b>5</b>	<b>59</b>

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

<b>Audit reference</b>	<b>Priority</b>	<b>Title</b>	<b>Objective</b>	<b>Target Date</b>	<b>Manager's comment</b>
Cyber Security	M	Consider reviewing the BCP	Currently engaged with LGA to inform DR/BCP playbook and documentation	31/05/2025	The development of specific Cyber Incidence Response plans is in progress.
Firewalls	M	Exported List of Firewall Rules	Create an Exported list of Firewall rules – save it securely – creation date, review date. Review list (25%) quarterly and use if for Change control	30/10/2025	Quarterly meetings have been scheduled within the ICT team to export and review firewall rules.
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.	28/11/2025	Further software evaluation being completed.
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.	30/06/2024	Deprioritised due to the recent exit of Community Safety lead officer and recruitment for replacement whilst immediate work has instead been prioritised across live Community Safety Plan and Antisocial Behaviour hotspot projects. Recruitment has now been completed and the new Community Safety Lead Officer started in August 2025. They are currently familiarising themselves with the wider role and supporting live projects and cases as a

<b>Audit reference</b>	<b>Priority</b>	<b>Title</b>	<b>Objective</b>	<b>Target Date</b>	<b>Manager's comment</b>
					continued priority. Nonetheless, they have been tasked with a review of the statement and finalising an update for publication by end of Q3 2025/26.

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# Audit Completion Report Mid Devon District Council

For the year ended 31 March 2025



Date: 1 December 2025

Members of the Audit Committee  
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 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

**Bishop Fleming Audit Limited**

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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 2024/25; 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.

## **Key audit issues**

Within our Audit Plan, which was presented to the Audit Committee in March 2025, 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 significant risks highlighted were as follows:

- Management override of controls;
- Valuation of land and buildings;
- Valuation of council dwellings and
- Valuation of the pension fund net liability.

Our audit work has been satisfactorily completed on each of the above areas and is further detailed in section 4 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 55 to this report.

## **Management Letter Points and Internal Control Matters**

A number of control points were identified during the course of our work and these are further detailed in section 6 to this report. Of the matters noted, none are considered to have an important effect on your system of internal control.

## **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 2025. The Code 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.

Our work is currently in progress; see section 7 for more details. 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	2% of gross expenditure	£1,309k

The level of materiality in our Audit Plan was based on the prior year audited financial statements. Therefore, we have updated materiality to reflect the actual figures reported in the 2024/25 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 2025.

### Letter of Representation

The draft letter of representation 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 senior review of working papers and the accounts

We will also need to complete the following tasks as part of our usual completion procedures:

- Consideration of any post balance sheet events prior to opinion being issued
- Final review of the financial statements
- Confirmation of the approval of the financial statements by the Council
- Receipt of the signed management representation letter

## **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. The contents of this report should not be disclosed to third parties without our prior written consent.

### 3. Accounts and audit 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.

	2023/24	2024/25
<b>Readiness for audit</b>		
<b>Quality of financial statements</b>		
<b>Accuracy of financial records</b>		
<b>Quality of working papers - General</b>		
<b>Quality of working papers – Property, plant and equipment</b>		
<b>Availability of Staff</b>		

#### 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. Daily calls were arranged for the audit team to discuss progress with the finance team. Weekly calls were also held that included senior members of both teams to discuss progress and issues arising. The team had an on-site presence during fieldwork.

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, such as the discussions over the HRA Refund Provision.

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.

## **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.

## **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.

## 4. Audit risks

### Significant 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.

### 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.

We have not identified any material issues from our work carried out to date.

We identified a deficiency within the valuation basis applied to the council dwellings, that has resulted in a misstatement of £287k, which is above our trivial threshold. See sections 5 and 6. Following discussion with management, it has been agreed for this to be adjusted.

## Valuation of the pension fund net liability

### 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
- obtained 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.

Our findings showed the assumptions used are consistent with our expectations and those used by other actuaries at 31 March 2025. Before consideration of the impact of an asset ceiling, the pension valuation has moved from a net deficit of £8m to a net surplus position of £6.1m.

The key driver of that change was the increase in the discount rate used by the actuaries, which results in a decrease in the net present value of your share of the scheme liabilities.

Key assumptions	2023/24	2024/25
Discount rate	4.90%	5.80%
CPI / pension increase assumption	2.95%	2.90%
Salary increases	3.95%	3.90%

Under IFRS, additional guidance is provided in IFRIC 14 on the extent to which a defined benefit pension asset should be recognised. The actuary has produced an asset ceiling report that demonstrates that by following the guidance in IFRIC 14 none of this asset should be recognised and a liability of £9m is recognised instead. This adjustment effectively allows for ongoing commitments to contributions to the pension scheme into the future, over and above the expected service charge.

A further £0.562m liability (2023/24: £0.648m) is recognised in relation to the unfunded obligation, resulting in a net liability recognised of £9.6m (2023/24: £10.2m).

We have not identified any material errors from our work carried out. Due to findings within the audit of the pension fund, there have been above trivial misstatements within the valuation of the pension fund liability. These are below materiality and therefore the accounts have not been adjusted.

As part of our planning, we rebutted the risks of fraud in revenue recognition (required under the ISAs) and fraud in expenditure recognition (required under the Financial Reporting Council's Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom).

## Other risks:

<b>Implementation of IFRS 16 Leases</b>	
<b>Other risk</b>	<b>Work done and conclusion</b>
<p>2024/25 will be the first year in which local government bodies are required to implement the provisions of IFRS 16 leases. There are transitional arrangements in place for the 'cumulative catch-up' approach mandated by CIPFA in the 2024/25 Code of Practice which will require an adjustment to the opening balances as well as supporting disclosures in the accounts. The value of the right of use assets and lease liabilities arising will depend on the nature and value of the underlying leases as well as assumptions adopted by the Council for the incremental borrowing rate.</p> <p>From discussions with officers the risk of material misstatement at Mid Devon District Council is expected to be minimal based on the value of the estimate and its sensitivity to changes in assumptions. Therefore we do not consider this to be a significant risk, but as this is the first year of implementation, we have included this as an 'other risk' in our Audit Plan.</p>	<p>To address this risk, we have:</p> <ul style="list-style-type: none"><li>• Documented our understanding of the processes and controls put in place by management for identifying lease contracts, including those not covered by the transitional arrangements, and evaluate the design of the controls;</li><li>• Reviewed the appropriateness of assumptions used in calculating the estimate;</li><li>• Reviewed the completeness and accuracy of the data gathering exercise;</li><li>• Confirmed the appropriateness of application of exemptions for existing contracts such as short term and low value leases;</li><li>• Reviewed the required transitional disclosures and the application of the adjustment to the opening balances; and,</li><li>• Tested a sample of leases for accuracy in calculating the right of use asset and lease liabilities.</li></ul> <p>We have concluded that the Council's implementation of IFRS 16 has been thorough, however the basis for calculation differs to the prescribed approach set out in the CIPFA Code of Practice. The error arising is above trivial at £292k. Following discussions with management this has not been adjusted.</p>

## 5. 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 2025:

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Understatement of HRA property valuations arising from variances between the independent valuation reports and the straight-line valuation approach adopted.		287	287	
Reclassification of Tiverton Work hub capital expenditure from REFCUS to fixed asset additions		291	291	
<b>Total</b>	-	<b>578</b>	<b>578</b>	-

### 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 22 - Property, Plant & Equipment (1)	The PPE note currently omits an 'adjustment in respect of the implementation of IFRS 16' line to bring in the right-of-use assets for the leases. The value of right of use assets is not clear within note 22.	✓
Note 22 - Property, Plant & Equipment (2)	PPE additions included £493k on negative adjustments relating to assets under construction where the projects were discontinued. The disclosed amounts have been updated to reflect the gross position with an additional line added for the amounts written out.	✓
Note 14 – External audit costs	The disclosure within the note should be reviewed so that fees for the statutory audit and for other services are disclosed separately. The level of disclosure in the draft note is more than is required by the Code.	✓
General	We identified a small number of minor presentational and typographical errors that management have corrected.	✓

## Unadjusted items

The table below provides details of adjustments identified during the 2024/25 audit which have not been made within the final set of financial statements. The Audit 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.			248	248
Mid Devon District Council's share of the discrepancy in pension asset valuation between the actuary's report and the net asset statement of the pension fund, as identified by the auditor of Devon Pension Fund.			267	267
Correction of IFRS 16 lease calculation to account for the annual unwinding of the discount applied.	292			292
<b>Total</b>	<b>292</b>	<b>-</b>	<b>515</b>	<b>807</b>

## Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year which had not been made within the final set of 2023/24 financial statements. We do not consider these to impact on the 2024/25 audit.

	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
<b>Total</b>	<b>-</b>	<b>-</b>	<b>234</b>	<b>234</b>

## 6. 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 Audit Committee as '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

HRA Valuation Approach	
The external valuer revalued some of the HRA beacons in the year as part of the scheduled revaluation programme. However, these valuations were not applied to those assets, instead all HRA properties have been revalued based on a 2% or 5% reduction depending on building type.  This has resulted in an understatement of HRA property values.	<p><b><u>Recommendation</u></b></p> <p>Management should revalue all HRA assets using the most accurate information available. Where beacons have been revalued in the year these values are what should be used in the financial statements.</p> <p><b><u>Management comment</u></b></p> <p>All properties are based on a 5-year rolling programme, with those scheduled for that year covered off through beacon reviews, and the remainder are updated based on indices advised by the District Valuer (DV). An error occurred where the DV included the revalued beacons in their indexation exercise and used these values in their HRA valuation report. This has not occurred previously but was not detected by the Council. This will form part of the check and challenge in future years.</p>

Valuation process and property data	
<p></p> <p>Our testing of PPE valuations identified that data held by the Council for some of its assets, such as the current gross internal area (GIA) of the leisure centres, did not agree with the data being used by the external valuer (District Valuer).</p> <p>The GIA data being used by the external valuer had been rolled forward from previous valuations and could not be supported. Alternative GIA evidence from the rating valuation exercise was ultimately provided by the external valuer that resolved the issues.</p>	<p><b><u>Recommendation</u></b></p> <p>To improve the Council's arrangements for ensuring accurate supporting information is held for asset valuations, management should ensure that:</p> <ul style="list-style-type: none"> <li>• Records it holds for its assets are kept up to date and that a record is kept of when there are changes to assets, such as updated gross internal area (GIA) calculations.</li> <li>• Instructions to the external valuer set out clearly what they require from the valuer;</li> <li>• Information sent to the valuer is reviewed before it is submitted; and</li> <li>• Valuation information received from the valuer should be subject to an evidenced review to ensure that it is in line with the Council's expectations, with any issues being followed up with the valuer.</li> </ul> <p><b><u>Management comment</u></b></p> <p>The council are confident that its records are up to date. We will ensure that key data is provided to the valuer along with clear requirements. The data received from third parties is sense checked and challenged where necessary.</p>

Employee contracts	
<p></p> <p>Our testing of starters and leavers identified that 2 out of 10 starters tested did not have a contract that had been signed by both parties.</p>	<p><b><u>Recommendation</u></b></p> <p>The Council should ensure that all employee contracts have been signed by both parties. This documentation should be retained by the Council.</p> <p><b><u>Management comment</u></b></p> <p>Further checks will be included to ensure all employee have signed contract held centrally on the system.</p>

<b>Document retention</b>	
 <p>During our testing, there were instances where documentation could not be provided to evidence transactions included within the financial statements.</p> <p>These were most commonly grant and REFCUS related, where departments outside of finance has not retained the documentation.</p>	<p><b><u>Recommendation</u></b></p> <p>Supporting documentation should be retained for all financial information for at least 6 years following the end of the relevant accounting period, in line with standard practices.</p> <p><b><u>Management comment</u></b></p> <p>Services are regularly requested to ensure all grant documentation is provided to finance. Through the monitoring process, where new direct grants are received by services, documentation is requested. This has recently been strengthened by additional communication to all officers setting out the requirements around grant documentation.</p>
<b>eFinancials Access</b>	
 <p>During our walkthrough of eFinancials, we identified that 3 individuals have access to eFinancials who are no longer employed by the Council.</p> <p>Whilst we understand that employee's laptops are collected before they leave the building on their last day, their IT access should also be revoked.</p>	<p><b><u>Recommendation</u></b></p> <p>eFinancials and other sensitive system access should be revoked upon an employee leaving the Council or changing job roles. Access should only be given to those who require access to perform their roles.</p> <p><b><u>Management comment</u></b></p> <p>The leavers had had their roles removed on eFinancials, however they each still had a licence assigned. The role controls access and so their logins could not be used to gain access, but for completeness they should have had their licences removed too.</p>
<b>Deviation from the Accruals Basis</b>	
 <p>During our review of expenditure, we identified that prepayments were not always posted.</p> <p>This has been discussed with management and we understand that prepayments and accruals are not posted unless the invoice relates to a one-off purchase. Where there is an expectation that further invoices will be received in future years, there is no adherence to the accruals basis.</p> <p>This will result in misstatements of the income and expenditure during the first and final financial period that these costs relate.</p>	<p><b><u>Recommendation</u></b></p> <p>In line with accounting policy 5.3, and as required by the CIPFA Code, the Council should adopt the accruals basis for all transactions.</p> <p><b><u>Management comment</u></b></p> <p>The process ensures that regular payments are equalised across years, for example 4 quarterly, or 12 monthly instalments are included to avoid peaks and troughs in expenditure.</p>

<b>Misallocation of Council Dwellings</b>	
	
<p>We have identified that 2 of the 20 Council Dwellings sampled had archetypes different to the information held on the fixed asset register.</p> <p>The Orchard system has the correct details for these assets and the formula rent has therefore been charged correctly. However, it is possible that the properties are included in an inappropriate beacon and have therefore been valued incorrectly.</p>	<p><b><u>Recommendation</u></b></p> <p>A reconciliation of the Orchard system and the fixed asset register should be performed, with properties being reallocated to the most appropriate beacon.</p> <p><b><u>Management comment</u></b></p> <p>An annual reconciliation will form part of the year end process.</p>
<b>Critical judgments</b>	
	
<p>Critical judgements in applying accounting policies should be where the Council has decided between different options where this had a material impact on the financial statements. We do not consider that the items disclosed in note 2 are critical judgements.</p>	<p><b><u>Recommendation</u></b></p> <p>The Council should review their critical judgements note for 2025/26 and ensure that it only includes judgements that have had a material impact on the accounts</p> <p><b><u>Management comment</u></b></p> <p>The note has evolved over time in conjunction with the previous auditor's requirements. This will be reviewed for 2025/26</p>
<b>Assumptions and estimation uncertainty</b>	
	
<p>The following are currently disclosed within note 4 of the financial statements but are not material assumptions and therefore do not have to be disclosed: NDR rates appeals provision; arrears; accruals; impairments; and loans.</p>	<p><b><u>Recommendation</u></b></p> <p>The Council should review their disclosure of assumption about the future and estimation uncertainty note for 2025/26 and ensure that it only includes areas where the impact could be material the accounts</p> <p><b><u>Management comment</u></b></p> <p>The note has evolved over time in conjunction with the previous auditor's requirements. This will be reviewed for 2025/26</p>
<b>Officer emoluments note</b>	
	
<p>Note 12 – Officers' Emoluments shows the number of employees with remuneration over £50,000 in rising bandings of £5,000 and includes the Council's senior officers. The CIPFA Code sets out at paragraph 3.4.5.1 that this note should exclude senior officers, that are then separately disclosed.</p>	<p><b><u>Recommendation</u></b></p> <p>The Council should review its disclosure of officers' emoluments for 2025/26 to ensure that senior officers are excluded from the banded disclosure note in line with the CIPFA Code guidance.</p> <p><b><u>Management comment</u></b></p> <p>These will be removed from 2025/26</p>

Expenditure and income analysed by nature	
 <p>The Fees, Charges and other service income line within this disclosure includes revenue grants. We consider that the disclosure could be enhanced to show the nature of the income streams, disclosing revenue, and capital, grants and contributions separately from fees, charges and other service income.</p>	<p><b><u>Recommendation</u></b></p> <p>The Council should review the disclosures within this note for 2025/26 to disclose revenue and capital grants and contribution separately in order to enhance the disclosure of revenue streams by nature.</p> <p><b><u>Management comment</u></b></p> <p>This separation will be included from 2025/26</p>

## Prior Year Issues – Unresolved

**None**

## Prior Year Issues – Resolved

Formula rent error	
<p></p> <p>Our testing of HRA rental income identified that the Council calculated the formula rent for all of its social housing tenancies incorrectly in 2002. The Council is planning to make refunds to tenants that have been overcharged going back 6 years, in line with statutory limitations and legal advice received.</p> <p>The Council has made an estimate for the impact for a provision in the accounts of £1.545m. It now needs to undertake a detailed exercise to identify the impact of all impacted tenancies. This is a significant exercise due to the scale of the issue, with approximately 2,900 properties impacted, and the nature of how some of the historical data is held.</p>	<p><b><u>Recommendation</u></b></p> <p>The Council must ensure that it allocates sufficient resources and quality assurance processes to the exercise to refund tenants that have been overcharged. It must ensure that there is a clear audit trail to enable future auditor review.</p> <p><b><u>Management comment</u></b></p> <p>Officer working groups have been formed and continue to meet regularly to move forward the correct measures. Processes have already been embedded to prevent any reoccurrence of this error. There are also regular meetings being held with the regulator, the DWP and other parties in order to ensure all corrective measures and actions are embedded in due course</p> <p><b><u>2024/25 update</u></b></p> <p>The Council have rolled forward the provision made in 2023/24 and increased it to reflect the 2024/25 financial year, with the provision at 31 March 2025 being £1.777m. The number of properties used for the 2024/25 additional provision differed from those used in the original provision calculation by 84 properties. Although the Council were unable to provide an analysis of the 84 properties, and the reasons for exclusion from the calculation, we are satisfied that this does not have a material impact on the figures.</p> <p>We have evidenced that the formula rent has been corrected in 2024/25 financial year and the refund provision has been updated in the year to reflect the position as at the year-end.</p> <p>The Council have started to make repayments in 2025/26 to tenants as it progresses the rectification of this issue.</p>

Classification of council dwellings	
<p></p> <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><b><u>Recommendation</u></b></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><b><u>Management comment</u></b></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</p>

	<p>accurate and consistent. Further evidence will be obtained for those five specific properties.</p> <p><b><u>2024/25 update</u></b></p> <p>The Council were able to provide all requested documentation in respect of the council dwellings sampled.</p>
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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><b><u>2022-23 recommendation</u></b></p> <p>That the Council ensures that retrospective controls operate as designed.</p> <p><b><u>2023-24 update</u></b></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><b><u>2023-24 recommendation</u></b></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><b><u>Management comment</u></b></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> <p><b><u>2024/25 update</u></b></p> <p>We have confirmed that there are now retrospective reviews in place for all journals. This takes place monthly to identify any unexpected, unauthorised or erroneous journals.</p>

# 7. 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.

We have nothing to report in this respect.

## 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 2025. The Code 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.

We have not identified any significant weaknesses and 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 not yet completed the limited procedures required in the National Audit Office's group instructions in respect of our work on the Council's WGA submission. This will be done alongside issuing the audit opinion on the Council's accounts.

### **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 2024/25 audit is set out below:

	<b>Fee proposed at planning stage (£)</b>	<b>Final fee (subject to approval by PSAA) (£)</b>
PSAA scale fee 2024/25	163,452	163,452
Review of implementation of IFRS 16	TBC	7,522
Additional work on risk of VFM significant weakness	TBC	4,715
<b>Total (excluding VAT)</b>	<b>TBC</b>	<b>175,689</b>

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

# Appendices

# 1. Letter of representation

Bishop Fleming Audit Limited  
Salt Quay House  
4 North East Quay  
Plymouth  
Devon  
PL4 0BN

[Date]

Dear Sirs

## **Mid Devon District Council**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025**

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 2025. 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 2024/25 (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 council dwelling 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]

## Appendix: Unadjusted items

The table below provides details of adjustments identified during the 2024/25 audit which have not been made within the final set of financial statements.

	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.			248	248
Mid Devon District Council's share of the discrepancy in pension asset valuation between the actuary's report and the net asset statement of the pension fund, as identified by the auditor of Devon Pension Fund.			267	267
Correction of IFRS 16 lease calculation to account for the annual unwinding of the discount applied.	292			292
<b>Total</b>	<b>292</b>	<b>-</b>	<b>515</b>	<b>807</b>

## 2. Required communications with the Audit Committee

Under the auditing standards, there are certain communications that we must provide to the Audit 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"><li>uncorrected misstatements and their effect on our audit opinion;</li><li>the effect of uncorrected misstatements related to prior periods;</li><li>a request that any uncorrected misstatement is corrected; and</li><li>in writing, corrected misstatements that are significant.</li></ul>	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"><li>enquiries of those charged with governance to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li><li>any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li><li>a discussion of any other matters related to fraud.</li></ul>	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"><li>our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li><li>significant difficulties, if any, encountered during the audit;</li><li>significant matters, if any, arising from the audit that were discussed with management;</li><li>written representations that we are seeking;</li><li>expected modifications to the audit report; and</li><li>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.</li></ul>	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



This document is confidential to: **Mid Devon District Council**

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[www.middevon.gov.uk](http://www.middevon.gov.uk)

Your Ref:  
Our Ref: PD/LP  
9 December 2025

Contact: Andrew Jarrett  
Telephone: 01884 234201  
Email: [Ajarrett@middevon.gov.uk](mailto:Ajarrett@middevon.gov.uk)  
Fax / DX: 01884 234318

Dear Sirs

**Mid Devon District Council**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025**

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 2025. 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 2024/25 (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.

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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.

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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.

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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  
9 December 2025

## Appendix - Unadjusted items

The table below provides details of adjustments identified during the 2024/25 audit which have not been made within the final set of financial statements.

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
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Mid Devon District Council's share of the discrepancy in pension asset valuation between the actuary's report and the net asset statement of the pension fund, as identified by the auditor of Devon Pension Fund.			267	267
Correction of IFRS 16 lease calculation to account for the annual unwinding of the discount applied.	292			292
<b>Total</b>	<b>292</b>	<b>-</b>	<b>515</b>	<b>807</b>

**Report for:****Audit Committee**

---

Date of Meeting:	9 December 2025
Subject:	Updated Statement of Accounts 2024/25
Cabinet Member:	Cllr John Downes, Cabinet Member for Governance, Finance and Risk
Responsible Officer:	Andrew Jarrett, Deputy Chief Executive (S151)
Exempt:	N/A
Wards Affected:	All
Enclosures:	2024/25 Statement of Accounts (updated) 2024/25 Annual Governance Statement 2024/25 Letter of Representation

**Section 1 – Summary and Recommendation(s)**

To present the proposed final version of the 2024/25 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 2025.

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 2024/25 Statement of Accounts (noting the findings made by our external auditor, Bishop Fleming – see separate agenda item).
2. The Audit Committee approves the 2024/25 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 2024/25 have been produced in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and all other relevant accounting legislation.
- 1.2 The main change for 2024/25 was the introduction of IFRS16 Leases. This sees the recognition of assets where the Council has the “right of use” brought onto the balance sheet, effectively now requiring all leases to be treated as debt, rather than just finance leases.

### **2.0 The Statement of Accounts**

- 2.1 The Unaudited Statement of Accounts 2024/25 were signed off by the Council's S151 Officer in June 2025 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 2025. Although one member of the public requested a significant amount of documentation through the Public Inspection period, no challenge was submitted to the external auditor.
- 2.2 The detailed management accounts were included in the outturn report presented to the Cabinet on the 17 June 2025. 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 more than £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, although this process is severely hampered by the lack of information from Government on the raft of changes to local government funding from 2026. The Cabinet have ongoing dialogue with Leadership Team, who in turn have discussions with Corporate Managers and Service Managers to discuss funding reduction scenarios to balance our ongoing expenditure needs associated with the current Corporate Plan.

### **3.0 Changes to the Accounts**

3.1 The findings on the 2024/25 Accounts have been presented by Bishop Fleming to this Audit Committee. Within the final accounts presented here, there have been some minor changes to the draft account previously reviewed by the Committee in June 2025. Whilst there were two amendments affecting asset valuations (see 3.3), the following changes were purely presentational:

<b>Statement / Note</b>	<b>Page No</b>	<b>Description of Change</b>
Comprehensive Income & Expenditure Statement (CIES)	54	Surplus or Deficit on Revaluation of Available for Sale Financial Assets line removed (AfSFA)
Note 14 - External Audit Costs	78	Audit firm's names removed from descriptions and rows consolidated where possible
Note 22 – Plant, Property & Equipment (PPE)	90	Negative additions moved to derecognition - disposals line. Assets Under Construction (AUC), Council Dwellings & Other Land & Buildings columns affected
Note 22 – Plant, Property & Equipment (PPE)	90	IFRS 16 Adoption line added with £1,634k moved to this line from Additions for Vehicles, Plant & Equipment (VPE)
Note 60 - HRA Adjustments between Accounting Basis and Funding Basis under Regulations (ABF)	125	Increased column width to show hidden text
Note 61 - Housing Stock	129	Total row added to table

3.2 As shown within the above table, most changes are minor, with no impact on the overall figures.

3.3 However, there were two changes affecting the numbers relating to asset valuations, which are highlighted yellow in the accounts. The first was a change in the treatment of spend on an asset owned by the council, which had been treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS). This resulted in a net credit of £291k to the CIES and an equal increase to PPE on the Balance Sheet.

3.4 The second change was a correction to some dwelling valuations which had been revalued as part of the 2024/25 valuation cycle. Whilst the District Valuer had carried out a full revaluation on these assets, their final valuation report had included indexed valuations for these dwellings in error. The correction of this error resulted in a net £286k credit to the CIES and an equal increase to PPE on the Balance Sheet.

3.5 Although there are many other changes to the statements and tables in the Statement of Accounts linked to these two amendments, they all balance out to zero with no further implication on the bottom line and no impact on useable reserves.

3.6 In addition, there are some other minor adjustments highlighted that have not been amended within the accounts as they fall below the triviality threshold.

These are highlighted on page 15 within the Auditor's Audit Completion Report (AFR). These largely relate to matters outside of the Council's control.

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

4.1 The committee reviewed the Annual Governance Statement (AGS) at its June 2025 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 2024/25 Statement of Accounts which reflect a true and fair view of the financial position of the Council as at 31 March 2025.

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 underpin 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 2024/25 and entered 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 Officer

**Date:** 29.11.25

**Statutory Officer:** Maria De Leiburne

Agreed on behalf of the Monitoring Officer

**Date:** 1.12.25

**Chief Officer:** Stephen Walford

Agreed by or on behalf of the Chief Executive/Corporate Director

**Date:** 1.12.25

**Performance and risk:** Dr Stephen Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

**Date:** 1.12.25

**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:** 2024/25 Draft Statement of Accounts

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## **STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2025**

Version 1  
Version 2

13 June 2025      Draft Statement of Accounts  
18 November 2025      Updated Draft Statement of Accounts

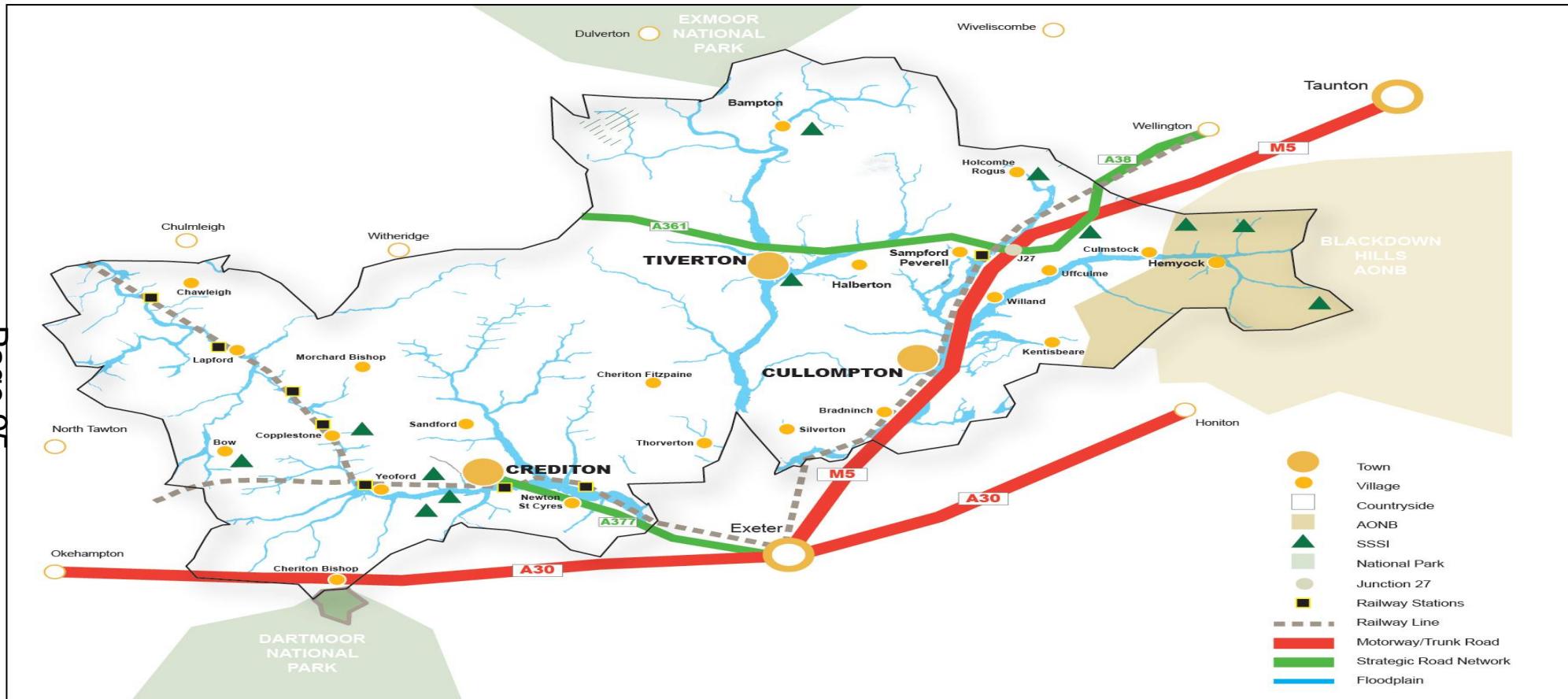
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# 1 Introduction to Mid Devon District Council

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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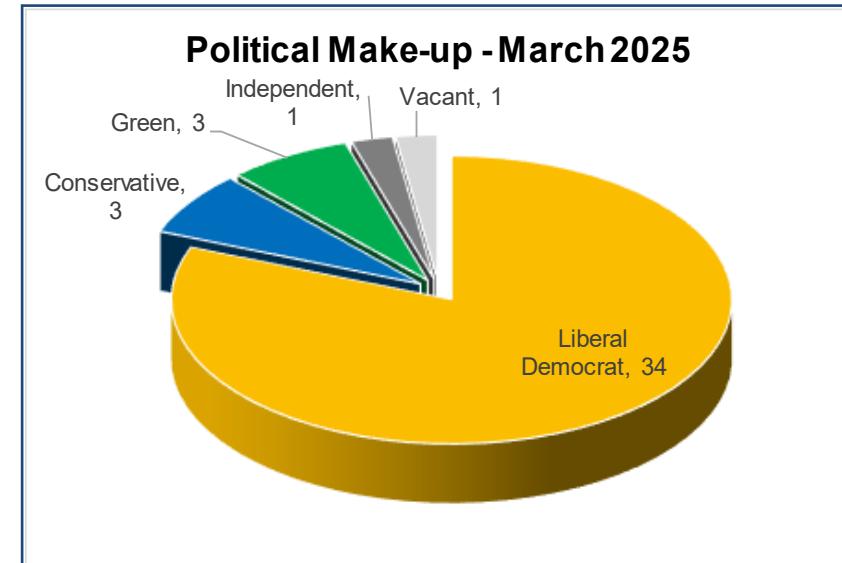


Of the Districts Councils in England, Mid Devon is the one of the largest in England by area, it is also one of the smallest by population. Mid Devon District Council serves a rural location covering an area of 353 square miles (914 km<sup>2</sup>) in the agricultural heartland of Devon, between Dartmoor, Exmoor and the Blackdown Hills. More than half the population of some 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.

## Council Structure

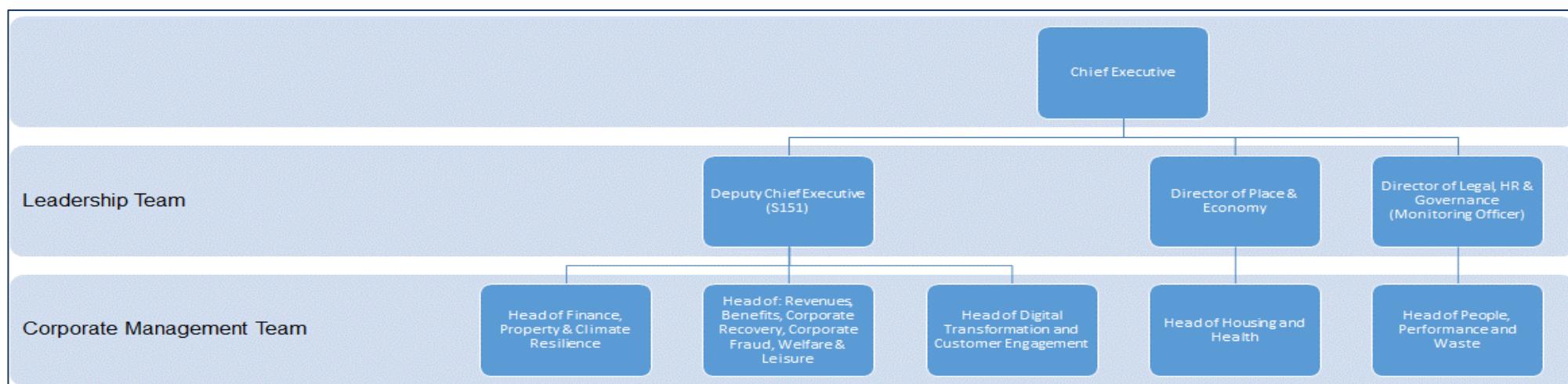
Mid Devon District Council is a progressive council committed to providing high quality and sustainable services, creating an environment where communities and businesses can flourish and grow together.

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. At the end of 2024/25, the political make-up of the council was 34 Liberal Democrats, 3 Conservative, 3 Green, 1 Independent and 1 vacancy. The Council has adopted the Cabinet model of governance. Supporting the Cabinet are five Policy Development Groups overseeing the five 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.



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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

The Council's Corporate Plan provides the framework for the delivery and monitoring of the Council's corporate ambitions. Our [Corporate Plan for 2024-2028](#) is split into five sections (or themes). These are:

- Planning, Environment & Sustainability – To be a leader and pioneer of best practice so new innovation and thinking is at the heart of the services we deliver and informs our planning policies.
- Community, People & Equalities – Involving and engaging with our communities, ensuring everyone is treated with equity and respect, and protecting our most vulnerable.
- Homes – Delivering new affordable and social homes annually, improving and maintaining the existing stock to the highest standards.
- Economy & Assets – Growing the district economy and increasing returns from our assets.
- Service Delivery & Continuous Improvement – Providing high quality and efficient services to support and improve the lives of people in Mid Devon.

Within each of these five themes we set out:

- What we want to achieve
- How we will achieve it
- How we will measure our performance

To ensure transparency and accountability, we have set out how we will measure the performance of our Corporate Plan and our targets.

## 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.

There are eight sets of competencies for every member of staff regardless of their role and grade in the organisation:

1. Seeing the Big Picture
2. Changing & Improving
3. Leading by Example
4. Communicating & Influencing
5. Building Capability
6. Making Effective Decisions
7. Delivering Quality, Value & Pace
8. Collaborating & Partnering

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## 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 2024-2028. 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 my second set of Accounts that I have had the privilege of introducing.

Initially I would like to thank all of the staff who have been involved in this key statutory process and all of our officers who have made 2024/25 another successful one.

When we took control of the Council I made it very clear that our focus would be; efficiency and transparency, improved communication with our residents, the delivery of increased numbers of council houses, continued responsibility for our carbon footprint, service delivery at top levels of national performance and looking after some of the most vulnerable of our society. Therefore, it is with some amount of pride that I can reflect on the addition of 57 new homes within Mid Devon Housing stock, reducing the running costs of our 3 excellent leisure centres by over £400k (a key manifesto pledge), increasing our resident communication satisfaction rate by nearly 10%, delivering more financial hardship relief, making further decarbonisation investments across our corporate estate, all whilst seeing key service performance in areas such as waste/recycling and revenue collection perform in the top 5-10% of national rates!

The final outturn position for 2024/25 reflects the ongoing work of the Council to generate further efficiencies, set against the continued reducing funding allocations of Central Government. Finishing the year, for the General Fund, with a £1.5m budget surplus, shows all of the hard work that our officers have delivered in order to give some financial buffer to offset the ongoing challenges of a funding review that is likely to pass even more pain onto the local government sector.

**Q** The Housing Revenue Account still performed well as a service, however a few exceptional project related issues and the rent error correction generated an overall budget overspend. With regard to the rent error, I am very pleased how once this was identified, our officers made an instant self-referral to the Regulator and set up and is delivering to a well-planned correction programme.

Moving forward the budget for 2025/26 was set maintaining key frontline services, focusing more on further efficiencies and income maximisation, rather than reductions of delivery/quality. We maintained Council Tax increases within nationally prescribed limits, recognising the financial challenges many of our residents and businesses are still experiencing, and have not placed significant reliance on the utilisation of reserves.

Early work on the Cullompton Town Centre Relief Road is encouraging. Land assembly and sport clubs relocation efforts are now ongoing, in order to see this key piece of infrastructure ease ongoing transport congestion issues and unlock vital new development so desperately needed for the town.

It would be difficult to talk about the future without a reference to Local Government Reorganisation. Early draft submissions were made in March 2025, we are now reflecting on the initial feedback and the more detailed work has now begun to complete the final submissions required in November 2025. Clearly, this will be a significant and challenging piece of work. But while this is all progressing in the background, I can reassure our residents that we will keep them updated and consulted, still while delivering high quality service provision in all areas of Council activity.

In returning to the Council's annual accounts for 2024/25 I would like to again extend my thanks and appreciation to all those who have helped take us through this statutory journey, including the Council's auditors, in order to provide these for publication in accordance with our fundamental principles of transparency in public service.

**Cllr Luke Taylor  
Leader of the Council**

### 3 Views from the Chief Executive



As always, I start with my thanks and commendations to 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.

This year's accounting period saw the Council celebrate its 50th anniversary, being officially brought into being in 1974. Of course, much has changed over that time period. Indeed, the one constant has been the Council's change and evolution as it modernises, adopts new ways of delivering services, or deploys new technology to make services better or cheaper (ideally both). The new national government may well have different designs for the future of local government, but for now we continue to focus on the fundamentals of service delivery, supporting our citizens, and securing a better future for Mid Devon.

It is not clear when the proposition for the Cullompton town centre relief road first came into being; the M5 motorway itself did not yet include the Cullompton section when Mid Devon District Council was being born those 50 years ago, but for perhaps the last 20 years or so it has been clear to the people of Cullompton that improvements were needed. This last year marks the year when the deal was done and funding was finally secured to deliver that relief road. While construction will take a few years yet, it marks a significant achievement to secure this infrastructure, and attention now turns to the business case that has been

submitted for the full motorway junction upgrade, alongside the return of the railway station that currently seems to be frustratingly parked in the sidings of government review.

Progress has also been made with devolution ambitions for Devon, with the new Combined County Authority being formally created and initiated – and Mid Devon securing some initial funding to deliver a number of housing-related schemes. I continue to hope that this realises a more significant opportunity in the years ahead to develop shared investment pipelines that secure the Council's strategic ambition for the delivery of more affordable and social homes.

Given the significant financial impacts of our housing investment, expenditure and income, it is pertinent to reflect on the challenges and achievements of the last year; the challenges that come from uncovering an historic error in the formula rent calculation, meaning a substantial amount of work will be needed over the coming months to correct rents and resolve overpayments to affected tenants. But also to reflect on the achievements, not just on investment secured, but on the many regional and national awards the Council has won or been shortlisted for (19 at the last count) as part of its net zero and modular build social housing schemes. In a year that saw the completion of the Devon Housing Commission and the publication of Lord Best's report, this illustration of the stark challenges facing Devon's housing authorities is a timely reminder and motivator for our continued efforts on social housing performance and delivery.

Finally, while the spectre of local government reorganisation is likely to give new context to our thoughts on future shared service provision, efficiency, and strategic alignment with partnering authorities, we should not lose sight of the fact that the yardstick of customer satisfaction for local authorities continues to be the basics of service delivery. This year represent another 'best ever' as we continue to improve our waste and recycling rates, with results now seeing Mid Devon ranked 11th best in the country for recycling, and 9th best for our residual waste collections. As a significant milestone, it is inevitable that we reflect on what the Council is today compared to its creation those 50 years ago. However, our future will continue to be shaped by the enduring ethos of efficient service delivery, custodianship of our place, protection of the vulnerable, and supporting our residents and businesses to thrive in Mid Devon.

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

VERSION 1 - DRAFT



## Financial Commentary by Deputy Chief Executive (S151)

The 2024/25 budget was again produced in uncertain times. However, keeping within statutory Council Tax limits, maintaining and increasing some of our vital reserves, delivering ongoing service efficiencies/improvements and ensuring no major service reductions, demonstrates an excellent position for the Council and its residents.

Reflecting on how the year concluded is again highly encouraging, especially for the General Fund; a £1.5m budget under spend highlights the efforts our service managers have made and allows us to provide some headroom for future funding challenges, especially the delayed changes to business rate funding.

Returning to Council service delivery, our waste/recycling and revenue collection teams delivered operational performance in the top 5-10% set against national comparators, we have significantly reduced the operational costs of our 3 excellent leisure centres (and continued to reduce their carbon footprint) and have been successful in securing further funding bids from Government (i.e. Homelessness, Food Waste, Economic Development

Grants, Sport England, Salix, Changing Places, Care Leavers funding and significant funding to support the development of new Social Housing such as Prisoners Building Homes Grant and the Affordable Homes Programme from Homes England). Of particular note is finally securing £33.5m of Housing Infrastructure Funding (HIF) to build the Cullompton Relief Road and unlock the development potential in that area.

Key

The outturn position for our Housing Revenue Account (HRA) was more challenging this year after the identification of the rent setting error. However, service performance metrics were kept at nationally recognised high levels and with the exclusion of the exceptional adjustments for the rent refund, the sale of Post Hill and some sunk costs of a non-viable development project, the HRA performed favourably against budget.

The service continues its ambitious building development programme and to this end there has been the addition of 29 new homes within Mid Devon Housing stock and the new over 55s development at St Georges in Tiverton has seen its first new tenants.

This overall General Fund budget saving will allow the Council to enhance some necessary reserves and also make sure we are in a position to financially manage the currently unknown future of both short term local government funding changes and the medium term challenge of Local Government Reorganisation (LGR).

Looking to the future, which remains a fairly uncertain one. The aforementioned reference to LGR and further devolution opportunities, coupled to the potential decisions emanating from the summer Spending Review, linked to Government decisions on the future of business rates funding, multi-year funding settlements, a break-even cost position for planning and the impact of the new extended producer repayments on our waste service introduced from 2025/26 are just some of the strategic issues Councils will be grappling with. All of this uncertainty continues to make the medium term financial forecasting of local government finance more and more challenging!

However, set against this challenging and uncertain financial backdrop the Council continues to maintain high performing services, makes robust financial plans for the future and holds sufficient and robust reserves in order to navigate through these potentially turbulent times.

## 2024/25 Financial Highlights

2024/25 saw a notable underspend reported in the General Fund, which should be considered a remarkable achievement given the economic climate and multiple years of austerity and is a credit to the financial management of the organisation. Our Council Tax and Business Rates collection rates increased year-on-year, to 97.6% and 99.8% respectively, with the business rates collection rate likely to place us within the very best councils in the country. This strong collection rate enabled the previous deficit on the Council Tax fund to be overturned and a healthy surplus created. Similarly the deficit on Business Rates has reduced significantly year-on-year. Income was also much higher across leisure reflecting increase memberships and various waste collection services derived from nationally recognised recycling rates. However, income remained lower than assumed within the budget for both Planning (-11%) and Land Charges (-20%) due to the economic conditions and depressed housing development leading to fewer planning applications. Yields were lower on our treasury investments resulting from lower levels of balances invested, yet a good average of 4.89% return on internally managed funds was still achieved.

However, once again throughout the year, the Council has struggled to retain and recruit, with the annual staff turnover at 16.3%. This has led to higher than budgeted agency costs, particularly within Finance, Legal, Enforcement and Waste. Overall agency spend was £523k above budget (£571k in 2023/24), however this is offset by the vacancy underspends on the overall staffing establishment. Sickness levels have reduced markedly with 7.35 days per FTE lost during the year (10.45 days per FTE in 2023/24).

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A number of long-term projects to enhance the local economy and community has been progressed, including Cullompton Town Centre Relief Road following the long awaited successful bid for £33.5m funding. This has a knock-on impact on projects such as Culm Garden Village, J28 enhancement and the Cullompton Railway Station also funded through grants received. Nearly £900k was spent through the Shared Prosperity fund and Rural England Prosperity Fund, delivering significant benefit to the locality.

Each year, the Council plans to undertake projects across its property portfolio to replace / enhance its assets. Following a risk based review urgent projects, or those addressing Health & Safety matters or regulation compliance were prioritised. In addition to the continued fire safety works across our leisure centres, refurbishment works were also undertaken at Phoenix House and Exe Valley leisure centre and within parks and open spaces. A full set of condition surveys have been undertaken across the estate informing the programme of projects within 2025/26.

The Housing Revenue Account on the other hand saw a notable overspend, following a number of one-off issues. There were accounting adjustments of £1.6m required to charge the revenue budget with spend on capital projects that were considered unviable. During the audit of the 2023/24 accounts, an error was identified within the calculation of Social Rents – which reduced the collectable rental income. Otherwise, excluding the one-off exceptional items, performance levels were close to the initial agreed budget, as reported during the year.

Overall, although an extremely challenging financial year, through excellent budgetary control by service management, the Council has made significant in-year savings to enhance reserves or 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 restated usable reserves, following the reclassification of S106 funding, have increased by £1,931k to £45,259k in 2024/25. Whilst overall there is an increase, the movements within General Fund and Housing Revenue Account were quite different, where General Fund saw a net increase of £2,339k, the Housing Revenue Account’s reserves fell by £809k reflecting their respective outturn positions.

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

The Comprehensive Income and Expenditure Statement (CIES) shows an overall deficit of £4,875k. 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 £1,547k surplus on the General Fund which has been contributed to the General Fund Earmarked Reserves, and a £1,727k deficit on the HRA that has been drawn from the 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 2025 Balance Sheet. The Property, Plant and Equipment valuation, after adjustment for additions, disposals, and finance leases decreased by £1,689k during 2024/25. This is due to a slight reduction in the value of the housing stock. The value of our short term investments were lower as more internal borrowing supported the capital programme. Short term Creditors increased following work complete by Devon County on the Cullompton Relief Road. The long term Creditors increased resulting from the adoption of IFRS16 and the inclusion of the lease for the Waste Depot.

### Cash Flow Statement

The Council had a net cash reduction during 2024/25 of £9k. Although a minor movement overall, there were large movements within this figure, including the deficit on the provision of services, offset by less investment in Property, Plant and Equipment compared to the previous year.

### The Collection Fund

The Council set a Band D equivalent Council Tax rate of £232.16 in 2024/25. There was a surplus of £829k on the Council Tax Collection Fund in 2024/25 due to a higher than budgeted growth and the higher collection rate achieved in the year of 97.6% (97.5% in 2023/24). Circa 13% is due to Mid Devon District Council, amounting to £108k.

Similarly, the growth in Business Rates and collection rate achieved in the year, at 99.8% (99.4% in 2023/24), were also higher than budgeted. The 2024/25 collection fund forecasts a deficit of £618k, with Mid Devon’s 40% share of this amounting to £247k.

## The Financial Outlook

Setting the 2025/26 budget was a very challenging process not helped at all by Government arbitrarily cutting key grants such as Rural Services Delivery Grant and Services Grant at very late notice. This left us and many other rural district councils with real cuts in government funding (18% for MDDC). Therefore, the 2025/26 budget once again includes increases in income budgets reflecting the positive direction of travel experienced in both 2023/24 and 2024/25, along with a wide range of service savings and efficiencies to balance the budget without any draw from reserves.

Although difficult to envisage, the financial outlook for councils perhaps looks more uncertain than ever. Significant changes in Local Government funding have been trailed by the Government for 2026/27 with no indication as yet to the likely impact at individual Council level, making planning for future service delivery practically impossible.

Locally this is compounded by the announcement of Local Government Reform (LGR) in Devon. Essentially, the Government is seeking to replace the current two-tier structure of district and county councils, with a new two-tier structure of unitary councils and sub-regional strategic authorities by 2028. Local discussions are ongoing about the make-up of the new bodies, but clarity is unlikely before the summer of 2026.

Whilst these fundamental changes in the sector's funding and structure lay ahead, Mid Devon District Council remains 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.

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**Andrew Jarrett**  
**Deputy Chief Executive (S151)**

## 4 Narrative and Performance Report 2024/25

### 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 2025. 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 2024/25 Overview

During the year regular financial monitoring information has been produced and reported to Senior Management and Elected Members based on the information known at each point in time during the year. The month 9 monitoring report tabled at the 4 March 2025 Cabinet meeting forecast the General Fund to be an estimated £293k under budget. This under spend position was largely built around good income generation in both Leisure, through increased memberships, and Waste where the Bin-it 123 scheme has significantly increased recycling rates, enabling higher volume to be sold. Staffing savings were also a key contributor to the positive position, with lower agency spend, lower staff turnover and lower staff sickness.

The General Fund outturn position proved to be significantly higher than that month 9 forecast at £1,547k. This is largely due to finalising the position on Business Rates, S106 receipts and grant funding received late in the year. Retained income from Business Rates was over £950k higher than budgeted. This income stream is incredibly difficult to forecast accurately in-year but the exceptional collection rate of 99.8% shows our Revenues section has consistently been effective in collecting the annual charge in extremely challenging economic times. Substantial S106 funding relating to the Cullompton Relief Road was received late in the financial year for Air Quality purposes. Similarly late in the financial year, additional grant income was received for homelessness prevention and rough sleeping.

Considering some of the financial negatives from the year, Planning and Land Charges income saw fewer applications due to the continued depressed housing market. Interest earnt on investments was lower than budgeted as more internal balances are being used to support the Capital Programme, leaving less funding available for investment. Although overall lower than in previous years, there were pockets of extraordinary spend on agency staff in professional service areas including Finance, Legal and Building Control. There were increase costs including audit fees.

The HRA outturn position also moved considerably from the £174k forecast under spend at month 9, to a deficit of £1,727k. Once again, this is due to a number of large, one-off technical year end transactions. Excluding those exceptional items, performance levels were close to the initial agreed budget, as reported during the year, with salary underspends and reduced interest payable due to continued use of internal balances rather than external debt financing and increased disabled adaptations income. As with the General Fund, additional contractor spend was incurred due to the salary underspend. Material prices also increased again this year.

Considering the ongoing budgetary challenge faced by the sector, the forecast under spend on the General Fund and the underlying ongoing HRA 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.

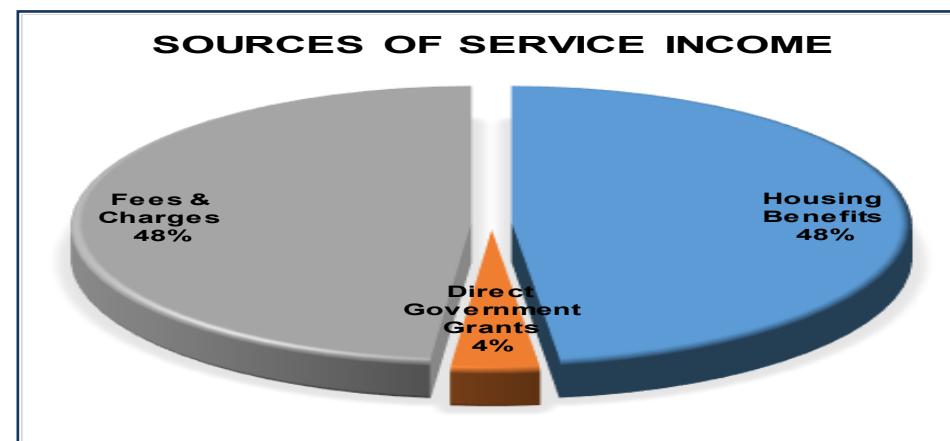
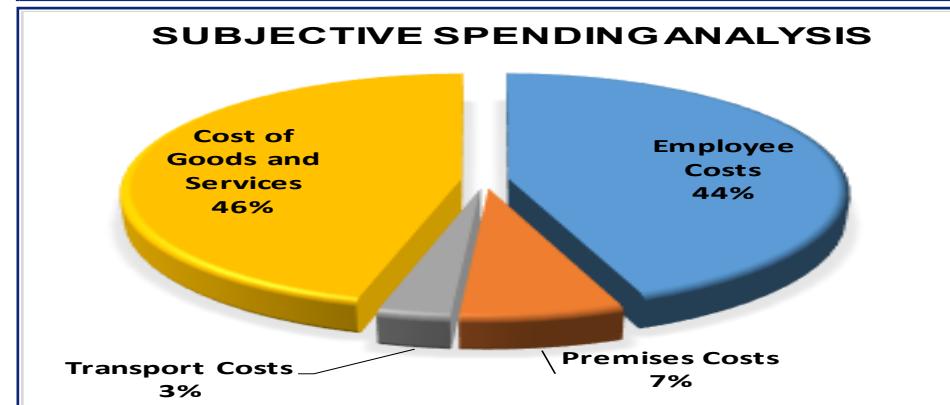
### 4.3 Outturn Summary

The table below shows the summary outturn position against budget.

	Budget	Actual	Variance	Net contributions	Final balance	Total Expenditure
	2024/25	2024/25		To / (From) Earmarked Reserves 2024/25		variation after Earmarked Reserves 2024/25
	£	£	£	£	£	£
Cementeries and Bereavement Services	(126,548)	(61,986)	64,562	(12,099)	0	52,463
Community Development	190,638	201,716	11,078	0	0	11,078
Corporate Management	1,503,206	1,813,310	310,104	(38,760)	0	271,344
Car Parks	(732,427)	(736,293)	(3,866)	0	0	(3,866)
Customer Services	815,120	767,838	(47,282)	0	0	(47,282)
Environmental Enforcement & CCTV	192,469	175,261	(17,208)	20,000	0	2,792
Public Health	827,841	(251,549)	(1,079,390)	996,921	0	(82,469)
Finance and Procurement	921,765	879,654	(42,111)	0	0	(42,111)
Grounds Maintenance	564,189	505,343	(58,846)	(3,219)	0	(62,065)
General Fund Housing	392,535	223,985	(168,550)	200,000	0	31,450
People Services	611,370	556,166	(55,204)	0	51,000	(4,204)
I.T. Services	1,346,080	1,299,576	(46,504)	(41,906)	88,000	(410)
Legal and Democratic Services	1,096,359	993,152	(103,207)	0	0	(103,207)
Parks and Open Spaces	260,331	166,275	(94,056)	112,970	0	18,914
Planning and Regeneration	1,210,411	1,267,447	57,036	(50,856)	0	6,180
Property Services	1,712,433	763,747	(948,686)	870,788	251,000	173,102
Revenues and Benefits	872,450	995,767	123,317	0	0	123,317
Recreation and Sport	983,303	563,700	(419,603)	72,047	0	(347,556)
Waste Services	3,173,310	2,405,947	(767,363)	31,203	200,000	(536,160)
<b>ALL GENERAL FUND SERVICES</b>	<b>15,814,835</b>	<b>12,529,056</b>	<b>(3,285,779)</b>	<b>2,157,090</b>	<b>590,000</b>	<b>(538,689)</b>
Net recharge to HRA	(1,957,080)	(1,856,740)	100,340	0	0	100,340
Statutory Adjustments (Capital Charges)	812,700	1,032,932	220,232	114,537	0	334,769
<b>NET COST OF SERVICES</b>	<b>14,670,455</b>	<b>11,705,248</b>	<b>(2,965,207)</b>	<b>2,271,626</b>	<b>590,000</b>	<b>(103,580)</b>
Finance Lease Interest Payable	274,960	277,667	2,707	0	0	2,707
Interest Receivable / Payable on Other Activities	(982,224)	(849,407)	132,817	0	0	132,817
Transfers To / (From) Earmarked Reserves	(840,619)	791,994	1,632,613	(1,632,612)	0	0
Revenue contribution to fund 2024/25 Capital Programme	0	639,014	639,014	(639,014)	0	0
<b>TOTAL EXPENDITURE</b>	<b>13,122,572</b>	<b>12,564,517</b>	<b>(558,055)</b>	<b>0</b>	<b>590,000</b>	<b>31,944</b>
<b>FUNDED BY:-</b>						
Non-Domestic Rates	(4,421,735)	(5,379,048)	(957,313)	0	957,242	(70)
Council Tax	(6,968,476)	(6,968,476)	(0)	0	0	(0)
Local Government Finance Settlement	(1,732,361)	(1,732,360)	1	0	0	1
Other Grants	0	(31,874)	(31,874)	0	0	(31,874)
<b>TOTAL FUNDING</b>	<b>(13,122,572)</b>	<b>(14,111,759)</b>	<b>(989,187)</b>	<b>0</b>	<b>957,242</b>	<b>(31,944)</b>
Adjustment to GF Balance	0	0	0	0	0	0
<b>NET INCOME AND EXPENDITURE</b>	<b>0</b>	<b>(1,547,242)</b>	<b>(1,547,242)</b>	<b>0</b>	<b>1,547,242</b>	<b>0</b>

#### 4.4 Types of Service Income and Expenditure

General Fund Revenue Account Outturn - Subjective Analysis				
	Budget 2024/25 £k	Actual 2024/25 £k	Variance £k	%
Employee Costs	17,446	17,357	(90)	(0.51%)
Premises Costs	4,132	2,844	(1,288)	(31.17%)
Transport Costs	1,296	1,269	(27)	(2.06%)
Cost of Goods and Services	16,658	17,922	1,264	7.59%
Income	(23,717)	(26,862)	(3,145)	13.26%
<b>TOTAL NET DIRECT SERVICE EXPENDITURE</b>	<b>15,815</b>	<b>12,529</b>	<b>(3,286)</b>	<b>(20.78%)</b>



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.

Here is a breakdown of the Council's expenditure over the main subjective groupings.

- Employees – salaries, national insurance, pensions, etc.
- Premises – such as rents, rates, electricity, water and similar
- Transport – such as cars, fares and similar
- Goods and services – such as equipment, Contract payments and hired services and similar

The bulk of the day-to-day operational costs fall in staffing, with the council having around 550 staff – see the Workforce data section below.

Within the cost of Goods and Services is £10.7m Housing Benefits subsidy payments, which are passed through to claimants directly from Government. Other costs included is the cost of temporary accommodation for homeless and IT licenses and Member's Allowances. In addition, there is the planned S106 spend and contributions to Earmarked Reserves to cover future costs such as planned maintenance.

Within income, is the offsetting S106 Contributions and Housing Benefits funding received from Government. Also included are a number of grants received directly for specific purposes. The majority of these relate to Homelessness and Rough Sleeping. There are also grants to cover the cost of administering government functions such as Housing Benefits and Business Rates collection.

Finally we have income raised from fees and charges. The significant income streams relate to Planning, Car Parking and across a number of sources within Waste such as income from selling recyclate along with Green and Trade Waste subscriptions.

#### 4.5 Sources of Core Funding

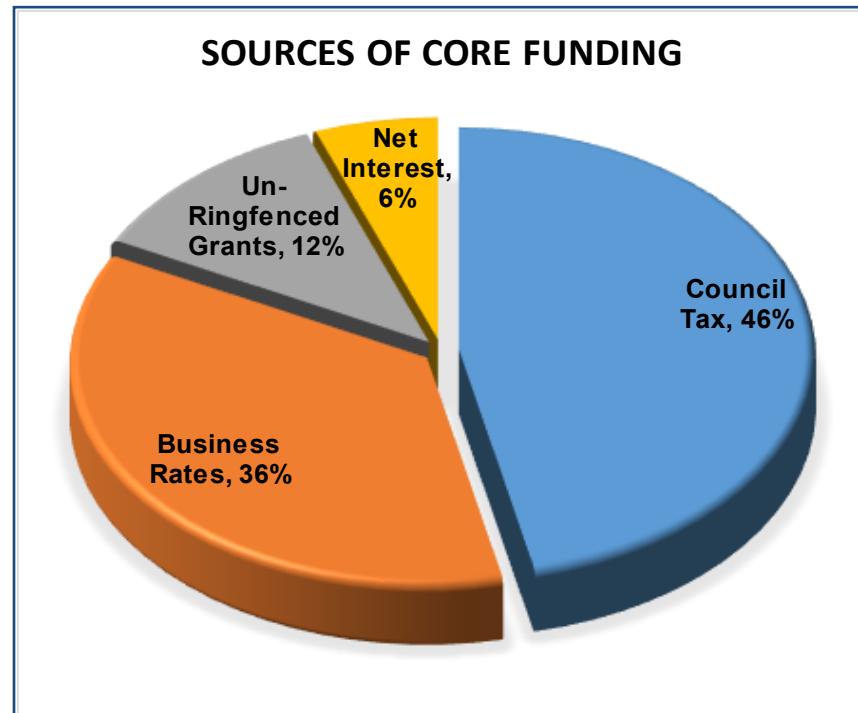
The Council's core funding streams for 2024/25 that fund the Net Expenditure are detailed below. It shows that the Council is largely funded through localised taxation, namely Council Tax and Business Rates.

During 2024/25, the Council retained £5,379k from Business Rates, £957k above budget, due to further growth in the taxbase and the benefit of a lower levy as a partner in the Devon Business Rates Pool.

In setting the budget for 2024/25, the Council increased Council Tax by 2.99% for a Band D property. This meant that the Band D Council Tax rate became £232.16 and gave overall budgeted income of £6,968k.

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 4% increase in the Core Spending Power before local Council Tax decision.

Finally, the Council invests its cash balances to generate interest. In 2024/25 £849k of Net Interest (after deducting Interest Payable) was earnt achieving a 4.89% return on investment.



#### 4.6 General Fund Revenue Reserves

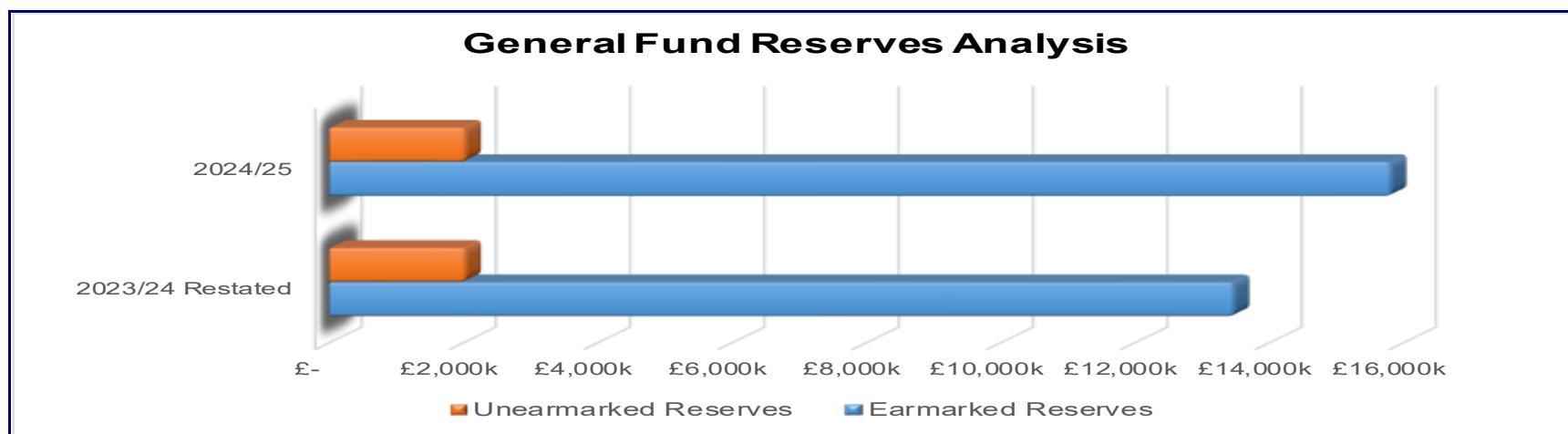
The Financial Strategy is to retain sufficient General Fund balances to meet our major financial risks. The greater the level of uncertainty and risk, the more likely it is that these may be needed. Consideration has been given to the levels of reserves as these are the means by which the Council can 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 2024/25 budget.

The outturn position resulted in an under spend of £1,547k that was transferred to various Earmarked Reserves to meet future pressures in asset maintenance and the exceptional level of change expected in Local Government funding in 2026/27. Therefore, the General Fund bottom line is net nil and General Fund Reserve remains 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.

At the start of the financial year, the level of Earmarked Reserves stood at £16,628k. However, during the year a review of S106 balances was undertaken and based upon technical advice, £3,161k was moved from Earmarked Reserves into Creditors (held on the Balance Sheet). This reflects that some S106 contributions have explicit conditions that must be met before the Council can recognise the funds as income.

A number of movements in and out of Earmarked Reserves totalling £792k have taken place; some budgeted such as planned maintenance or capital contributions, some as a result of delays in operational spend therefore the funding will be retained until when the cost will be incurred. Adding the outturn underspend resulted in an overall increase across the various General Fund Earmarked Reserves of £2,339k from the restated start of the year balance. Therefore, in total they now stand at £15,806k at 31 March 2025.



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.

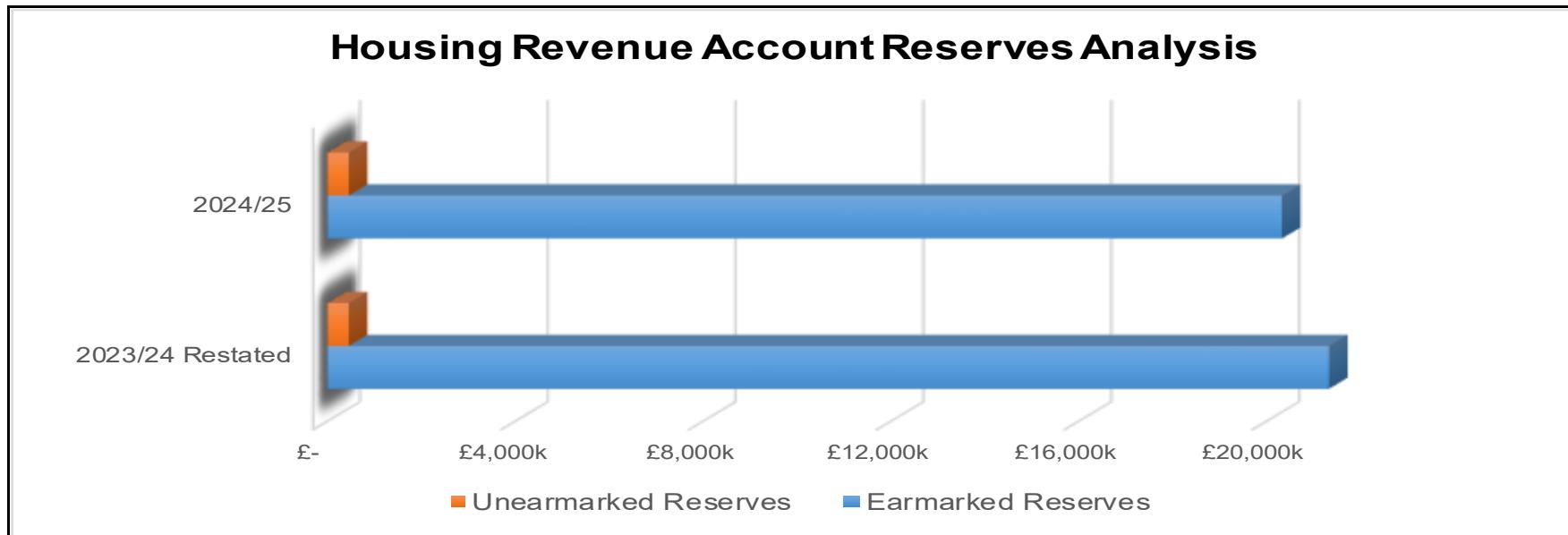
HRA Outturn	2024/25		2024/25	
	Budget	Outturn	Variance	%
	£k	£k	£k	%
Gross Income	(16,000)	(15,503)	497	(3.11%)
Service Expenditure	9,220	9,836	616	6.68%
Other Net Operating Costs and Income	262	298	36	13.81%
Earmarked Reserve Transfers	3,909	4,012	103	2.64%
Capital Financing and Debt Repayment	2,309	2,984	675	29.26%
Technical Accounting Adjustments	300	99	(201)	(66.98%)
<b>Net Variance</b>	<b>(0)</b>	<b>1,727</b>	<b>1,727</b>	<b>(10.79%)</b>

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £16,000k for the year. The HRA reported a net deficit of £1,727k for 2024/25 which is 10.8% of gross budgeted income. This follows a number of one-off technical adjustments including clearing the capital financing balance relating to the Post Hill development disposed of during the year, transferring the sunk costs on unviable development projects from capital into revenue and the reduction in 2024/25 rental income arising from Social Rent formulae correction.

Excluding these adjustments, the day-to-day operational expenditure was slightly below budget as reported during the year. There were underspends on staffing budgets due to vacancies and recruitment difficulties, leading to offsetting increases in contractor costs. Material costs have also increased more than forecast in the budget. There are reduced costs in terms of recharges from the General Fund resulting from the lower costs incurred in providing services to the HRA, along with additional income for disabled adaptation of homes in the district.

This loss will decrease the Housing Maintenance Fund (HMF), which is a reserve set aside to fund future new-build capital expenditure. In addition, there are specific reserves for Renewable Energy improvements, Decarbonisation and future Vehicle Leasing, amongst others. The Housing Revenue Account also holds a MRR (Major Repairs Reserve), which is ring-fenced for capital expenditure on existing HRA properties. This reserve effectively carries forward any unspent major repairs allowance (see note 66).

After the £1,727k deficit is included along with the budgeted transfers to reserves, the HRA Earmarked Reserves total £20,327k as shown in the graphic below. Charging the deficit to the HMF leaves the HRA Reserve unchanged at £455k, following the charge of £1,545k to create a provision for the refund of historic housing rent overpayments (see note 41). Work is in train during 2025/26 that will also be linked to the 2026/27 budget setting process to replenish this reserve back to the agreed level.



#### 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 £23,108k (£30,431k 2023/24). Capital expenditure comprised £8,376k in General Fund schemes and £14,732k on HRA capital works, as summarised in the tables below.

The Council received little capital grant funding outside of what it secured through competitive bids. However, the Council has been notably successful at securing that bid funding. For example, the Cullompton Relief Road is backed by £33.5m of capital grant award through the Housing Infrastructure Fund (HIF), over £3.8m secured for the 2024/25 social housing development programme, and nearly £900k obtained for economic development initiatives. Despite that success, there is pressure to fund the remainder of the capital programme resulting in a large proportion needing to be met from borrowing. The Council internally borrows from its balances to avoid expensive loans.

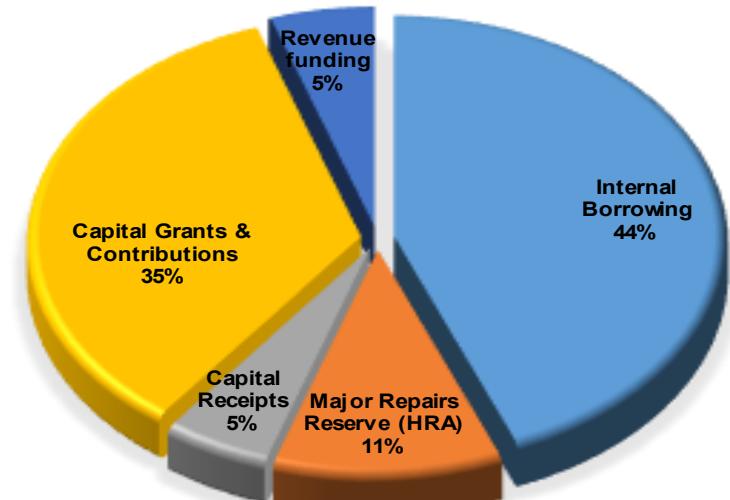
The bulk of the General Fund capital spend related to lease charges for vehicles and for the Waste Depot site. The Cullompton Relief Road is now underway with the first element of the £33.5m scheme. £1,756k was spent through grants for either economic development purposes, or on disabled adaptations to enable people to remain in their own homes. A number of infrastructure improvement projects started in 2024/25 at the leisure centres including fire safety improvements, new heating and power systems, alterations to swimming pool cleansing and the additional of Changing Places facilities.

Within the HRA, a further £10,335k was spent on the delivery of the ambitious programme of building 500 new homes to increase the housing stock and reduce the carbon footprint. £3,331k was spent maintaining and enhancing existing housing standards, including replacing kitchens, bathrooms, windows, doors, heating systems and other related works. 6 homes were bought back from previous tenants through the Right-to-Buy scheme.

<b>General Fund Capital Expenditure Schemes</b>	<b>£k</b>
Leasing costs - vehicles and equipment	3,104
Cullompton Town Centre Relief Road	2,098
Economic Development grant schemes	889
Disabled Facilities Grants – Private Sector	867
Estate Infrastructure Improvements	695
ICT hardware and equipment	239
Purchase of new homelessness accommodation	194
Replacement leisure equipment	148
Commercial Loan to Crediton GP Surgery	127
Other small projects	15
<b>General Fund Capital Schemes - Total</b>	<b>8,376</b>

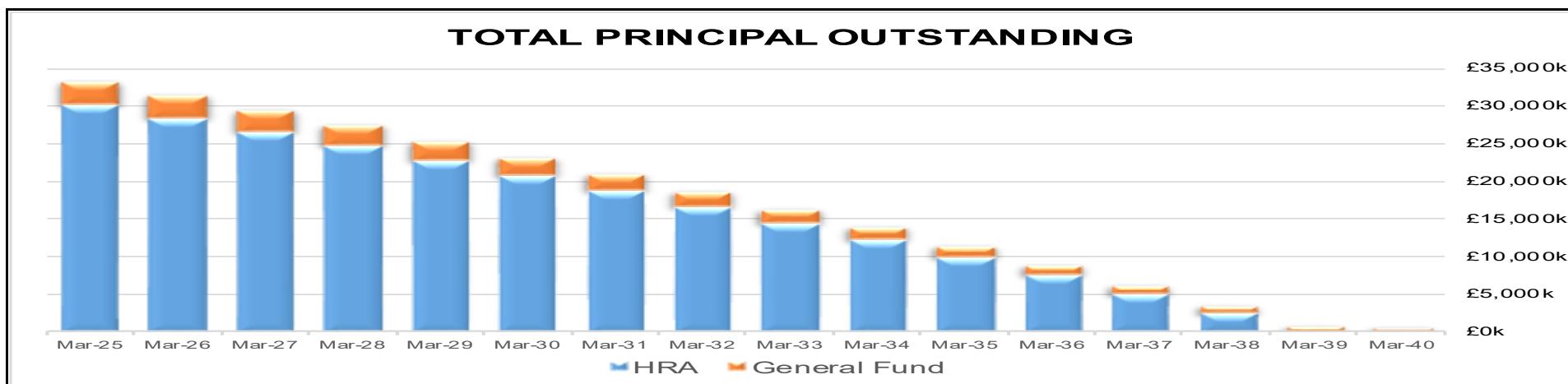
<b>HRA Capital Expenditure Schemes</b>	<b>£k</b>
New social / affordable housing schemes	10,335
Major repairs and enhancements to housing stock	3,331
Right-to-buy Buyback Housing	1,066
<b>HRA Capital Schemes - Total</b>	<b>14,732</b>

## SOURCES OF CAPITAL FUNDING



### 14.9 Borrowing

At the end of 2024/25, the Council had two Public Works Loan Board loans with total principal outstanding of £29,398k. No new loans were taken out during the year. The Council has paid off £1,975k of the outstanding principal during the year and interest of £898k (£77k GF and £822k HRA). The interest rates on these loans were 2.61% and 2.94% pa and give a weighted average of 2.91%.

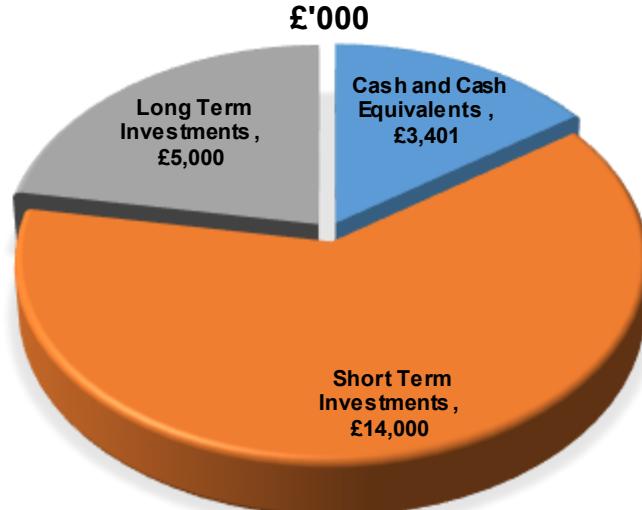


#### 4.10 Treasury Activities

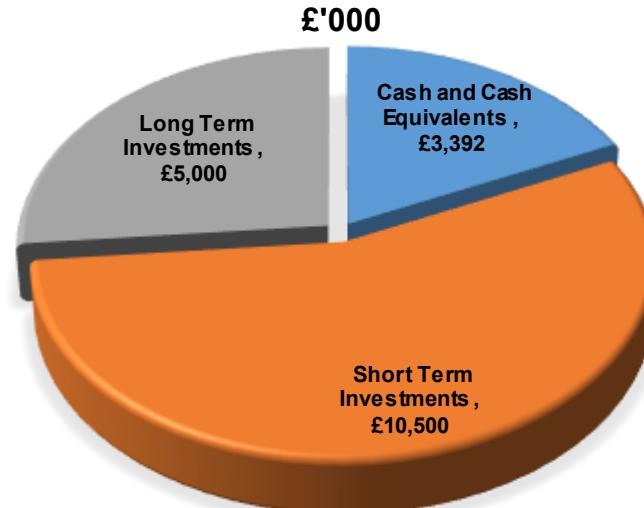
The charts below gives an overview of the Council's treasury holdings at the 2024/25 financial year end and that held at the end of the previous financial year (2023/24):

From the £21.2m average balance of short term investments managed by the Council, investment interest of £1,027k (£1,191k 2023/24) was generated which gave an average rate of return of 4.89% (5.25% 2023/24). This is a slight decrease on the prior year reflecting the lower balances held and invested and the gradual reduction in 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 £227k or 4.54% (4.68% 2023/24).

TREASURY HOLDINGS AT 31 MARCH 2024



TREASURY HOLDINGS AT 31 MARCH 2025



## 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 2024/25

The percentage of residents that felt very or fairly well informed increased by **14.6%**  
- from 45% in 2021, to 59.6% in 2024



**99.6%** of responses to FOI / EIR requests within 20 working days



**97.6%** of Council Tax collected



**206** Mid Devon Housing tenant engagement events

**57.9%** recycling rate - ranked 11<sup>th</sup> out of 197 local authorities nationally



**99.8%** of Business Rates collected



**100%** of householder planning applications determined within 8 weeks



**98.8%** of housing complaints responded to on time

**99%** of emergency housing repairs completed on time

# Non-Financial Performance 2024/25



**6** new electric vehicle charging points



Provided more than **10%** biodiversity net gain, with **3** habitat banks within the district

Provided advice to **771** households experiencing homelessness



Housing stock occupancy rate is **97.5%**



Supported **187** events in our town centres, and **4** tourism events



Provided non-financial support to **342** businesses



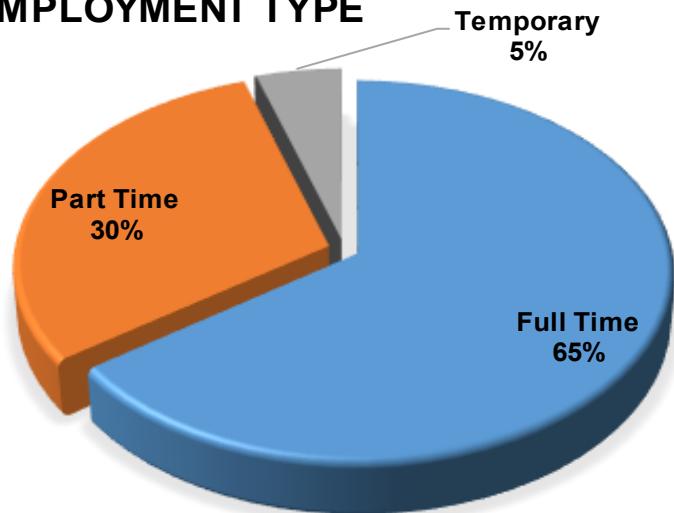
Staff sickness absence is down to **7.4** days

Over the past two years, **0.3%** of major and **0.2%** of planning applications have been overturned at appeal

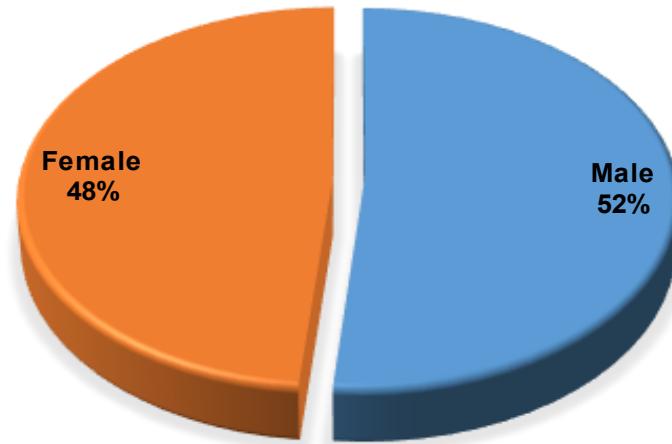
#### 4.11 Workforce Data

The Council employed 557 people in full, part time or temporary contracts on 31 March 2025. Employees are a valued significant resource within the Council and employees' costs account for 44% of the total gross expenditure. The Council's workforce profile can be seen in the charts below:

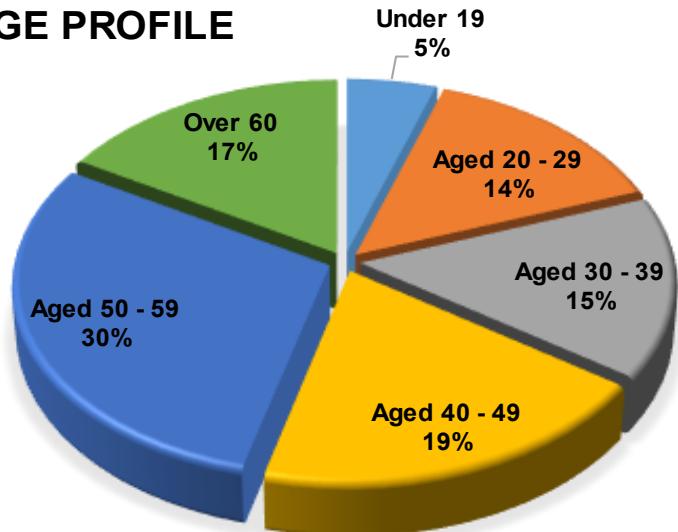
##### BY EMPLOYMENT TYPE



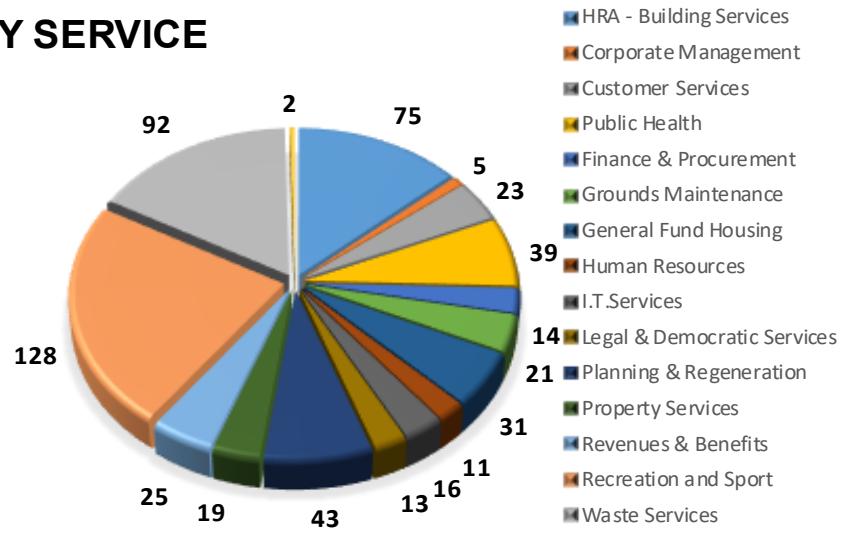
##### BY GENDER



##### BY AGE PROFILE



##### BY SERVICE



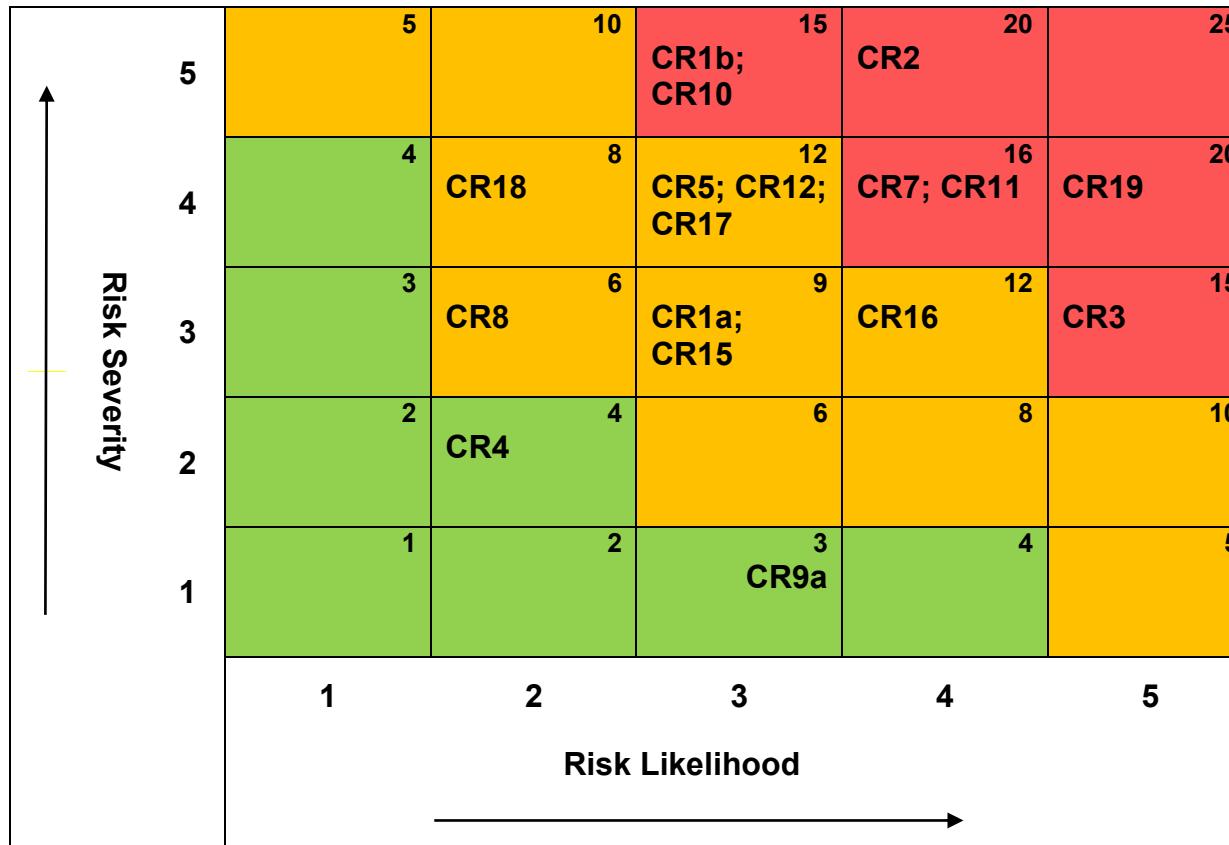
#### 4.12 Principal Risks and Uncertainties

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 2025 centred on:

There are currently 17 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	9	⬇	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	Richard Marsh	6	⬇	3
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
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
CR18 Housing Rent Error Correction	Simon Newcombe	8	New	3
CR19 Devolution and Local Government Reorganisation	Stephen Walford	20	New	15



#### 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 is a review of our activities to ensure that the council is carrying out its functions effectively. It 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 risk management processes 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

### 3 Rivers Developments Ltd (3Rivers)

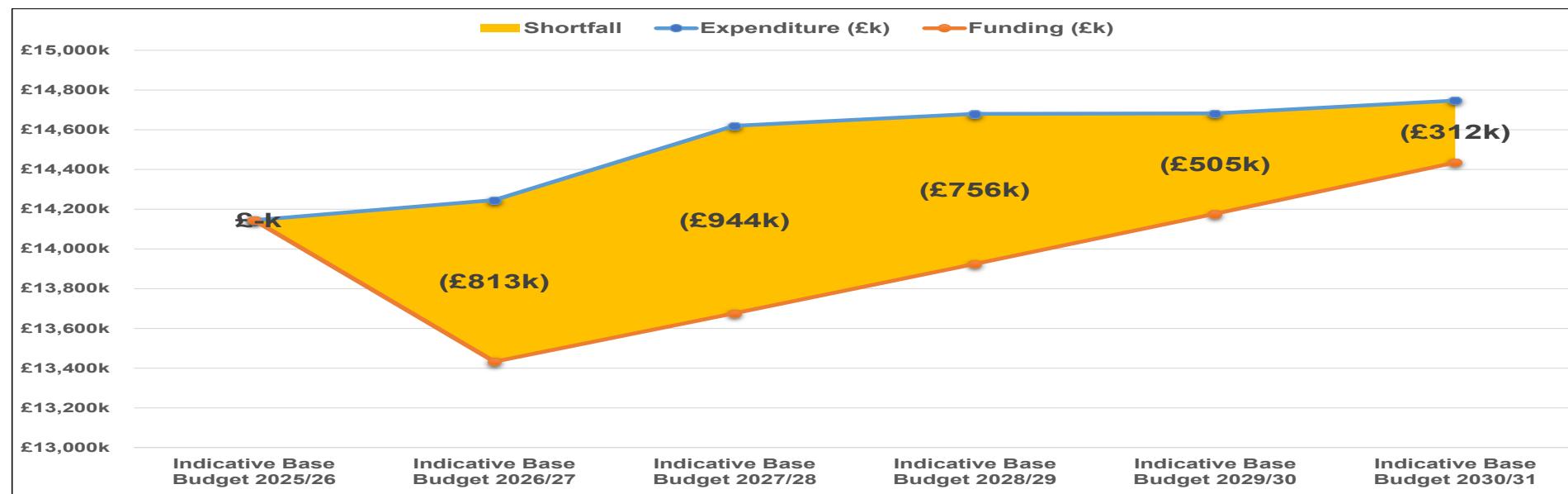
Approval was given by Cabinet and Full Council in September 2023 for the soft closure of the Council's subsidiary company, 3 Rivers Developments Ltd. The soft closure ensured all assets were realised and committed to paying all contractors, suppliers and tradesmen in full. Although this was a challenge, all assets were sold commercially or to the Council during 2023/24. No funds were owed to either the Council or any creditors, enabling the company to be placed into a period of dormancy prior to applying to Companies House for a voluntary strike off, which formally occurred on 26 November 2024. The only transaction during the year was to return a small residual amount of funding held by the company to cover any unforeseen closedown costs.

### Social Rent Formulae Error

Following the initial draft 2023/24 accounts publication, a historic error with how the HRA social rents were being calculated was discovered, resulting in tenants under or over paying their rent. There was a charge of £1,545k made against the HRA balance at 31 March 2024 to create a provision for the refund of any overpayments, which has been increased further to £1,777k in 2024/25. Further detail on this is included within note 41 (Provisions). Work has been ongoing since to ratify that the formula is now calculated correctly, that the Housing Regulator approves the corrective process, and to calculate the refunds due to individual tenants in conjunction with the Department for Work & Pensions where appropriate.

## 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 £3,330k by 2030/31. 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. This is exemplified by the arbitrary cessation of the Rural Services Delivery Grant in 2025/26 which previously provided £634k. New Homes Bonus was formally phased out by 2022/23, however one-off allocations have been received in 2022/23, 2023/24, 2024/25 and again in 2025/26. This, along with other one-off funding received such as Services Grant and the Funding Guarantee are assumed to reduce by 20% in 2026/27. 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 other 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 2024/25 should be considered a hugely successful financial year. Within the General Fund a significant underspend has been delivered through good financial management that further strengthens the Council's position to mitigate the impacts of the future, as yet unknown, changes in funding. Despite an over spend recorded for the HRA, the underlying day-to-day operations continue to also operate robustly and were underspend despite pressure from the price of contractors and materials. The Council's performance was strong with the vast majority of our performance targets achieved, which once again should be celebrated.

We are aware that the future position continues to be challenging. This will be compounded by the uncertainty arising from the Local Government Reforms in Devon. 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.

**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 2025. 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 2024/25 ("the Code"), supported by International Financial Reporting Standards (IFRS) and statutory guidance.

The only material change to the accounting policies for 2024/25 is the introduction of the new leases accounting standard IFRS16. This sees operating leases now being put on the balance sheet as Right of Use Assets, means that any such leases are now treated as capital expenditure being funded by borrowing, which in turn affects the CFR and the Prudential Indicators.

Otherwise 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 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.

### 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.

Following a review of S106 funding, based upon technical advice, funds were moved from Earmarked Reserves into Creditors (held on the Balance Sheet). This reflects that some S106 have explicit conditions that must be met before the Council can recognise the funds. Where required, the adjusted prior period figures are highlighted within the main statements.

## 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 2025.

### 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
- Leased land and buildings – straight line over the contracted term of the asset
- Vehicles, plant and equipment – straight-line allocation over the life of the asset as estimated by suitably qualified and experienced officers.
- Leased vehicles, plant and equipment – straight line over the contracted term of the asset
- 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 10 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, since 2022/23 the Government have granted further fixed term flexibilities for Right-to-Buy sales receipt, allowing 100% of the sale vale 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

In 2024/25, the Council has changed its accounting policies to align with those in IFRS 16 Leases. In previous years, Property, Plant and Equipment (PPE) was only brought onto the Balance Sheet as an asset where the MDDC secured substantially all the risks and rewards incidental to ownership of the leased item (finance leases). For all other leases (operating leases), no assets were recognised and rents were charged as expenses when they became payable.

From 1 April 2024, an asset representing the right to use the item over the lease term will be recognised for all leases (except for those that are for low value items (below £5k) or whose term is less than one year).

Liabilities are also recognised in the Balance Sheet for the obligations that the Council has to pay rents for the rights acquired, discounted to their present value.

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.

### **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 and Contingent Assets or Liabilities

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, but where the timing of the transfer is uncertain. 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.

In the event that a possible liability (or asset) arises which may require settlement by a transfer of economic benefits, but the timing and amount of the transfer is uncertain and the obligation will only be confirmed by occurrence or otherwise of a future event, then this will not be recognised in the Balance Sheet, but will be shown in a note to the accounts as a Contingent Asset or Liability

### 5.19 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 2025 was £2,025k.

### 5.20 Housing Revenue Account (HRA)

Council has approved a policy of the HRA maintaining a reserve balance of £2,000k. This had been maintained until the charge of £1,545k in 2023/24 to create a provision for the refunding of rent overpayments. The HRA balance continues to stand at £445k and work is in train during 2025/26 that will also be linked to the 2026/27 budget setting process to replenish this reserve back to the agreed level.

## 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 2025.

.....  
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 2025.

The date on which the draft Statement of Accounts was authorised for issue by the Deputy Chief Executive (S151) was 13 June 2025.

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

### Approved by the Deputy Chief Executive (S151)

.....  
Andrew Jarrett CPFA

.....  
Dated

### Approved by the Chairman of the Audit Committee

.....  
Cllr Lloyd Knight

.....  
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 statutory requirements detailed in the Local Government Act 2003, the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom for 2024/25.

- **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.

## 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.

2024/25	Note	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 2024		(2,025)	(13,466)	(15,491)	(455)	(22,852)	(23,307)	(3,817)	(713)	(43,328)	(167,774)	(211,102)			
Movement in Reserves during year															
(Surplus) or deficit on the provision of services		(1,851)	-	(1,851)	6,325	-	6,325	-	-	4,474	-	4,474			
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	401	401			
<b>Total Comprehensive Income and Expenditure</b>		<b>(1,851)</b>	-	<b>(1,851)</b>	<b>6,325</b>	-	<b>6,325</b>	-	-	<b>4,474</b>	<b>401</b>	<b>4,875</b>			
Adjustments between accounting basis and funding basis under regulations	5	(488)	-	(488)	(5,322)	(194)	(5,516)	(605)	205	(6,404)	6,404	-			
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>		<b>(2,339)</b>	-	<b>(2,339)</b>	<b>1,003</b>	<b>(194)</b>	<b>809</b>	<b>(605)</b>	<b>205</b>	<b>(1,931)</b>	<b>6,805</b>	<b>4,875</b>			
Transfers (to) / from Earmarked Reserves	6	2,339	(2,339)	-	(1,003)	1,003	-	-	-	-	-	-			
<b>(Increase) / Decrease in year</b>		-	(2,339)	(2,339)	-	809	809	(605)	205	(1,931)	6,805	4,875			
<b>Balance at 31 March 2025 Carried forward</b>		<b>(2,025)</b>	<b>(15,806)</b>	<b>(17,830)</b>	<b>(455)</b>	<b>(22,043)</b>	<b>(22,498)</b>	<b>(4,423)</b>	<b>(508)</b>	<b>(45,259)</b>	<b>(160,968)</b>	<b>(206,228)</b>			
<b>Held for Revenue Purposes</b>		<b>(2,025)</b>	<b>(15,806)</b>	<b>(17,830)</b>	<b>(455)</b>	<b>(20,327)</b>	<b>(20,782)</b>	-	-	<b>(38,612)</b>	-	-			
<b>Held for Capital Purposes</b>		-	-	-	-	(1,717)	(1,717)	(4,423)	(508)	(6,647)	-	-			

## Movement in Reserves Statement (Continued)

2023/24 Restated (See Note 20)	Note	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)	(14,631)	(16,656)	(2,000)	(23,565)	(25,565)	(7,309)	(1,185)	(50,715)	(149,157)	(199,872)			
<b>Movement in Reserves during year</b> (Surplus) or deficit on the provision of services		1,733	-	1,733	(5,724)	-	(5,724)	-	-	(3,991)	-	(3,991)			
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	(7,239)	(7,239)			
<b>Total Comprehensive Income and Expenditure</b>		1,733	-	1,733	(5,724)	-	(5,724)	-	-	(3,991)	(7,239)	(11,230)			
Adjustments between accounting basis and funding basis under regulations	5	(568)	-	(568)	8,129	(147)	7,981	3,492	472	11,378	(11,378)	-			
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>		1,165	-	1,165	2,405	(147)	2,258	3,492	472	7,387	(18,617)	(11,230)			
Transfers (to) / from Earmarked Reserves	6	(1,165)	1,165	-	(860)	860	-	-	-	-	-	-			
<b>(Increase) / Decrease in year</b>		-	(13,466)	1,165	1,545	713	2,258	3,492	472	7,387	(18,617)	(11,230)			
<b>Balance at 31 March 2024 Carried forward</b>		(2,025)	(13,466)	(15,491)	(455)	(22,852)	(23,307)	(3,817)	(713)	(43,328)	(167,774)	(211,102)			
<b>Held for Revenue Purposes</b>		(2,025)	(13,466)	(15,491)	(455)	(21,330)	(21,785)	-	-	(37,276)	-	-			
<b>Held for Capital Purposes</b>		-	-	-	-	(1,522)	(1,522)	(3,817)	(713)	(6,053)	-	-			

# 11 Comprehensive Income and Expenditure Statement (CIES)

This section is a summary of our spending on services.

2023/24 Restated (See Note 20)			Service Area	Note	2024/25		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
412	(91)	321	Community Development		351	(87)	264
3,170	(304)	2,866	Corporate Management		1,662	(2)	1,661
843	(1,000)	(156)	Car Parks		828	(1,065)	(237)
-	(35)	(35)	Customer Services		-	(38)	(38)
3,014	(786)	2,228	Environmental Services		3,211	(2,121)	1,089
-	(28)	(28)	Finance and Performance		-	(29)	(29)
52	(76)	(24)	Grounds Maintenance		22	(41)	(19)
1,662	(1,209)	452	General Fund Housing		1,812	(1,262)	550
7,614	(13,256)	(5,642)	Housing Revenue Account		25,868	(15,469)	10,398
7	(13)	(7)	Human Resources		-	(14)	(14)
162	(4)	158	I.T. Services		330	(16)	314
1,435	(142)	1,294	Legal and Democratic Services		1,567	(599)	968
5,219	(2,976)	2,242	Planning and Regeneration		6,838	(5,178)	1,661
2,512	(730)	1,782	Property Services		1,434	(903)	531
12,993	(12,178)	814	Revenues and Benefits		12,727	(11,605)	1,123
5,389	(3,324)	2,065	Recreation and Sport		5,563	(3,690)	1,873
6,801	(3,400)	3,401	Waste Services		6,741	(3,412)	3,328
<b>51,285</b>	<b>(39,552)</b>	<b>11,731</b>	<b>Costs of Services</b>		<b>68,953</b>	<b>(45,530)</b>	<b>23,424</b>
		2,579	Other Operating Expenditure	8			1,736
		(246)	Financing and Investment Income and Expenditure	9			224
		(18,056)	Taxation and Non-Specific Grant Income	10			(20,910)
		<b>(3,991)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>4,474</b>
		(5,763)	Remeasurements of the Net Defined Benefit Liability	21			(6)
		(1,476)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment	44			407
		<b>(7,239)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>401</b>
		<b>(11,230)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>4,875</b>

## 12 Balance Sheet

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

2023/24		2024/25	
Restated (See Note 20)	£'000	Notes	£'000
234,931	Property, Plant & Equipment	22	233,243
330	Heritage Assets	25	157
4,458	Long-term Investments	31	4,544
2,143	Long-term Debtors	32	2,237
<b>241,862</b>	<b>Non-Current Assets</b>		<b>240,181</b>
12,000	Short-term Investments	33	9,000
3,104	Assets held for sale	34	3,486
339	Inventories	35	407
8,292	Short-term Debtors	36	9,325
3,401	Cash and Cash Equivalents	38	3,392
<b>27,135</b>	<b>Current Assets</b>		<b>25,609</b>
(8,008)	Short-term Creditors	39	(10,319)
(2,185)	Provisions	41	(2,369)
(1,975)	Short-term Borrowing	28	(2,033)
<b>(12,167)</b>	<b>Current Liabilities</b>		<b>(14,722)</b>
(6,162)	Long-term Creditors	40	(7,893)
(29,398)	Long-term Borrowing	28	(27,366)
(10,166)	Other Long Term Liabilities	47	(9,581)
<b>(45,727)</b>	<b>Long Term Liabilities</b>		<b>(44,840)</b>
<b>211,102</b>	<b>Net Assets</b>		<b>206,229</b>
43,328	Usable Reserves	42	45,259
167,774	Unusable reserves	43	160,968
<b>211,102</b>	<b>Total Reserves</b>		<b>206,228</b>

## 13 Cash Flow Statement

This section shows what cash we spend and receive.

2023/24 Restated (See Note 20)	Cash Flow	2024/25	
£'000		Note	£'000
3,991	Net surplus or (deficit) on the provision of services		(4,474)
21,086	Adjustments to net surplus or deficit on the provision of services for non-cash movements	50	20,349
(3,858)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	51	(3,986)
(598)	Adjustments for operating activities processed through the Balance Sheet	52	169
<b>20,620</b>	<b>Net cash flows from Operating Activities</b>		<b>12,058</b>
(18,490)	Investing Activities	53	(8,215)
(2,360)	Financing Activities	54	(2,741)
(230)	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>1,103</b>
3,631	Cash and cash equivalents at the beginning of the reporting period		3,401
<b>3,401</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	38	<b>4,504</b>

# 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 2025 for 2024/25).

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) – issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- IFRS 17 - Insurance Contracts – issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy as confirmed in paragraph 3.3.1.4.

None of these amendments are anticipated to have a material impact on the Council's financial performance and financial position.

## 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

In September 2024, a significant project milestone was reached, with Mid Devon District Council announcing it has received £33.5m funding from Homes England for the delivery of the Cullompton Town Centre Relief Road. The Relief Road will reduce traffic flow in Cullompton High Street, facilitate the future development of the town by unlocking the remaining 750 dwellings at North-West and Cullompton and the initial 500 dwellings to the east of the M5, as well as improve air quality in the town. 2024/25 is therefore the starting point for considerable expenditure to flow through the accounts, with nearly £2.1m being spent in-year.

### 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 2025 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.	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 £36,201k would increase by £84k for every year that useful lives had to be reduced.  The gross value of £36,201k 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.
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 available until some time later, may give a different value of pension assets, but this is not considered to be material.	The effects on the closing defined benefit obligation of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the closing defined benefit obligation to £85,275k and a 1 year increase in life expectancy assumptions would increase the closing defined benefit obligation to £89,579k. However, the assumptions interact in complex ways.
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.	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation. 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 (£560k) which is held in the Balance Sheet.
Arrears (Note 41)	At 31 March 2025, the Council had a gross sundry debtors balance of £931k, although only £523k is over 30 days old. A review of significant balances suggested that a £60k increase in provision for doubtful debts to £210k or 23% was appropriate. 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.	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.

	The District Valuer works closely with the finance staff on all valuation matters.	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.
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	All non-current assets need to be reviewed for possible impairment. A review with Service Managers is undertaken each year to consider the possible impairment of assets. The District Valuer also considers possible impairment when undertaking his valuations.	If a significant impairment of an asset were not to be adjusted then the non-current assets could be materially overstated in the financial statements.  In 2023/24, the District Valuer valued an asset lower than the price paid. This asset is being held until the market recovers and a higher sales price can be realised. With the approval of the Cullompton Relief Road, this asset should recover its value, as reflected in an increase in the 2024/25 valuation.
Loans	This refers to the loans the Council has made, which at the time of lending were deemed to be prudent and fully recoverable.	There is unlikely to be a full default on any loan.  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.
HRA Housing Rent Provision (Note 41)	Following the discovery of a historic error in how the formula rent calculation was applied, a provision was created in 2023/24 to cover the cost of refunds due back to tenants that had overpaid. The value of the provision was estimated based on a list of properties that were being overcharged as at 1 April 2024, and does not take account of any rent arrears, rents received in advance, write-offs, voids between change of tenancies or acquisitions and disposals in prior years. The estimate also assumes that any overpayments on rent funded by Housing Benefits or Universal Credit will be refunded to DWP in line with all other overpayments.	The totals to be refunded will be reduced once rent arrears and write-offs have been assessed, and possibly increased where rent has been received in advance. Due to the work required to allocate these against overpayments, the effect is unknown at this stage but it is not expected to be significant. Work is still ongoing quantifying the precise rent refund quantum, but it is anticipated that the refund process will commence in 2025/26.  If the average void rate for overcharged properties were 1%, then the actual refunds would be £15k lower than the estimate.

## **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

2024/25	Usable Reserves						Movement in Unusable Reserves £'000	
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>								
<b>Adjustments involving the Capital Adjustment Account</b>								
Charges for depreciation and impairment of non current assets	(2,479)	(2,814)	-	-	-	5,293		
Revaluation (losses)/gains on Property, Plant and Equipment	(454)	(12,629)	-	-	-	13,084		
Amortisation of intangible assets	-	-	-	-	-	-		
Impairment of current assets	-	-	-	-	-	-		
Capital grants and contributions applied	1,276	3,803	-	-	-	(5,079)		
Income in relation to donated assets	-	-	-	-	-	-		
Useable Capital Receipts applied in year	-	-	-	-	-	-		
Revenue expenditure funded from capital under statute	(3,564)	-	-	-	-	3,564		
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	(8)	(2,105)	-	-	-	2,113		
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>								
Statutory provision for the financing of capital investment	1,033	2,111	-	-	-	(3,144)		
Capital expenditure charged against the General Fund and HRA balances	639	538	-	-	-	(1,177)		
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,761	-	-	-	(2,761)	-		
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	2,966	(2,966)		
<b>Adjustments involving the Capital Receipts Reserve</b>								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	71	2,763	(2,834)	-	-	-		
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	2,207	-	-	(2,207)		
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(21)	21	-	-	-		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-	-	-		
Right to Buy Discounts repaid	-	-	-	-	-	-		
<b>Balance carried forward</b>	<b>(725)</b>	<b>(8,354)</b>	<b>(605)</b>	<b>-</b>	<b>205</b>	<b>9,480</b>		

2024/25 - 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		
<b>Balance brought forward</b>	(725)	(8,354)	(605)	-	205	9,480	
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	27	-	-	-	(27)	
Transfer of deferred capital receipts realised in year to the Capital Receipts Reserve	-	-	-	-	-	-	
<b>Adjustment involving the Major Repairs Reserve</b>							
Reversal of Major Repairs Allowance credited to the HRA	-	2,772	-	(2,772)	-	-	
Use of the Major Repairs Allowance to finance new capital expenditure	-	-	-	2,577	-	(2,577)	
Interest credited to the Major Repairs Reserve	-	-	-	-	-	-	
<b>Adjustments involving the Financial Instruments Adjustment Account</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	86	-	-	-	-	(86)	
<b>Adjustment involving the Pensions Reserve</b>							
Actuarial past service gain adjustment	-	-	-	-	-	-	
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,234)	232	-	-	-	3,002	
Employer's pension contributions and direct payments to pensioners payable in the year	3,580	-	-	-	-	(3,580)	
<b>Adjustment involving the Collection Fund Adjustment Account</b>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	151	-	-	-	-	(151)	
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statements is different from NDR income calculated for the year in accordance with statutory requirements	(368)	-	-	-	-	368	
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	23	2	-	-	-	(25)	
<b>Total Adjustments</b>	(488)	(5,322)	(605)	(194)	205	6,404	

2023/24 Restated (See Note 20)	Usable Reserves					
	General Fund Balance £'000	Restated Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Restated Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
<b>Adjustments involving the Capital Adjustment Account</b>						
Charges for depreciation and impairment of non current assets	(2,195)	(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	846	-	-	-	(3,098)
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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>						
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)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
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	-	-	-	-	659	(659)
<b>Adjustments involving the Capital Receipts Reserve</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	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	-	-	-	-	-	-
<b>Balance carried forward</b>	<b>(666)</b>	<b>5,105</b>	<b>3,492</b>	<b>-</b>	<b>472</b>	<b>(8,402)</b>

2023/24 - Restated - Continued (See Note 20)	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Restated Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Restated Capital Grants Unapplied		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance brought forward</b>	(666)	5,105	3,492	-	472	(8,402)	
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(9)	-	-	-	-	9
Transfer of deferred capital receipts realised in year to the Capital Receipts Reserve	-	-	-	-	-	-	-
<b>Adjustment involving the Major Repairs Reserve</b>							
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	-	-	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(181)	-	-	-	-	-	181
<b>Adjustment involving the Pensions Reserve</b>							
Actuarial past service gain adjustment	-	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,460)	192	-	-	-	-	3,268
Employer's pension contributions and direct payments to pensioners payable in the year.	3,416	-	-	-	-	-	(3,416)
<b>Adjustment involving the Collection Fund Adjustment Account</b>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	31	-	-	-	-	-	(31)
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	233	-	-	-	-	-	(233)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	59	11	-	-	-	-	(70)
<b>Total Adjustments</b>	<b>(568)</b>	<b>8,129</b>	<b>3,492</b>	<b>(147)</b>	<b>472</b>	<b>(11,378)</b>	

## 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.

2023/24 Restated (See Note 20)			2024/25		
Net Expenditure Chargeable to the GF and HRA Balances	Net Adjustments Expenditure in the CIES	Service Area	Net Expenditure Chargeable to the GF and HRA Balances	Net Adjustments Expenditure in the CIES	
£'000	£'000	£'000	£'000	£'000	£'000
226	95	321	Community Development	202	62
2,725	141	2,866	Corporate Management	1,813	(153)
(675)	518	(156)	Car Parks	(736)	500
765	(800)	(35)	Customer Services	768	(806)
946	1,282	2,228	Environmental Services	27	1,061
788	(816)	(28)	Finance and Performance	880	(908)
542	(566)	(24)	Grounds Maintenance	505	(524)
224	228	452	General Fund Housing	224	326
(6,186)	544	(5,642)	Housing Revenue Account	(5,667)	16,065
524	(531)	(7)	Human Resources	556	(570)
1,310	(1,152)	158	I.T. Services	1,300	(985)
1,182	111	1,294	Legal and Democratic Services	993	(25)
2,195	47	2,242	Planning and Regeneration	1,267	393
1,234	547	1,782	Property Services	764	(233)
689	125	814	Revenues and Benefits	996	127
810	1,256	2,065	Recreation and Sport	564	1,309
2,351	1,050	3,401	Waste Services	2,406	922
<b>9,651</b>	<b>2,079</b>	<b>11,731</b>	<b>Cost of Services</b>	<b>6,863</b>	<b>16,562</b>
(8,106)	(7,616)	(15,723)	Other Income and Expenditure	(6,863)	(12,088)
<b>1,545</b>	<b>(5,537)</b>	<b>(3,991)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>-</b>	<b>4,474</b>
<b>(42,221)</b>			<b>Opening General Fund and HRA Balances as at 1 April</b>	<b>(38,798)</b>	
1,878			Transfers (to)/from Earmarked Reserves	(1,530)	
1,545			(Surplus) or Deficit on Provision of Services	-	
<b>(38,798)</b>			<b>Closing General Fund and HRA Balances as at 31 March</b>	<b>(40,328)</b>	

## Adjustments Showing within the Expenditure and Funding Analysis

Service Area	2023/24					2024/25						
	Current Service Cost	Salary Accruals	Recharges	Capital Charges	Other Adjustments	Total Adjustments	Current Service Cost	Salary Accruals	Recharges	Capital Charges	Other Adjustments	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Community Development	(5)	(2)	90	12	-	95	(4)	0	96	(30)	-	62
Corporate Management	(29)	(12)	(231)	414	-	141	(38)	(7)	(274)	167	-	(153)
Car Parks	-	-	302	217	-	518	-	-	311	189	-	500
Customer Services	(35)	(3)	(762)	-	-	(800)	(38)	1	(769)	-	-	(806)
Environmental Services	(45)	(2)	791	518	-	1,261	(57)	(3)	738	383	-	1,061
Finance And Performance	(28)	(1)	(787)	-	-	(816)	(29)	(4)	(876)	-	-	(908)
Grounds Maintenance	(24)	(1)	(586)	46	-	(566)	(26)	(2)	(547)	51	-	(524)
General Fund Housing	(21)	(3)	146	106	-	228	(27)	(1)	142	212	-	326
Housing Revenue Account	(192)	-	-	(1,021)	1,757	544	(232)	-	-	15,443	855	16,065
Human Resources	(15)	(2)	(514)	-	-	(531)	(19)	(2)	(549)	-	-	(570)
I.T. Services	(27)	(2)	(1,246)	123	-	(1,152)	(33)	1	(1,135)	182	-	(985)
Legal & Democratic Services	(26)	3	134	-	-	111	(27)	(2)	4	-	-	(25)
Planning And Regeneration	(88)	(6)	530	-	-	435	(107)	(1)	500	1	-	393
Property Services	(35)	(5)	(1,152)	1,740	-	547	(45)	2	(752)	562	-	(233)
Revenues And Benefits	(47)	(2)	173	1	-	125	(52)	(1)	178	3	-	127
Recreation And Sport	(111)	(11)	589	788	-	1,256	(124)	1	621	812	-	1,309
Waste Services	(161)	(8)	727	492	-	1,050	(187)	(4)	457	657	-	922
<b>Net Cost of Services</b>	<b>(889)</b>	<b>(59)</b>	<b>(1,796)</b>	<b>3,434</b>	<b>1,757</b>	<b>2,447</b>	<b>(1,045)</b>	<b>(23)</b>	<b>(1,857)</b>	<b>18,632</b>	<b>855</b>	<b>16,562</b>

## 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	2023/24	
		Restated (See Note 20)	2024/25
<b>Expenditure</b>			
Employee benefits		19,286	20,195
Other services		29,301	30,276
Depreciation, amortisation and impairment	18	2,631	18,376
Interest payments	9	2,004	1,658
Precepts and levies	8	2,310	2,483
Loss on the disposal of assets	8	269	-
<b>Total Expenditure</b>		<b>55,801</b>	<b>72,988</b>
<b>Income</b>			
Fees, charges and other service income		(39,487)	(45,423)
Interest and investment income	9	(2,250)	(1,434)
Income from Council Tax, NDR, RSDG and other government grants including NHB	10	(18,056)	(20,910)
Gain on the disposal of assets	8	-	(748)
<b>Total Income</b>		<b>(59,793)</b>	<b>(68,515)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>		<b>(3,991)</b>	<b>4,474</b>

## 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 2025/26. Reserves indicated with an asterisk (\*) are held for capital purposes.

General Fund Revenue Earmarked Reserves	Balance at 1/4/2023 Restated (See Note 20)	Movement	Balance at 31/3/2024 Restated (See Note 20)	Movement	Balance at 31/3/2025
	£'000	£'000	£'000	£'000	£'000
Property Maintenance Reserves	2,953	685	3,638	414	4,052
NDR smoothing Reserve	720	81	801	959	1,759
Vehicle, Plant & Equipment Sinking Funds	1,365	169	1,534	205	1,739
New Homes Bonus Reserve	2,883	(1,082)	1,801	(131)	1,670
Other General Fund Reserves <£100k	2,066	(810)	1,256	(103)	1,153
Maintenance & Amenity Reserve (S106 Funds)	108	(22)	86	979	1,065
Statutory Development Plan Reserve	667	4	671	95	766
Waste Infrastructure Reserve	618	-	618	(23)	595
ICT Reserves	606	(100)	506	84	590
Homelessness Support Reserve	377	52	429	150	579
Business Systems Reserves	125	126	251	26	277
Recycling Plant Sinking Fund	161	30	191	30	221
Planning Appeal Reserve	-	200	200	-	200
Economic Development Reserves	328	(94)	234	(70)	164
General Revenue Earmarked Reserves	220	(83)	137	-	137
Property Services Staffing Reserve	97	32	129	-	129
Climate Change Reserve	47	29	76	41	117
Rough Sleeping Initiative	116	-	116	-	116
Decarbonisation Reserve	-	-	-	107	107
NDR New Burdens Grants Reserve	140	28	168	(75)	93
Community Housing Reserve	107	(2)	105	(17)	88
RCCO* Earmarked Reserves	215	(30)	185	(110)	75
ICT Equipment Sinking Fund *	533	(364)	169	(99)	70
Garden Village Reserve	179	(13)	166	(119)	47
<b>Total Revenue Earmarked Reserves</b>	<b>14,632</b>	<b>(1,165)</b>	<b>13,466</b>	<b>2,339</b>	<b>15,805</b>

\*RCCO – Revenue contributions to capital outlay.

The table on the previous page shows the General Fund earmarked reserves balances held at 31 March 2025. The Other General Fund Reserves <£100k relate to a large number of smaller reserves that are for specific projects that will be delivered in 2025/26 and future years e.g. Flood Defences at Bampton (£67k), Private Sector Housing Grants (82k) to meet future expenditure, Corporate Training (£71k) to develop our staff and the Municipal Mutual Insurance Limited (MMI) reserve held in respect of our liability going back some years.

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 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 will offset business rates deficits that will unravel in future years and help smooth the implications arising from the significant changes to the retention scheme in 2026/27. 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 1/4/2023	Movement £'000	Balance at 31/3/2024	Movement £'000	Balance at 31/3/2025
	£'000		£'000		£'000
Housing Maintenance Fund	15,775	(1,832)	13,943	(1,805)	12,138
HRA - PWLB Loan Premium Reserve	5,073	855	5,928	906	6,834
Renewable Energy Fund	653	93	746	(210)	536
HRA Affordable Rent surplus	419	(25)	394	56	450
Decarbonisation Reserve	189	-	189	-	189
HRA - Vehicle Reserve	50	50	100	50	150
Sewage Treatment Works	30	-	30	-	30
<b>Total Revenue Earmarked Reserves</b>	<b>22,189</b>	<b>(859)</b>	<b>21,330</b>	<b>(1,003)</b>	<b>20,327</b>

The table above shows the Housing Revenue Account (HRA) earmarked reserves balances held at 31 March 2025. These reserves are ring-fenced for the HRA which means they cannot be used for other purposes. The Housing Maintenance Fund is the main reserve which holds any surpluses that are generated by the operation of the HRA and will be used to maintain and replenish the housing stock. In 2024/25, the reserve was used to mitigate the in-year deficit arising from several one off adjustments. The PWLB Loan Premium Reserve 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. Affordable Housing Contributions have since been moved to long term creditors to better reflect the conditions of the contributions and have resulted in a restatement of 2023/24 balances and movements.

Total Funds Unapplied	Balance at 1/4/2023		31/3/2024					
	Restated (See Note 20)	Transfers In	Transfers Out	Restated (See Note 20)	Transfers In	Transfers Out	Balance at 31/3/2025	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Repaid PSH Grants	158	-	(84)	74	-	-	74	
Affordable Housing Contributions	-	-	-	-	-	-	-	
Cullompton Town Centre Relief Road	-	-	-	-	2,140	(2,098)	41	
Devon County Council Funding	20	-	-	20	-	-	20	
MHCLG Disabled Facilities Grant	1,007	272	(659)	620	621	(867)	374	
<b>Total Capital Grants Unapplied</b>	<b>1,185</b>	<b>272</b>	<b>(744)</b>	<b>713</b>	<b>2,761</b>	<b>(2,966)</b>	<b>508</b>	

## 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	2023/24	2024/25
	£'000	£'000
Parish Council precepts payable	2,310	2,483
Payments to the Government housing capital receipts pool	-	-
(Gains)/Losses on the disposal of non current assets	344	(748)
Proceeds from Sale of Easements	(75)	-
<b>Total</b>	<b>2,579</b>	<b>1,736</b>

Councils can currently retain 100% of the Right-to-Buy receipts, have more freedom in using them for replacement housing, and combine them with other funding sources like section 106 contributions. This provides councils with greater control over how they use these funds to build and acquire affordable homes.

## 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	2023/24	2024/25
	£'000	£'000
Interest payable and similar charges	1,263	1,191
Net interest on the net defined benefit liability	741	467
Interest receivable and similar income	(2,431)	(1,348)
(Gains)/Losses recognised under IFRS 9 Financial Instruments*	181	(86)
<b>Total</b>	<b>(246)</b>	<b>224</b>

\* The Council has invested £5,000k in the Church Charities and Local Authority (CCLA) Local Authorities' Mutual Investment Trust (LAMIT) Property Fund, which is carried in the Balance Sheet at its fair value of £4,544k; this is an overall loss of £456k since the investment in 2015/16. The in-year gain of £86k is shown in the table above. It is anticipated that this investment, which is intended to be held for the long term, will provide a return equal or superior to those achieved by the Council's other current investments. The fair value is based upon public price quotations in an active market for this financial instrument and without this investment counting as capital expenditure.

## 10 Taxation and Non-Specific Grant Income

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

Taxation and Non Specific Grant Income	2023/24	2024/25
	Restated (See Note 20)	
	£'000	£'000
Council Tax income (including Parish Council Precepts receivable)	(9,090)	(9,602)
Non Domestic Rates	(4,562)	(5,011)
Non-ringfenced Government grants*	(1,667)	(1,764)
Capital grants and contributions*	(2,736)	(4,532)
<b>Total</b>	<b>(18,056)</b>	<b>(20,910)</b>

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

## 11 Council Leasing Arrangements

### Change in Accounting Policy and Transition to IFRS 16 Lease Accounting

In 2024/25, the Council applied IFRS 16 Leases as required by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as a liability) a right-of-use asset and a lease liability are to be brought into the Balance Sheet at 1 April 2024. Leases for items of low value (value less than £5k) and leases that expire on or before 31 March 2025 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. However, some practical expedients have been applied as required or permitted by the Code:

- lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Council's incremental borrowing rate at that date;
- the weighted average of the incremental borrowing rates used to discount liabilities was 5.3%;
- right-of-use assets are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024 – any initial direct costs have been excluded;
- all leases were assessed as to whether they were onerous at 31 March 2024 and it was determined that there were none.

This has resulted in the following additions to the Balance Sheet:

- £1,634k Property, Plant and Equipment – land and buildings (right-of-use assets);
- £197k Current creditors (lease liabilities);
- £746k Non-current creditors (lease liabilities).

The newly recognised lease liabilities of £197k compare with the operating lease commitments of £189k at 31 March 2024 disclosed in the notes to the 2023/24 financial statements. During 2024/25 the Council entered into an additional land lease arrangement which explains the increase in the lease liability.

For future liabilities for Finance Leases see Note 57.

## Authority as a Lessor

The gross value of assets held for use in operating leases as at 31 March 2025 was £12,252k (£12,312k at 31 March 2024). The reason for the increase in rental income is due to lease renewals taking place during the year and the decrease in the Net Book Value (NBV) is due to the change in value of these land & buildings at the 31 March 2025.

Authority as Lessor	2023/24			2024/25		
	Gross	Net Book	Rental	Gross	Net Book	Rental
	Value £'000	Value £'000	Income £'000	Value £'000	Value £'000	Income £'000
HRA Shops	1,388	1,388	(118)	1,400	1,400	(156)
General Fund Shops	3,661	3,661	(322)	3,435	3,435	(363)
Other GF Land & Buildings	5,225	5,225	(97)	5,363	5,363	(121)
Industrial Units	2,038	2,038	(143)	2,054	2,054	(98)
<b>Total</b>	<b>12,312</b>	<b>12,312</b>	<b>(680)</b>	<b>12,252</b>	<b>12,252</b>	<b>(739)</b>

The Council also received £389k from the rental of garages (£359k 2023/24) and £14,552k from council houses (£13,630k 2023/24). 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	2023/24	2024/25
	Number of Employees	Number of Employees
£50,000 - £54,999	3	4
£55,000 - £59,999	9	10
£60,000 - £64,999	1	-
£65,000 - £69,999	-	3
£70,000 - £74,999	4	1
£75,000 - £79,999	-	1
£80,000 - £84,999	1	-
£85,000 - £89,999	1	-
£90,000 - £94,999	-	-
£95,000 - £99,999	1	2
£100,000 - £104,999	-	-
£105,000 - £109,999	-	1
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	1	-
£125,000 - £129,999	-	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	Total	
		(Including Allowances)	for Loss of Employment	Remuneration exc pension contributions	Pension Contributions	Remuneration inc pension contributions
		£	£	£	£	
Chief Executive	2024/25	125,765	-	125,765	25,414	151,180
	2023/24	121,660	-	121,660	23,115	144,776
Deputy Chief Executive (S151)	2024/25	107,625	-	107,625	20,449	128,074
	2023/24	97,834	-	97,834	18,588	116,422
Director of Corporate Affairs & Business Transformation <sup>3</sup>	2024/25	-	-	-	-	-
	2023/24	17,057	-	17,057	3,241	20,297
Director of Place	2024/25	99,425	-	99,425	18,891	118,316
	2023/24	89,762	-	89,762	17,055	106,817
Director of Legal, HR & Governance (Monitoring Officer)	2024/25	99,655	-	99,655	18,891	118,546
	2023/24	80,226	-	80,226	15,199	95,426

### 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 2024/25 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.

## 13 Termination Benefits

During 2024/25 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.

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	-	9	9	25
<b>Total</b>	-	<b>9</b>	<b>9</b>	<b>25</b>

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
<b>Total</b>	-	<b>6</b>	<b>6</b>	<b>14</b>

## 14 External Audit Costs

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

External Audit Costs	2023/24	2024/25
	£'000	£'000
Additional fees in relation to 2023-24 audit	-	27
Fees payable with regard to the annual audit fee	149	163
Fees payable for the certification of claims and returns	37	58
Additional Fees relating to previous year audit	40	-
<b>Total</b>	<b>226</b>	<b>248</b>

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.

## 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 2024/25.

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 2024 to 26 November 2024, one Officer of Mid Devon District Council was appointed as a Director of 3 Rivers Developments Ltd, the Council's arms length company. During 2024/25 a minimal cash balance held as a float to cover any unforeseen closedown costs was returned. No other transactions took place

## 16 Members' Allowances and Expenses

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

Members Allowances and Expenses	2023/24	2024/25
	£'000	£'000
Allowances	332	345
Expenses	8	8
<b>Total</b>	<b>340</b>	<b>353</b>

## 17 Acquired and/or Discontinued Activities

The Council did not acquire any new activities during 2024/25.

However, the Council discontinued its wholly owned subsidiary company, 3 Rivers Developments Ltd, with the company formally dissolved on 26 November 2024.

## 18 Depreciation and Impairment of Non-Current Assets

A decrease in house prices of between 2-5% led to a revaluation decrease across council dwellings. 2024/25 saw the completion of a number of housing schemes, as well as 7 additional purchases bringing a total of 57 properties into use. In line with standard valuation practice, these 57 properties have since been revalued at existing use value - social housing (EUV-SH). The discount factor of 65% for EUV-SH has been used in 2024/25.

See Notes 27 and 58 for further details.

Depreciation and Impairment of Non Current Assets	2023/24	2024/25
	£'000	£'000
Depreciation	5,026	5,293
Heritage assets	-	167
Net reversal of impairment of non current assets	(2,395)	12,917
<b>Total</b>	<b>2,631</b>	<b>18,376</b>

## 19 Minimum Revenue Provision

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

Minimum Revenue Provision	2023/24 £'000	2024/25 £'000
<b>Housing Revenue Account - Minimum Revenue Provision</b>		
HRA self-financing settlement	911	911
Housing developments after 1/4/13	47	1,162
Finance leases	33	38
	<b>991</b>	<b>2,111</b>
<b>General Fund - Minimum Revenue Provision</b>		
Assets acquired prior to 1/4/13	55	53
Assets acquired by PWLB loans after 1/4/13	100	100
Assets funded from internal borrowing	673	153
Finance leases	390	728
	<b>1,217</b>	<b>1,033</b>
<b>Total</b>	<b>2,208</b>	<b>3,144</b>

## 20 Prior Year Adjustment

The comparator figures for 2023/24 within the Main Statements and associated Notes have been restated to reflect an amendment to the treatment of S106 funding held by the Council. Previously, the funds were held in Earmarked Reserves or the Affordable Housing Reserve. However, monies advanced as S106 contributions, for which conditions have not been satisfied, should be carried in the Balance Sheet as Creditors.

Following a technical review, £3,161k was moved from Earmarked Reserves along with £1,314k from the Affordable Housing Reserve and into Creditors and held on the Balance Sheet. 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 and are retained in Earmarked Reserves until the balances are required to fund appropriate expenditure.

## 21 Pensions

All of the pension figures included in the 2024/25 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 / Sergeant judgment*

Regulations in respect of the McCloud and Sergeant 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 5a – 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 2025, the Continuous Mortality Investigation Bureau Model (CMI) is continued to be used as the update for the funds 2022 actuarial valuations.

## **76 a e d 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	
		2023/24 £'000	2024/25 £'000
<b>Service cost comprising:</b>			
Current service cost		2,527	2,567
(Gain) / loss from settlements		-	(32)
<b>Financing and Investment Income and Expenditure</b>			
Net interest expense		690	410
Administrative expenses		51	57
<b>Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>		<b>3,268</b>	<b>3,002</b>
<b>Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>			
Remeasurement of the net defined benefit liability comprising:			
Return on Fund assets (excluding the amount included in the net interest expense)		5,405	(1,103)
Experience gain/(loss) on defined benefit obligation		(292)	270
Actuarial gains and losses arising on changes in demographic assumptions		1,339	258
Actuarial gains and losses arising on changes in financial assumptions		844	14,078
Changes in effect of asset ceiling (onerous funding commitment)		(1,533)	(13,497)
<b>Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		<b>5,763</b>	<b>6</b>
<b>Movement in Reserves Statement</b>			
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code		3,268	3,002
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>			
Employer's contributions payable to the scheme		3,416	3,581
Retirement benefits payable to pensioners		3,940	5,201

## 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	
	2023/24	2024/25
	£'000	£'000
Present value of the defined benefit obligation	96,572	85,930
Fair value of plan assets	(88,587)	(92,016)
Present value of the unfunded obligation	648	562
Impact of asset ceiling (onerous funding commitment)	1,533	15,105
<b>Net liability from defined benefit obligation</b>	<b>10,166</b>	<b>9,581</b>

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

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

Reconciliation of the Movements in the Fair Value of Scheme Assets	Local Government Pension Scheme	
	2023/24	2024/25
	£'000	£'000
<b>Opening fair value of scheme assets</b>	<b>79,071</b>	<b>88,587</b>
Interest income	3,804	4,368
<b>Remeasurement gain / (loss):</b>		
The return on plan assets, excluding the amount included in the net interest expense	5,405	(1,103)
Administrative expense	(51)	(57)
Contributions from employer	3,416	3,581
Contributions from employees into the scheme	882	935
Benefits paid	(3,940)	(5,201)
Other	-	906
<b>Closing fair value of scheme assets</b>	<b>88,587</b>	<b>92,016</b>

Additional pension asset transfer into the pension scheme as a result of the closure of 3 Rivers Developments Ltd has resulted in an increase of £906k for 2024/25.

**Local Government Pension Scheme assets comprised:**

Local Government Pension Scheme assets comprised	Fair value of scheme assets			
	2023/24		2024/25	
	£'000	%	£'000	%
Cash and cash equivalents	1,994	2%	2,376	3%
<b>Equities:</b>				
UK	1,244	1%	2,044	2%
Overseas	47,367	53%	46,467	50%
<b>Sub-total equities</b>	<b>48,611</b>		<b>48,511</b>	
<b>Bonds:</b>				
Other Bonds	20,130	23%	21,775	24%
<b>Sub-total bonds</b>	<b>20,130</b>		<b>21,775</b>	
<b>Other investments:</b>				
Infrastructure	8,974	10%	9,536	10%
Property	6,804	8%	7,650	8%
Target Return Portfolio	2,092	2%	2,165	2%
Alternative Assets	(18)	0%	3	0%
<b>Sub-total other investment funds</b>	<b>17,852</b>		<b>19,354</b>	
<b>Total assets</b>	<b>88,587</b>		<b>92,016</b>	

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

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

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	Funded Liabilities	
	2023/24 £'000	2024/25 £'000
<b>Opening balance at 1 April</b>	<b>95,148</b>	<b>97,220</b>
Current service cost	2,527	2,567
Interest cost	4,494	4,703
Contributions from scheme participants	882	935
<b>Remeasurement (gains) and losses:</b>		
Actuarial gains and losses arising on changes in demographic assumptions	(1,339)	(258)
Actuarial gains and losses arising on changes in financial assumptions	(844)	(14,078)
Experience loss/(gain) on defined benefit obligation	292	(270)
Benefits paid	(3,858)	(5,120)
Unfunded pension payments	(82)	(81)
Other	-	874
<b>Closing balance at 31 March</b>	<b>97,220</b>	<b>86,492</b>

Additional pension asset transfer into the pension scheme as a result of the closure of 3 Rivers Developments Ltd has resulted in a liability increase of £874k for 2024/25.

## 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 2025.

The significant assumptions used by the Actuary have been:

Mortality assumptions	Local Government Pension Scheme	
	2023/24	2024/25
Longevity at 65 for current pensioners		
Men	21.5	21.4
Women	22.7	22.7
Longevity at 65 for future pensioners		
Men	22.8	22.7
Women	24.1	24.1
Rate of increase in salaries	3.95%	3.90%
Rate of increase in pensions (CPI)	2.95%	2.90%
RPI inflation	3.25%	3.20%
Rate for discounting scheme liabilities	4.90%	5.80%

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
<b>Adjustment to discount rate</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	80,689	85,275	86,492	87,737	93,035
Projected service cost	1,589	1,834	1,901	1,969	2,268
<b>Adjustment to long term salary increase</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	86,999	86,591	86,492	86,392	86,003
Projected service cost	1,901	1,901	1,901	1,901	1,901
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.5%</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
Present value of total obligation	92,689	87,672	86,492	85,340	80,996
Projected service cost	2,282	1,972	1,901	1,832	1,575
<b>Adjustment to life expectancy assumptions</b>		<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>	
Present value of total obligation		89,579	86,492	83,528	
Projected service cost		1,966	1,901	1,837	

## 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.

## 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 & Equipment	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at Historical Cost - 2024/25	14,572	-	-	6,092	353	189	-	21,206
Valued at Fair Value - 2024/25	-	163,209	46,842	-	-	-	1,986	212,037
<b>Total Valuation - 2024/25</b>	<b>14,572</b>	<b>163,209</b>	<b>46,842</b>	<b>6,092</b>	<b>353</b>	<b>189</b>	<b>1,986</b>	<b>233,243</b>
<hr/>								
<b>Previous Fair Valuations</b>								
2023/24	16,796	164,350	46,199	3,699	362	198	3,326	234,931
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

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

2024/25	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Historic Cost or Fair Valuation</b>								
At 1 April 2024	16,796	164,350	46,199	8,845	516	280	3,326	240,313
IFRS 16 Adoption	-	-	-	1,634	-	-	-	1,634
<b>Revised Values as at 1 April 2024</b>	<b>16,796</b>	<b>164,350</b>	<b>46,199</b>	<b>10,479</b>	<b>516</b>	<b>280</b>	<b>3,326</b>	<b>241,947</b>
Additions	11,125	4,436	888	1,857	-	-	-	18,306
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(3,043)	(1,514)	(931)	-	-	-	(5,489)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(12,630)	(159)	-	-	-	105	(12,684)
Derecognition - Disposals	(425)	(1,173)	(29)	(8)	-	-	(1,000)	(2,635)
Reclassification	(12,924)	11,269	1,529	126	-	-	(445)	(445)
<b>At 31 March 2025</b>	<b>14,572</b>	<b>163,209</b>	<b>46,914</b>	<b>11,523</b>	<b>516</b>	<b>280</b>	<b>1,986</b>	<b>239,000</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2024	-	-	-	(5,147)	(154)	(82)	-	(5,382)
Depreciation charge	-	(2,508)	(1,546)	(1,215)	(9)	(9)	(5)	(5,293)
Depreciation written out to the Revaluation Reserve	-	2,508	1,474	931	-	-	5	4,918
Reclassification	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	-	-	-	-	-	-
<b>At 31 March 2025</b>	<b>-</b>	<b>-</b>	<b>(72)</b>	<b>(5,431)</b>	<b>(163)</b>	<b>(91)</b>	<b>-</b>	<b>(5,757)</b>
<b>Net Book Value</b>								
<b>At 31 March 2025</b>	<b>14,572</b>	<b>163,209</b>	<b>46,842</b>	<b>6,092</b>	<b>353</b>	<b>189</b>	<b>1,986</b>	<b>233,243</b>
<b>At 31 March 2024</b>	<b>16,796</b>	<b>164,350</b>	<b>46,199</b>	<b>3,699</b>	<b>362</b>	<b>198</b>	<b>3,326</b>	<b>234,931</b>
<b>Nature of asset holding</b>								
Owned	14,572	163,209	46,842	3,182	353	189	1,986	228,888
Subject to Finance Leases	-	-	1,445	2,910	-	-	-	4,355

2023/24	Assets Under Construction	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Community Assets	Infrastructure Assets	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Historic Cost or Fair Valuation</u></b>								
<b>At 1 April 2023</b>	<b>7,502</b>	<b>158,749</b>	<b>42,980</b>	<b>8,006</b>	<b>516</b>	<b>280</b>	<b>445</b>	<b>218,477</b>
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	-
<b>At 31 March 2024</b>	<b>16,796</b>	<b>164,350</b>	<b>46,199</b>	<b>8,845</b>	<b>516</b>	<b>280</b>	<b>3,326</b>	<b>240,313</b>
<b><u>Accumulated Depreciation and Impairment</u></b>								
<b>At 1 April 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,593)</b>	<b>(144)</b>	<b>(72)</b>	<b>-</b>	<b>(4,810)</b>
<b>Depreciation charge</b>	<b>-</b>	<b>(2,548)</b>	<b>(1,477)</b>	<b>(978)</b>	<b>(10)</b>	<b>(10)</b>	<b>(4)</b>	<b>(5,026)</b>
Depreciation written out to the Revaluation Reserve	-	2,548	1,477	425	-	-	4	4,454
Reclassification	-	-	-	-	-	-	-	-
Reclassification	-	-	(58)	58	-	-	-	-
<b>At 31 March 2024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,147)</b>	<b>(154)</b>	<b>(82)</b>	<b>-</b>	<b>(5,382)</b>
<b><u>Net Book Value</u></b>								
<b>At 31 March 2024</b>	<b>16,796</b>	<b>164,350</b>	<b>46,199</b>	<b>3,699</b>	<b>362</b>	<b>198</b>	<b>3,326</b>	<b>234,931</b>
<b><u>Nature of asset holding</u></b>								
Owned	16,796	164,350	46,199	1,682	362	198	3,326	232,914
Subject to Finance Leases	-	-	-	2,017	-	-	-	2,017

## 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 2023	Expenditure	Amount Financed or Written Off	Balance at 31 March 2024	Expenditure	Amount Financed or Written Off	Balance at 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Private Sector Housing Grants & Disabled Facilities Grants	-	659	(659)	-	867	(867)	-
Cullompton Town Centre Relief Road (HIF bid)	-	(2)	2	-	2,098	(2,098)	-
Shared Prosperity & Rural Prosperity Grants	-	280	(280)	-	598	(598)	-
<b>Total</b>	-	<b>938</b>	<b>(938)</b>	-	<b>3,564</b>	<b>(3,564)</b>	-

## 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	2023/24	2024/25
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>64,592</b>	<b>62,234</b>
<b>Capital Investment</b>		
Property, plant and equipment	26,807	18,306
Revenue Expenditure Funded from Capital under Statute (REFCUS)	938	3,564
Loans to third parties (net of repayments)	(13,809)	72
Adjust for Capital Expenditure Written Off to CIES*	-	(89)
<b>Sources of Finance</b>		
Capital receipts applied	(4,445)	(2,207)
Use of Major Repairs Allowance (MRA) to finance HRA new capital expenditure	(2,684)	(2,577)
Government grants and contributions	(3,757)	(8,045)
Direct revenue contributions	(3,201)	(1,177)
Statutory provision for the financing of capital investment	(2,208)	(3,144)
<b>Closing Capital Financing Requirement</b>	<b>62,234</b>	<b>66,936</b>
<b>(Decrease)/Increase in Capital Financing Requirement</b>	<b>(2,358)</b>	<b>4,702</b>

\*Adjustment of £89k made to the CFR on the disposal of land at Post Hill to reflect an amount previously charged to revenue in a prior year.

## 25 Heritage Assets

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

Heritage Assets Movements	2023/24	2024/25
	£'000	£'000
<b>Cost or Valuation</b>		
<b>At 1 April 2024</b>	<b>330</b>	<b>330</b>
Additions	-	-
Donations	-	-
Disposals	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(6)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(167)
<b>Total</b>	<b>330</b>	<b>157</b>

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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 Barnes Hampton and Littlewood Auctioneers and Valuers as at March 2025, the reduction in the value of the assets is due to the expert assessing one of the artworks as not being an original but in the manner of Sir Joshua Reynolds.

The civic regalia was valued by Barnes Hampton and Littlewood Auctioneers and Valuers as at February 2025, noting that the items were silver gilt and not solid silver.

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.

### 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 2025.

Commitments under Capital Contracts	2023/24 £'000	2024/25 £'000
Various Major Repairs Allowance Works to Maintain Council Housing Stock	1,741	1,900
Property Lease Contracts	378	1,445
Vehicle Lease Contracts	1,961	2,905
Modular Housing Development Projects	371	549
<b>Total</b>	<b>4,451</b>	<b>6,799</b>

Contracts relating to Major Repairs Works to Council Housing stock include 2025/26 planned maintenance spend: roofing £600k, modernisation of kitchens and bathrooms 400k, Flooring and structural works £500k and window replacement £400k.

## 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 2025 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 2025. 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 2025.

## 28 Short-Term and Long-Term Borrowing

As at the 31 March 2025 the Council had two long-term loans outstanding from the Public Works Loan Board (PWLB) with an outstanding balance of £29,398k.

- 1 - £26,580k to fund the Housing Revenue Account stock purchase - 25 year loan @ 2.94% maturing 28 March 2037;
- 2 - £2,819k 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 31/3/2024 £'000	Balance at 31/3/2025 £'000
Public Works Loan Board	< 1 year	1,975	2,033
	2 - 5 years	8,496	8,745
	Over 5 years	20,903	18,620
<b>Total loan value outstanding</b>		<b>31,373</b>	<b>29,398</b>

## 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 £340k as at 31 March 2025 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	2023/24	2024/25
	£'000	£'000
Park Lodge - Land	95	102
Park Lodge - Building	221	238
<b>Total</b>	<b>316</b>	<b>340</b>

## 30 Financial Instruments

### Fair Value of Assets and Liabilities Carried at Amortised Cost

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

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

The fair values calculated are as follows:

Financial Assets	2023/24		2024/25	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
<b>Financial Assets</b>				
Long term investment	4,458	4,458	4,544	4,544
Short term investment	12,000	12,000	9,000	9,000
Cash and cash equivalents	3,401	3,401	3,392	3,392
Loans and trade receivables	3,776	3,776	3,890	3,890
<b>Total</b>	<b>23,635</b>	<b>23,635</b>	<b>20,826</b>	<b>20,826</b>
<b>Financial Liabilities</b>				
Long term borrowing	(31,373)	(29,855)	(29,398)	(27,282)
Finance leases	(2,017)	(2,017)	(4,355)	(4,355)
Trade payables	(1,311)	(1,311)	(1,986)	(1,986)
<b>Total</b>	<b>(34,701)</b>	<b>(33,183)</b>	<b>(35,739)</b>	<b>(33,622)</b>

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

2024/25	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	899	-	-	-	899
Interest payable on finance leases	-	292	-	-	292
<b>Interest payable and similar charges</b>	<b>899</b>	<b>292</b>	<b>-</b>	<b>-</b>	<b>1,191</b>
Interest income	-	-	(1,121)	-	(1,121)
Dividends received	-	-	(227)	-	(227)
<b>Interest and investment income</b>	<b>-</b>	<b>-</b>	<b>(1,348)</b>	<b>-</b>	<b>(1,348)</b>
Fair Value adjustment	-	-	-	(86)	(86)
<b>Net (gain)/loss for the year</b>	<b>899</b>	<b>292</b>	<b>(1,348)</b>	<b>(86)</b>	<b>(243)</b>

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
<b>Interest payable and similar charges</b>	<b>1,077</b>	<b>186</b>	<b>-</b>	<b>-</b>	<b>1,263</b>
Interest income	-	-	(2,197)	-	(2,197)
Dividends received	-	-	(234)	-	(234)
<b>Interest and investment income</b>	<b>-</b>	<b>-</b>	<b>(2,431)</b>	<b>-</b>	<b>(2,431)</b>
Fair Value adjustment	-	-	-	181	181
<b>Net (gain)/loss for the year</b>	<b>1,077</b>	<b>186</b>	<b>(2,431)</b>	<b>181</b>	<b>(987)</b>

## **Disclosure of Nature and Extent of Risks Arising from Financial Instruments**

### **Liquidity Risk**

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

The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

### **Market Risk**

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

### **Credit Risk**

Credit risk arises from deposits with banks and building societies as well as credit exposure to the Council's customers. The treasury policy for the year allowed the Council to invest with the main UK Banks and Building Societies, with a FITCH credit rating of F1 or higher, up to a maximum value of £5,000k with any one institution. Once again this evidences our prudent approach to lending of surplus funds. During 2020/21, approval was given by Full Council to maintain a flexible limit on balances held with the Council's bank (NatWest) to equal that of £5,000k plus the balance of any emergency grant funds being administered.

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

The Fair Value of Public Works Loan Board (PWLB) loans of £27,282k 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 (£2,116k) 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 2025 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	2023/24 £'000	2024/25 £'000
CCLA Property Fund	4,458	4,544
<b>Total</b>	<b>4,458</b>	<b>4,544</b>

At the 31 March 2025, the Council held 1,634,480 units in the CCLA Local Authorities' Mutual Investment Trust Commercial Property Fund. During 2024/25, the income received amounted to £227k, a 4.54% return for the year. The carrying value of the investment in the Balance Sheet at 31 March 2025 based upon the Fair Value amounted to £4,544k.

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

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

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

Long Term Debtors (amounts due in more than 12 months)	2023/24 £'000	2024/25 £'000
Other entities and individuals	2,143	2,237
<b>Total</b>	<b>2,143</b>	<b>2,237</b>

### 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 %	2023/24	2024/25
	From	To		£'000	£'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	
London Borough of Waltham Forest	03/09/2024	03/06/2025	4.85%		3,000
Uttlesford District Council	07/11/2024	07/08/2025	5.05%		3,000
Chesterfield Borough Council	09/12/2024	09/06/2025	5.60%		3,000
<b>Total</b>				<b>12,000</b>	<b>9,000</b>

**33** This table excludes a £1,500k deposit with the Debt Management Office (DMO) placed for a period of 5 days on 27/03/2025 at an interest rate of 4.45%. Due to the duration of this loan being less 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	2023/24	2024/25
	£'000	£'000
<b>Opening Balance</b>	<b>30</b>	<b>3,104</b>
Additions	3,135	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	170
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(31)	(233)
Derecognition - Disposals	(30)	-
Reclassification	-	445
<b>Net Book Value</b>	<b>3,104</b>	<b>3,486</b>

Park Road Nursery has been reclassified as an asset held for sale, and subsequently revalued upward. The five unsold newly built houses at Haddon Heights (Elizabeth Penton Way) are being marketed for sale via Seddon's estate agents. The sale price has been reduced in year.

## 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 £407k:

Inventories	2023/24 £'000	2024/25 £'000
Raw materials	339	407
<b>Total</b>	<b>339</b>	<b>407</b>

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

Debtors are amounts owed to the Council as at 31 March 2025.

Short Term Debtors (amounts due in less than 12 months)	2023/24 £'000	2024/25 £'000
Trade Receivables	640	979
Central Government Bodies	2,509	3,381
Other Local Authorities	1,324	1,158
NDR Total Debtor	500	630
Council Tax Total Debtor	2,139	997
Housing Benefits	417	308
Other Receivable Amounts	2,367	3,654
Prepayments	290	232
Less Impairment Allowances	(1,893)	(2,014)
<b>Total</b>	<b>8,292</b>	<b>9,325</b>

The short term debtors stated above include the following main items:

- Trade Receivables – these are amounts outstanding on our sales ledgers and vary due to timing differences in when invoices are raised.
- Central Government Bodies – £714k of VAT reclaimed from HMRC, £2,140k Homes England grant funds, £323k Housing Benefits claim and £140k Elections income due in 2025/26.
- Other Local Authorities – this amount includes £144k Household Support Fund 6 (HSF6) grant, £412k Waste Shared Savings Scheme and £123k Recycling credits from Devon County Council, £195k accrued temporary investment interest and £84k for the Dual Use Agreement with Cullompton Community College.
- NDR and Council Tax – these include the debtors for tax arrears shown in Note 37, plus balances due back to the Council from preceptors or Government.
- Other Receivable Amounts – £1,017k of outstanding HRA rents, £1,577k outstanding capital project income and £776k outstanding loan repayment.
- Impairment Allowances are set to adjust for debts that may not be repaid – Council Tax £463k, NDR £342k, Sales Ledger £210k, HRA Rents £853k and Housing Benefit £145k. Each is assessed individually with appropriate assumptions to derive these values.

### 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 form part of the short term debtors stated in Note 36.

Debtors for Local Taxation	Non-Domestic Rates		Council Tax Precepts	
	2023/24	2024/25	2023/24	2024/25
	£'000	£'000	£'000	£'000
<b>Up to one year</b>	<b>198</b>	<b>212</b>	<b>478</b>	<b>519</b>
Less impairment allowance	(77)	(84)	(93)	(111)
Up to one year	121	128	385	408
<b>One to three years</b>	<b>236</b>	<b>198</b>	<b>336</b>	<b>322</b>
Less impairment allowance	(192)	(161)	(200)	(197)
One to three years	44	37	136	125
<b>Over 3 years</b>	<b>66</b>	<b>98</b>	<b>122</b>	<b>156</b>
Less impairment allowance	(65)	(97)	(121)	(154)
Over 3 years	1	1	1	2
<b>Total Debtors for Local Taxation</b>	<b>500</b>	<b>508</b>	<b>936</b>	<b>997</b>
Total Debtors for Local Taxation less impairment allowance	166	166	522	535

### 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	2023/24		2024/25	
	£'000	£'000	£'000	£'000
Cash held by the Authority		1		1
Bank current accounts		1,400		1,891
Short-term deposits with financial institutions		2,000		1,500
<b>Total</b>		<b>3,401</b>		<b>3,392</b>

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

Creditors are amounts owed by the Council as at 31 March 2025.

Short Term Creditors (amounts due in less than 12 months)	2023/24	2024/25
	£'000	£'000
Central Government Bodies	(2,091)	(1,251)
NDR Preceptors	(2,336)	(2,096)
Council Tax Preceptors	(171)	(202)
Other Local Authorities	(287)	(2,329)
Trade Payables	(1,936)	(2,772)
Other Payables	(1,186)	(1,669)
<b>Total</b>	<b>(8,008)</b>	<b>(10,319)</b>

The main creditors outstanding as at 31 March 2025 are:

- Central Government Bodies – Includes £710k of Capital Receipts, £135k of NDR transitional relief, £200k of Homes for Ukraine and some other small grants due to be repaid or utilised in 2025/26.
- 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.
- 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.
- Other Local Authorities – £2,043k to Devon County Council for Cullompton Town Centre relief road.
- 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 2025.
- Other Payables – Finance Leases £805k, Service charge funds of £168k and receipts in advance £473k.

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

Long Term Creditors (amounts due in more than 12 months)	2023/24		2024/25
	Restated (See Note 20)	£'000	
Finance Lease Liability		(1,568)	(3,550)
S106 Contributions		(4,560)	(4,319)
Other Payables		(35)	(24)
<b>Total</b>		<b>(6,163)</b>	<b>(7,893)</b>

The increase in the finance lease liability is down to the recognition of property leases following the implementation of IFRS 16 and additional vehicle leases taken on during the year. See Note 57 for more detail.

## 41 Provisions

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

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

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

Provisions	2023/24	2024/25
	£'000	£'000
HRA Housing Rent Refund Provision	(1,545)	(1,777)
Non Domestic Rates (NDR) Appeals	(640)	(560)
Reimbursement of Anticipated Legal Costs	-	(32)
<b>Total</b>	<b>(2,185)</b>	<b>(2,369)</b>

### **HRA Housing Rent Refund Provision**

Following the publication of the draft Statement of Accounts for 2023/24, an error with how formula rent had been calculated was discovered. Instead of using the capital value of each property to calculate the formula rent, an average capital value of the Council's housing stock was used. This has resulted in just under half (43%) of the Council's social rent tenants being overcharged rent, with the rest being undercharged. A provision has been created to cover refunds for overpayments based on an estimate of what may be due back to tenants. Work is ongoing to calculate actual refunds due to individual tenants, with the refund process due to start in the financial year 2025/26.

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### **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 £1,400k in respect of the Non Domestic Rates Collection Fund. The Council's 40% share of this being £560k. 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. The S151 Officer recommends that a minimum balance of £2,000k is held, however at present the balance is below this following the creation of the Social Rent Refund Provision. Work is in train during 2025/26 that will also be linked to the 2026/27 budget setting process to replenish this reserve back to the agreed level;
- 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
	1/4/2023		31/3/2024		31/3/2025
	Restated (See Note 20)				
	£'000	£'000	£'000	£'000	£'000
General Fund Balance	(2,025)	-	(2,025)	-	(2,025)
Earmarked General Fund Reserves	(14,631)	1,165	(13,466)	(2,339)	(15,806)
<b>General Fund Total</b>	<b>(16,656)</b>	<b>1,165</b>	<b>(15,491)</b>	<b>(2,339)</b>	<b>(17,830)</b>
Housing Revenue Account	(2,000)	1,545	(455)	-	(455)
Earmarked HRA Reserves	(22,190)	860	(21,330)	1,003	(20,327)
Capital HRA Reserves	(1,375)	(147)	(1,522)	(194)	(1,717)
<b>HRA Total</b>	<b>(25,565)</b>	<b>2,258</b>	<b>(23,307)</b>	<b>809</b>	<b>(22,498)</b>
Capital Receipts Reserve	(7,309)	3,492	(3,817)	(605)	(4,423)
Capital Grants Unapplied	(1,185)	472	(713)	205	(508)
<b>Capital Total</b>	<b>(8,494)</b>	<b>3,964</b>	<b>(4,530)</b>	<b>(401)</b>	<b>(4,931)</b>
<b>Total Usable Reserves</b>	<b>(50,715)</b>	<b>7,387</b>	<b>(43,328)</b>	<b>(1,931)</b>	<b>(45,259)</b>

### 43 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	2023/24	2024/25
		£'000	£'000
Revaluation Reserve	44	(18,939)	(17,928)
Capital Adjustment Account	45	(159,406)	(153,106)
Deferred Capital Receipts Reserve	46	(148)	(175)
Pensions Reserve	47	10,166	9,581
Collection Fund Adjustment Account	48	(124)	93
Accumulating Compensated Absences Adjustment Account	49	135	110
Financial Instruments Adjustment Account	9	542	456
<b>Total</b>		<b>(167,774)</b>	<b>(160,968)</b>

## 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. The numbers in the following table relate to PPE (Note 22), Heritage Assets (Note 25) and Assets Held for Sale (Note 34).

Revaluation Reserve	2023/24 £'000	2024/25 £'000
<b>At 1 April</b>	(18,124)	(18,939)
Upward revaluation of assets	(2,249)	(1,294)
Downward revaluation of assets and impairment losses not posted to the Surplus or Deficit on the Provision of Services	773	1,701
<b>Total of revaluations (surplus)/deficit</b>	(1,476)	407
<b>Surplus/deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	(19,600)	(18,531)
Accumulated gains on assets sold	72	5
Difference between fair value depreciation and historical cost depreciation	589	598
<b>Amount written off to Capital Adjustment Account</b>	661	603
<b>At 31 March</b>	(18,939)	(17,928)

## 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. The numbers in the following table relate to PPE (Note 22), Heritage Assets (Note 25) and Assets Held for Sale (Note 34).

<b>Capital Adjustment Account</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 April</b>	<b>(147,659)</b>	<b>(159,406)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Charges for depreciation and impairment of Non-Current Assets	5,026	5,293
Revaluation gains on Property, Plant and Equipment (PPE)	(2,395)	12,917
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	938	3,564
Heritage asset revaluation	-	167
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	1,154	2,108
Adjusting amounts written out of the Revaluation Reserve	(589)	(598)
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(143,525)</b>	<b>(135,955)</b>
<b>Capital financing applied in the year</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(4,445)	(2,207)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,684)	(2,577)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,032)	(5,079)
Application of grants to capital financing from the Capital Grants Unapplied Account	(725)	(2,966)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,208)	(3,144)
Capital expenditure charged against the General Fund and HRA balances	(3,201)	(1,177)
Impairment of financial instruments classified as capital transactions	414	-
<b>At 31 March</b>	<b>(159,406)</b>	<b>(153,106)</b>

## 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; then 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 2024/25 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	2023/24	2024/25
	£'000	£'000
<b>At 1 April</b>	(157)	(148)
Revaluations	9	(27)
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
<b>At 31 March</b>	(148)	(175)

## 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	2023/24	2024/25
	£'000	£'000
<b>At 1 April</b>	16,077	10,166
Remeasurement of net defined liability	(5,763)	(6)
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	3,268	3,002
Employer's pension contributions and direct payments to pensioners payable in the year	(3,416)	(3,581)
<b>At 31 March</b>	10,166	9,581

Pension reserve balance includes £751k relating to the secondary rate contribution for 2024/25.

## 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	2023/24	2024/25
	£'000	£'000
<b>At 1 April</b>	<b>73</b>	<b>42</b>
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	(31)	(151)
<b>At 31 March</b>	<b>42</b>	<b>(108)</b>

The balance of £108k represents MDDC's share (13.09%) of the overall Council Tax Collection Fund surplus of £829k at 31 March 2025 (£42k deficit at 31 March 2024) (see the Collection Fund Income and Expenditure Account).

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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	2023/24	2024/25
	£'000	£'000
<b>At 1 April</b>	<b>67</b>	<b>(166)</b>
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	(233)	368
<b>At 31 March</b>	<b>(166)</b>	<b>202</b>

The balance of £202k represents MDDC's share (40%) of the overall NDR Collection Fund deficit of £618k at 31 March 2025 (£166k surplus at 31 March 2024), which is £247k; reduced by the element owed from Renewable Energy Schemes of £45k.

## 49 Accumulated Compensating Absences Adjustment Account

Accumulating Compensating Absences Adjustment Account	2023/24 £'000	2024/25 £'000
<b>At 1 April</b>	<b>204</b>	<b>135</b>
Settlement or cancellation of accrual made at the end of the preceding year	(204)	(135)
Amounts accrued at the end of the current year	135	110
<b>At 31 March</b>	<b>135</b>	<b>110</b>

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 further improvements in the management of annual leave balances across the Council.

## 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	2023/24 Restated (See Note £'000)	2024/25 £'000
Depreciation	5,026	5,293
Impairment	(2,395)	13,083
Increase/(Decrease) in Impairment for Bad Debt	27	121
Increase/(Decrease) in Creditors	(2,150)	1,535
Increase/(Decrease) in Provisions	1,309	184
(Increase)/Decrease in Debtors	18,143	(1,248)
(Increase)/Decrease in Inventories	28	(68)
Carrying Amount of Non-Current Assets Sold	1,226	2,113
Pension Liability Reversal	(148)	(578)
Fair Value Equity Instrument Revaluation	181	(86)
Other Adjustments	(162)	-
<b>Total</b>	<b>21,085</b>	<b>20,349</b>

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

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

Cash Flow - Adjustment	2023/24	2024/25
	£'000	£'000
Other receipts from financing activities	(2,671)	(4,532)
REFCUS adjustment	938	3,564
Proceeds from the sale of Property, Plant and Equipment & Investment Property	(957)	(2,861)
Interest Paid	1,263	1,191
Interest received	(2,431)	(1,348)
<b>Total</b>	<b>(3,858)</b>	<b>(3,986)</b>

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

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

Cash Flow Statement - Operating Activities on the Balance Sheet	2023/24	2024/25
	£'000	£'000
<b>Grant Funds Received</b>		
Homes for Ukraine	273	384
<b>Grant Funds Paid to Businesses/Beneficiaries</b>		
Council Tax Energy Rebate	(47)	-
Alternative Fuel Payment £400	(275)	-
Alternative Fuel Payment £200	(123)	-
Homes for Ukraine	(426)	(215)
<b>Increase/(Decrease) in Grant Funds held on the Balance Sheet</b>	<b>(598)</b>	<b>169</b>

The items listed in the above table mainly relate to various Government grant schemes that the Council has administered. These schemes have gradually reduced in number and monetary value over the last few years, with the Homes for Ukraine scheme now the only live one.

## 53 Cash Flow – Investing Activities

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

Cash Flow Statement - Investing Activities	2023/24	2024/25
	£'000	£'000
Purchase of Property, Plant and Equipment (PPE) & Investment Property	(26,348)	(15,201)
Other cash payments (REFCUS)	(938)	(3,564)
Proceeds from the sale of Property, Plant and Equipment & Investment Property	957	2,861
Capital grants received	2,671	4,532
Purchase of temporary investments	4,000	3,000
Interest received	2,431	1,348
Interest paid	(1,263)	(1,191)
<b>Net cash flows from investing activities</b>	<b>(18,490)</b>	<b>(8,215)</b>

## 54 Cash Flow – Financing Activities

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

Cash Flow Statement - Financing Activities	2023/24	2024/25
	£'000	£'000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(423)	(766)
PWLB debt repayment	(1,937)	(1,975)
<b>Net cash flows from financing activities</b>	<b>(2,360)</b>	<b>(2,741)</b>

## 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	2023/24	2024/25
	£'000	£'000
Council Tax Support Scheme New Burdens	(10)	-
Covid-19 Non-Ring Fenced Government Grants	(109)	-
Funding Guarantee Grant	(493)	(564)
New Homes Bonus	(320)	(414)
Revenue Support Grant	(98)	(105)
Rural Services Delivery Grant	(547)	(634)
Services Grant	(82)	(15)
Other Non-Ring Fenced Government Grants	(8)	(32)
<b>Total</b>	<b>(1,667)</b>	<b>(1,764)</b>

## Credited to Services

Credited to Services	2023/24	2024/25
	£'000	£'000
Business Rates - Cost of Collection Grant	(121)	(123)
Council Tax Support Scheme	(95)	-
Disabled Facilities Grant	(270)	(254)
Garden Communities Programme	(145)	-
Historic England	(588)	(13)
Homelessness Prevention Grant (HPG)	(362)	(370)
Homes For Ukraine - Service funding & staffing costs	(251)	(116)
Household Support Fund	(482)	(501)
Housing Benefit & CTB Admin Grant	(156)	(154)
Housing Benefit Subsidy	(10,896)	(10,530)
Homes and Communities Agency Grant	-	(109)
Rough Sleeping Initiative	(102)	(159)
Rural England Prosperity Fund	(145)	-
Section 106s	(21)	(1,425)
Shared Prosperity Fund (Revenue)	(318)	(406)
Other Grants & Contributions	(643)	(517)
<b>Total</b>	<b>(14,595)</b>	<b>(14,677)</b>

## Capital Grants applied to the Income and Expenditure Account

Capital Grants applied to the Income and Expenditure Account	2023/24 Restated (See Note 20)	2024/25
	£'000	£'000
Affordable Housing	(65)	-
Care Leaver Funding	-	(338)
Changing Places Grant	(62)	(86)
Disabled Facilities Grant	-	(10)
Homes and Communities Agency Grant	(173)	(3,241)
Homes for Ukraine Scheme	(788)	(187)
Housing Infrastructure Fund	-	(41)
Local Authority Housing Fund	(1,124)	(15)
One Public Estate Funding	(607)	(50)
Prisoners Building Homes	-	(174)
Repaid Private Sector Housing Grants	84	-
Revenue Contributions to Capital Outlay - S106	-	(15)
Rural England Prosperity Fund	-	(182)
Salix	-	(38)
Shared Prosperity Fund	-	(109)
Sports England Funding	-	(46)
<b>Total</b>	<b>(2,736)</b>	<b>(4,532)</b>

## 56 Contingent Assets and Liabilities

The Council has no Contingent Assets or Contingent Liabilities at the 31 March 2025.

## 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.

### Authority as Lessee

#### Finance Leases

From 1<sup>st</sup> April 2024 IFRS16 came into effect, the main impact of the new requirement is that for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as a liability) a right-of-use asset and a lease liability are brought into the balance sheet. Leases for items of low value and leases that expire on or before the 31<sup>st</sup> March 2024 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1<sup>st</sup> April 2024. This means that the right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always been applied and prior year figures have not been adjusted.

The impact of IFRS 16 is as follows:

- £1,445k future financing liability for Waste & Recycling depot – added to Property, Plant & Equipment – land & buildings (right-of-use-assets)

**Vehicle 2024** 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:

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- 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	2023/24 £'000	2024/25 £'000
Not later than one year - Vehicles	398	607
Not later than one year - Equipment	51	1
Not later than on year - Land & Buildings	-	197
	<b>449</b>	<b>805</b>
Later than one year and not later than five years - Vehicles	1,225	1,918
Later than one year and not later than five years - Equipment	5	3
Later than on year and not later than five years - Land & Buildings		746
	<b>1,230</b>	<b>2,667</b>
Later than five years - Vehicles	338	380
Later than five years - Equipment	-	-
Later than five years - Land & Buildings		503
	<b>338</b>	<b>883</b>
<b>Total</b>	<b>2,017</b>	<b>4,355</b>

## 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	2023/24	2024/25
		£'000	£'000
Not later than one year - GF Land & Buildings		372	437
Not later than one year - Industrial Units		19	33
Not later than one year - HRA Commercial Units		34	74
		<b>425</b>	<b>544</b>
Later than one year and not later than five years - GF Land & Buildings		987	901
Later than one year and not later than five years - Industrial Units		63	102
Later than one year and not later than five years - HRA Commercial Units		84	255
		<b>1,134</b>	<b>1,258</b>
Later than five years - GF Land & Buildings		570	791
Later than five years - Industrial Units		21	20
Later than five years - HRA Commercial Units		22	299
		<b>613</b>	<b>1,110</b>
<b>Total</b>		<b>2,172</b>	<b>2,912</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. For HRA income from council dwellings and garage rents please see the HRA Income and Expenditure Account. The reason for the increase in rental income is due to a number of lease renewals entered into during 2024/25.

## 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	2023/24	2024/25
	£'000	£'000
Council Dwellings	4,405	(12,629)
Other Land & Buildings	576	(159)
Surplus Assets	(2,554)	105
Heritage Assets	-	(167)
Assets Held For Sale	(31)	(233)
<b>Total</b>	<b>2,395</b>	<b>(13,083)</b>

There is a net revaluation decrease of £12,629k for 2024/25. A decrease in house prices of between 2-5% led to a revaluation decrease of £4,170k across council dwellings. 2024/25 saw the completion of a number of housing schemes, bringing a total of 50 properties into use. In line with standard valuation practice, these 50 properties have since been revalued at existing use value - social housing (EUV-SH) which has resulted in a revaluation decrease of £7,761k. Additionally 7 additional properties have been purchased and revalued at EUV-SH resulting in a revaluation decrease of £702k. The impairment in assets held for sale shows the reduction in sale price of the Haddon Heights Properties.

## 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 13 June 2025. Where events took place before 13 June 2025, provided information about conditions existing as at 31 March 2025, 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 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	Note	2023/24	2024/25
		£'000	£'000
<b>Expenditure</b>			
Repairs and maintenance		4,038	5,309
Supervision and management		3,763	4,074
Depreciation and impairment/(revaluation) of Non-Current Assets		(1,021)	15,443
Rents, rates, taxes and other charges		77	240
Increase/(Decrease) in bad debt provision		142	97
<b>Total Expenditure</b>		<b>6,999</b>	<b>25,163</b>
<b>Income</b>			
Dwelling rents	72	(13,630)	(14,552)
Dwelling rents - refund provision for formula rent correction		1,545	232
Non-dwelling rents		(506)	(532)
Other chargeable services and facilities		(511)	(367)
<b>Total Income</b>		<b>(13,102)</b>	<b>(15,219)</b>
HRA services share of corporate and democratic core		165	160
HRA share of other amounts included in the Council's net expenditure of continuing operations but not allocated to specific services		296	295
<b>Net Income or Expenditure of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement</b>		<b>(5,642)</b>	<b>10,398</b>
(Gain)/loss on sale of HRA fixed assets		317	(685)
Interest payable and similar charges - see note below	74	1,045	873
Interest and investment income		(598)	(459)
Capital grants and contributions receivable		(780)	(3,803)
<b>(Surplus) for the year on HRA Services</b>		<b>(5,658)</b>	<b>6,325</b>

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	Note	2023/24 £'000	2024/25 £'000
<b>Balance on the HRA at the end of the previous year</b>		<b>(2,000)</b>	<b>(455)</b>
Deficit / (Surplus) for the year on the HRA Income and Expenditure Account		(5,658)	6,325
Adjustments between accounting basis and funding basis under statute	60	8,063	(5,322)
<b>Net (increase) or decrease before transfers to or from reserves</b>		<b>2,405</b>	<b>1,003</b>
Transfers (to) or from reserves		(860)	(1,003)
<b>(Increase) or decrease in year on the HRA</b>		<b>1,545</b>	<b>-</b>
<b>Balance on the HRA at the end of the year</b>		<b>(455)</b>	<b>(455)</b>

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

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

Adjustments	2024/25	Usable Reserves					Movement in Unusable Reserves
		Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	£'000	
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>							
<b>Adjustments involving the Capital Adjustment Account</b>							
Charges for depreciation and impairment of non current assets		(2,814)	-	-	-	2,814	
Revaluation (losses)/gains on Property, Plant and Equipment		(12,629)	-	-	-	12,629	
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		(2,105)	-	-	-	2,105	
Capital grants and contributions applied		3,803	-	-	-	(3,803)	
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>							
Statutory provision for the financing of capital investment		2,111	-	-	-	(2,111)	
Capital expenditure charged against the General Fund and HRA balances		538	-	-	-	(538)	
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement		-	-	-	-	-	
Application of grants to capital financing transferred to the Capital Adjustment account		-	-	-	-	-	
<b>Adjustments involving the Capital Receipts Reserve</b>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		2,763	(2,763)	-	-	-	
Use of the Capital Receipts Reserve to finance new capital expenditure		-	390	-	-	(390)	
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(21)	21	-	-	-	
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>							
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		27	-	-	-	(27)	
Transfer of deferred capital receipts realised in year to the Capital Receipts Reserve		-	-	-	-	-	
<b>Subtotal</b>		<b>(8,326)</b>	<b>(2,352)</b>	-	-	<b>10,678</b>	

Adjustments	2024/25	Usable Reserves					Movement In Unusable Reserves
		Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	£'000	£'000
<b>Balance Brought Forward</b>		(8,326)	(2,352)	-	-		10,678
<b>Adjustment involving the Major Repairs Reserve</b>							
Reversal of Major Repairs Allowance credited to the HRA		2,772	-	(2,772)	-	-	-
Use of the Major Repairs Allowance to finance new capital expenditure		-	-	2,577	-	(2,577)	
Interest credited to the Major Repairs Allowance		-	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		-	-	-	-	-	-
<b>Adjustment involving the Pensions Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		232	-	-	-	(232)	
<b>Adjustment involving the Accumulated Absences Account</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		2	-	-	-	(2)	
<b>Total Adjustments</b>		(5,322)	(2,352)	(194)	-		7,868

<b>Adjustments</b>	<b>2023/24</b>	<b>Usable Reserves</b>					
		Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000	
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>							
<b>Adjustments involving the Capital Adjustment Account</b>							
Charges for depreciation and impairment of non current assets	(2,831)	-	-	-	-	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)	
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>							
Statutory provision for the financing of capital investment	991	-	-	-	-	(991)	
Capital expenditure charged against the General Fund and HRA balances	2,568	-	-	-	-	(2,568)	
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	
Application of grants to capital financing transferred to the Capital Adjustment account	-	-	-	-	-	-	
<b>Adjustments involving the Capital Receipts Reserve</b>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	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	-	-	-	-	
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>							
Transfer of deferred capital receipts realised in year to the Capital Receipts Reserve	(9)	-	-	-	-	9	
<b>Subtotal</b>	<b>5,030</b>	<b>2,841</b>	<b>-</b>	<b>-</b>	<b>(7,871)</b>		

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

## 61 Housing Stock

The Housing Revenue Account owned and managed the following property:

Housing Stock	Council	Other Land	Total
	Housing	& Buildings	
	No. of Units	No. of Units	No. of Units
<b>At 1 April 2024</b>	<b>2,937</b>	<b>1,225</b>	<b>4,162</b>
Additions	57	-	57
Sales	(16)	(1)	(17)
Written Out	(3)	-	(3)
Reclassified	-	-	-
Transfers	-	-	-
<b>At 31 March 2025</b>	<b>2,975</b>	<b>1,224</b>	<b>4,199</b>

## 62 Number of Dwellings by Type

Type Of Dwelling	2023/24	2024/25
	No. of Units	No. of Units
Houses	1,347	1,347
Bungalows	1,003	1,001
Flats	587	627
<b>Total</b>	<b>2,937</b>	<b>2,975</b>

## 63 HRA Dwelling Valuation

The vacant possession value of dwellings in the HRA is £466,313k as at the 1 April 2025, down by £3,259k 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 £163,210k 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 2024/25, the discount applied to determine this second valuation is 65%.

HRA Dwelling Valuation	2023/24	2024/25
	£'000	£'000
Vacant Possession Value	469,572	466,313
Existing Use Value for Social Housing (EUV-SH) @ 35%	164,350	163,210

## 64 HRA Non-Current Asset Values

HRA Non-Current Asset Values	2023/24	2024/25
	£'000	£'000
Dwellings	164,350	163,210
Other land and buildings	7,198	7,199
Vehicles, plant and equipment	227	189
Surplus sites	1,000	-
Infrastructure assets	136	129
Assets under construction	15,104	14,199
<b>Total</b>	<b>188,015</b>	<b>184,926</b>

Assets under construction includes costs to date for 18 housing developments.

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## 65 Capital Expenditure

Capital expenditure within the HRA for 2024/25 and how it has been funded is shown below:

Expenditure	2023/24	2024/25
	£'000	£'000
Improvements to dwellings	3,117	3,331
Construction of dwellings & Right To Buy buybacks	480	1,037
Assets under construction	12,950	10,363
Vehicle leasing	106	-
<b>Total</b>	<b>16,653</b>	<b>14,731</b>

Funding	2023/24	2024/25
	£'000	£'000
Major repairs reserve	2,684	2,577
Capital grants	846	3,811
Revenue contribution	2,568	538
Borrowing	6,305	6,813
Usable capital receipts	4,250	992
<b>Total</b>	<b>16,653</b>	<b>14,731</b>

## 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	2023/24	2024/25
	£'000	£'000
<b>At 1 April</b>	<b>1,375</b>	<b>1,523</b>
Amount transferred from Housing Revenue Account	2,831	2,772
Capital expenditure incurred during the year	(2,684)	(2,577)
<b>At 31 March</b>	<b>1,523</b>	<b>1,718</b>

## 67 Capital Receipts

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

Capital Receipts	2023/24	2024/25
	£'000	£'000
Sale of council houses	851	1,758
Sale of land	25	1,005
<b>Total</b>	<b>876</b>	<b>2,763</b>

## 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 the Adjustments between Accounting Basis and Funding Basis under Regulations. See Note 60.

Pension Liability: Current Year Costs	2023/24	2024/25
	£'000	£'000
Net interest on the defined benefit liability	(192)	(232)
<b>Total</b>	<b>(192)</b>	<b>(232)</b>

## 69 HRA Arrears

At 31 March 2025, the total arrears as a proportion of gross dwelling rent income (£14,552k) totalled 6.7% (6.7% at 31 March 2024). Rent written off during 2024/25 amounted to £74k (£28k in 2023/24). The breakdown of the total arrears is shown below.

HRA Arrears	2023/24	2024/25
	£'000	£'000
Rent (dwellings & garages)	614	636
Housing benefit overpayments	22	31
Court costs	19	20
Rechargeable Repairs	212	223
Other	43	64
<b>Total</b>	<b>911</b>	<b>975</b>

## 70 Bad Debt Provision

The provision for bad debt for the HRA stands at £853k as at 31 March 2025 (£756k as at 31 March 2024). 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 84%.

## 71 Rents Paid in Advance

Rents Paid in Advance	2023/24	2024/25
	£'000	£'000
Dwellings rental income paid in advance	217	328

## 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 £96.81 per week based on a 52 week year (2023/24 £89.81).

## 73 Depreciation of Fixed Assets

### Depreciation

Operational Assets	2023/24	2024/25
	£'000	£'000
Dwellings	2,548	2,508
Other land and buildings	238	259
Infrastructure	8	8
Vehicles, plant and equipment	36	38
<b>Total</b>	<b>2,831</b>	<b>2,814</b>

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

There is a net revaluation decrease of £12,629k for 2024/25. A decrease in house prices of between 2-5% led to a revaluation decrease of £4,170k across council dwellings. 2024/25 saw the completion of a number of housing schemes, bringing a total of 50 properties into use. In line with standard valuation practice, these 50 properties have since been revalued at existing use value - social housing (EUV-SH) which has resulted in a revaluation decrease of £7,761k. Additionally 7 additional properties have been purchased and revalued at EUV-SH resulting in a revaluation decrease of £702k.

DRAFT 2024/25

Operational Assets	2023/24	2024/25
	£'000	£'000
Dwellings	(4,405)	12,629
Other land and buildings	(4)	-
Surplus sites	556	-
<b>Total (Increase)/Decrease in Valuation</b>	<b>(3,852)</b>	<b>12,629</b>

## 74 Interest Payable and Similar Charges

Interest payable and similar charges	2023/24	2024/25
	£'000	£'000
Interest charges on finance leases	12	14
PWLB loan interest - HRA self financing	874	822
Interest on S106 charges Post Hill	119	-
Internal self financing - General Fund (Wells Park, Crediton)	40	37
<b>Total</b>	<b>1,045</b>	<b>873</b>

## 75 Self Financing Settlement Payment

As part of the replacement of the HRA subsidy system in 2012, Mid Devon District Council made a one-off settlement payment of £46,590k. The size of this is based on a valuation of the Council's housing service over the 30 years from 2012-2042. In order to fund it, the Council have taken on a loan from the Public Works Loan Board (PWLB) and are required to make payments of £2,645k per annum (£822k interest and £1,823k principal in 2024/25).

Self Financing Settlement Payment	2023/24	2024/25
	£'000	£'000
<b>Opening Balance</b>	<b>(30,173)</b>	<b>(28,402)</b>
Repaid in Year	1,771	1,823
<b>Closing Balance</b>	<b>(28,402)</b>	<b>(26,579)</b>

## 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	Notes	2023/24	2024/25
		£'000	£'000
<b>Income</b>			
Council Tax receivable		(69,185)	(74,067)
Transfer for Transitional Relief, S13A Reliefs and discount for prompt payment		(101)	(80)
<b>Total Income</b>		<b>(69,286)</b>	<b>(74,147)</b>
<b>Expenditure</b>			
<b>Precepts, Demands and Shares</b>		79	
- Devon County Council		48,751	51,851
- Mid Devon District Council		6,724	7,016
- Devon & Cornwall Police & Crime Commissioner		7,803	8,296
- Devon & Somerset Fire & Rescue Authority		2,888	3,013
- Parish Precepts		2,310	2,483
		<b>68,476</b>	<b>72,659</b>
<b>Charges to Collection Fund</b>			
- Change in allowance for impairment		386	701
		<b>386</b>	<b>701</b>
<b>Apportionment of previous year's surplus/(deficit)</b>			
- Devon County Council		136	(258)
- Mid Devon District Council		25	(48)
- Devon & Cornwall Police & Crime Commissioner		23	(41)
- Devon & Somerset Fire & Rescue Authority		7	(15)
		<b>191</b>	<b>(362)</b>
<b>Total Expenditure</b>		<b>69,053</b>	<b>72,998</b>
<b>(Surplus) / Deficit for the year</b>		<b>(233)</b>	<b>(1,149)</b>
<b>Opening Balance at 1st April</b>		<b>553</b>	<b>320</b>
<b>Closing Balance at 31 March</b>		<b>48</b>	<b>320</b>
			<b>(829)</b>

The £829k represents the overall surplus on the Council Tax element of the Collection Fund at 31 March 2025 (2023/24 £320k deficit). Of this 13.09% is attributable to MDDC, which equates to £108k (2023/24 £42k – 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		2023/24	2024/25
	Notes	£'000	£'000
<b>Income</b>			
NDR receivable	77	(15,437)	(17,306)
Transitional Protection Payments		(2,383)	(962)
<b>Total Income</b>		<b>(17,820)</b>	<b>(18,268)</b>
<b>Expenditure</b>			
<b>Payments of NNDR1 proportionate shares</b>			
- Central Government		8,461	9,152
- Devon County Council		1,523	1,647
- Mid Devon District Council		6,769	7,322
- Devon & Somerset Fire & Rescue Authority		169	183
		<b>16,922</b>	<b>18,304</b>
<b>Charges to Collection Fund</b>			
- Write offs / (Write ons) charged to Collection Fund		(17)	(3)
- Change in allowance for impairment		232	75
- Appeals and list alterations charged to Collection Fund		(51)	(152)
- Change in provision for alteration of lists & appeals		(38)	(48)
- Allowance for cost of collection		121	123
- Disregarded amounts - renewable energy		343	403
		<b>590</b>	<b>398</b>
<b>Apportionment of previous year's Surplus/(Deficit)</b>			
- Central Government		(224)	335
- Devon County Council		(40)	60
- Mid Devon District Council		(179)	268
- Devon & Somerset Fire & Rescue Authority		(4)	7
		<b>(447)</b>	<b>670</b>
<b>Total Expenditure</b>		<b>17,065</b>	<b>19,373</b>
<b>(Surplus) / Deficit for the year</b>		<b>(755)</b>	<b>1,105</b>
<b>Opening Balance at 1st April</b>		<b>267</b>	<b>(487)</b>
<b>Closing Balance at 31 March (Surplus) / Deficit</b>	48	<b>(487)</b>	<b>618</b>

The £618k represents the overall deficit on the NDR element of the Collection Fund at 31 March 2025 (2023/24 £487k surplus). Of this 40% is attributable to MDDC, which equates to a deficit of £247k. (2023/24 £195k surplus – see Note 48).

## Notes to the Collection Fund

### 76 General

These accounts represent the transactions of the Collection Fund, which is a statutory fund separate from the main accounts of the Council. The accounts are, however, consolidated with the Council's balance sheet. The accounts have been prepared on the accruals basis.

### 77 Income from Non-Domestic Rates (NDR)

The Council collects Non-Domestic Rates for its area, which are based on local rateable values (£54,793k at 31 March 2025) multiplied by a uniform rate (54.6p or 49.9p for those receiving small business relief for 2024/25). 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 lowers the levy paid on any growth and 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 £9,512k awarded in various discretionary and mandatory reliefs.

### 78 Calculation of Council Tax Base

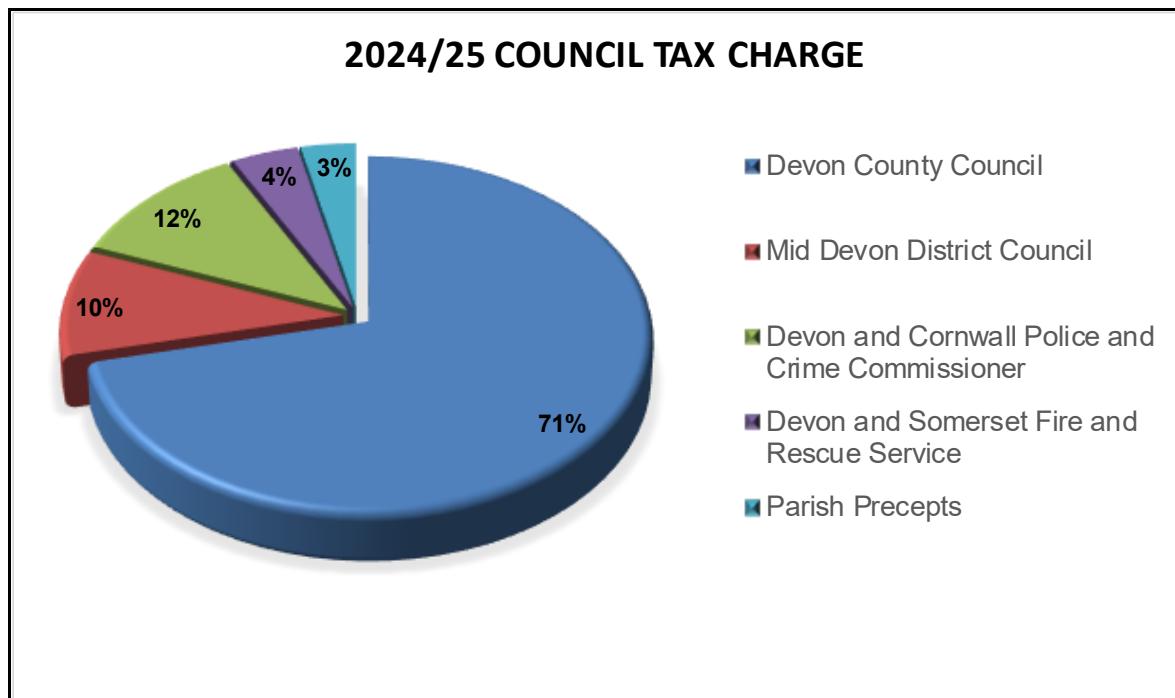
The Council Tax base is calculated by taking the number of chargeable dwellings in each valuation band (adjusted for discounts as necessary) and converted into the number of Band D equivalent properties.

Number of Dwellings					
Band	Chargeable Dwellings	Multiplier	Band D equivalent properties	Less CTR properties	Revised Band D Equivalent
@	9.25	5/9	5.15	(3.15)	2.00
A	5,397.82	6/9	3,598.55	(828.11)	2,770.44
B	8,324.70	7/9	6,474.81	(681.01)	5,793.80
C	6,735.87	8/9	5,987.42	(319.00)	5,668.42
D	6,181.06	9/9	6,181.06	(147.47)	6,033.59
E	4,662.93	11/9	5,699.14	(72.15)	5,626.99
F	2,439.77	13/9	3,524.13	(32.59)	3,491.54
G	907.75	15/9	1,512.94	(7.71)	1,505.23
H	53.00	18/9	106.00	(0.99)	105.01
<b>Total</b>	<b>34,712.15</b>		<b>33,089.20</b>	<b>(2,092.17)</b>	<b>30,997.03</b>

## 79 Precepting Authorities

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

Authority	2023/24	2024/25
	£'000	£'000
Devon County Council	48,751	51,851
Mid Devon District Council	6,724	7,016
Devon and Cornwall Police and Crime Commissioner	7,803	8,296
Devon and Somerset Fire and Rescue Service	2,888	3,013
Parish Precepts	2,310	2,483
<b>Total</b>	<b>68,476</b>	<b>72,659</b>



## 17 Glossary of Terms

### **Accounting Period**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **Accruals**

Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

### **Accumulated Compensated Absences Adjustment Account**

This account represents the value of any unused holiday, time off in lieu or flexi hours which have not been taken by officers as at the 31 March.

### **Actual**

The actual, rather than budgeted, expenditure or income attributable to the accounting period. Sometimes referred to as "Actuals".

### **Actuary**

An expert on rates of death and insurance statistics who assesses whether we have enough money in our pension fund.

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

### **Appointed Auditors**

Public Sector Audit Appointments Limited (PSAA) appoints external auditors from one of the major firms of registered auditors for each local authority that opted into their national scheme, which compromised 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.

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## **Creditor**

1 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.

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### **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.

## **1 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.

## **2 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 five-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.

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## **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.

Part 2  
2.4

## **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.

## **Mid Devon District Council**

### **DRAFT Annual Governance Statement 2024/25**

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

#### **1. Executive Summary**

- 1.1. Mid Devon District Council has reviewed its governance framework during 2024/25 and has concluded that it remains effective, robust and fit for purpose. Assurance has been gleamed from a raft of sources ranging from internal check and challenge through to external review by auditors and regulators.
- 1.2. Previous weaknesses highlighted within prior Value for Money conclusions have been addressed through the closure of the arm's length company and the ongoing work to refund the overpayment of rent arising from the historic error in the calculation.
- 1.3. 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.
- 1.4. 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. Approval**

- 2.1. The undersigned are satisfied that the assessment is accurate and indicates that appropriate governance arrangements are in place at Mid Devon District Council.
- 2.2. 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.

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Cllr Luke Taylor  
**Leader of the Council**  
Mid Devon District Council

Date

Stephen Walford  
**Chief Executive**  
Mid Devon District Council

Date

### **3. Introduction**

- 3.1. 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.
- 3.2. 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.
- 3.3. 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.
- 3.4. 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.
- 3.5. 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.
- 3.6. 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**).

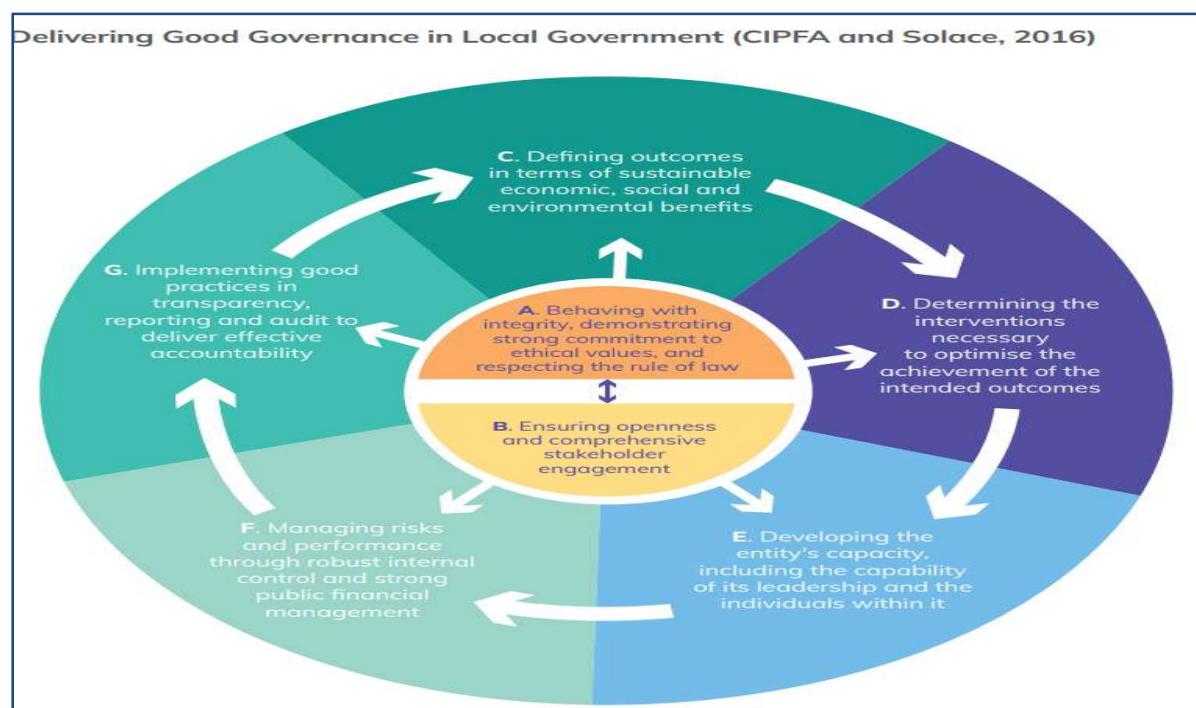
### **4. The Governance Framework**

- 4.1. 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) (amended May 2025) and the CIPFA/LASAAC Code

of Practice on Local Authority Accounting. In preparing and publishing this Statement, we therefore meet these statutory requirements.

4.2. The framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to evaluate strengths and weaknesses in the governance framework and 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 seven 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.



- 4.3. 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.
- 4.4. 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. Significant event's in 2024/25 impacting Governance

- 5.1. 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. All assets were sold and loan repayments were completed during 2023/24, leaving the company dormant and awaiting voluntary strikeoff. This formally completed on 26 November 2024.
- 5.2. During the 2023/24 audit our new incumbent auditor, Bishop Fleming, identified that one integral part of a historic formula used to calculate tenant’s rents had been incorrectly applied. This resulted in all tenant’s rents being incorrectly set for a number of years.

As soon as this isolated error was identified and evaluated we; self-referred ourselves to the Regulator for Social Housing (RSH) and are having ongoing discussions with the RSH, the Department for Work & Pensions (DWP), Bishop Fleming (BF), the Devon Audit Partnership (DAP) the Valuation Office (VOA) and have secured an external legal opinion from a KC.

The Council has developed a comprehensive recovery plan, that was agreed by Cabinet on 10 December 2024. The report and the key actions for our recovery strategy can be found at: [Cabinet 10-12-24 - Housing Rents 2024.pdf<sup>1</sup>](https://democracy.middevon.gov.uk/documents/s32091/Cabinet%2010-12-24%20-%20Housing%20Rents%202024.pdf)

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<sup>1</sup> <https://democracy.middevon.gov.uk/documents/s32091/Cabinet%2010-12-24%20-%20Housing%20Rents%202024.pdf>

On 30 April 2025, the Housing Regulator published their view on how the Council is managing this corrective process and meeting the regulatory standards. This can be found here: [Mid Devon District Council - GOV.UK<sup>2</sup>](https://www.gov.uk/government/publications/mid-devon-district-council/mid-devon-district-council-18ud-regulatory-judgement-30-april-2025)

- 5.3. From the beginning of 2024/25, a new Policy Development Group was created, focusing on Service Delivery and Continuous Improvement. This increased the number of policy development groups to five and increases the scrutiny of the council policies, increases the involvement and engagement of more elected members and overall transparency. This new PDG has responsibility for several key service areas include Waste, Leisure and Customer engagement and complaints.
- 5.4. In response to the recommendations from the Independent Review by Sir Tony Redmond on the effectiveness of external audit and integrity of financial reporting and governance processes, a suitably qualified Co-Opted Independent Member was added to Audit Committee during the 2024/25 year. Appointed through DAP, their role is to provide experience and expertise in audit, accountancy, finance and risk management to advise the Committee in these areas, but they shall have no voting rights'. It is intended that a regular person from those recruited by Devon Audit Partnership will attend Mid Devon District Council's audit committee, but should they be unavailable for any particular meeting, Devon Audit Partnership will provide a substitute.

## 6. Our Assessment of the Effectiveness of the Governance Framework

- 6.1. 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 (amended May 2025).  
Our self-assessment against the Code is included at **Appendix B**
  - b) The work of Internal Auditor, Devon Assurance Partnership  
The internal auditor provides a review of internal controls and assurance opinion on the adequacy and effectiveness on the Council's internal control environment for the year to date. This supports the Statement of Accounts assessment that they give a true and fair view of the Authority's financial position at the reporting date and its financial performance during the year.  
See **Section 8.1** for their our assessment of Internal Controls.

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<sup>2</sup> <https://www.gov.uk/government/publications/mid-devon-district-council/mid-devon-district-council-18ud-regulatory-judgement-30-april-2025>

c) The External Auditors, Bishop Fleming.

The external auditor concluded their 2023/24 accounts audit and their Value for Money conclusion report for 2023/24 to Audit Committee in January 2025.

See **section 8.2** below.

d) The role played by Members.

i. 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.

ii. Through the challenge to Cabinet on route to the approval of regular management and performance information presented to Committees.

The Policy Development Groups assist the Council and the Cabinet in the development of its budget and policy framework by in-depth analysis of current provision, performance and policy issues, feeding back 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.

**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:

i. 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.

ii. 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) The system of internal control

The process is 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. As part of their business-as-usual operations, Service Managers

frequently review and amend their risk registers, with Leadership Team ensuring they are managed efficiently, effectively and economically.

The Corporate Risk Register was reported to every Audit Committee during 2024/25. The Audit Committee also considered the effectiveness of the risk management framework in March 2024 and approved a revised Risk Management Policy to be applied from 2024/25.

See **Section 7** for our assessment of Risks.

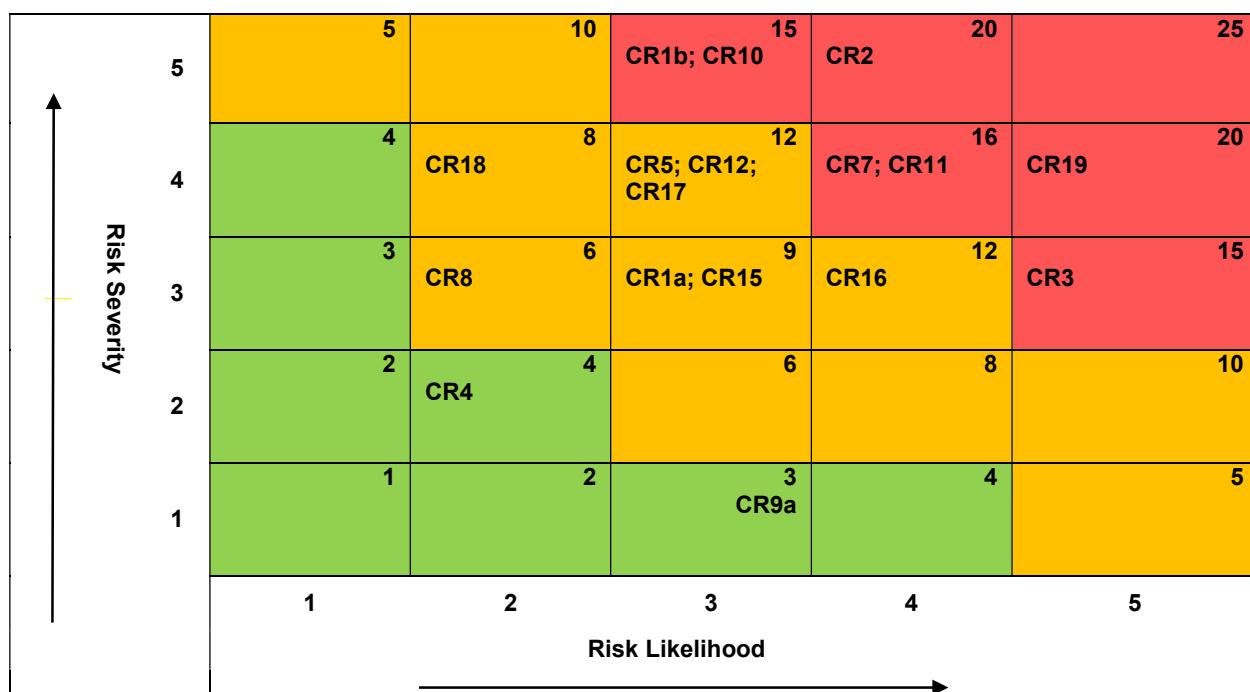
- g) The ongoing review throughout the year of policies and procedures that underpin the delivery of services alongside new initiatives introduced to enhance governance and/or service delivery.
- h) Periodically, or if requested, regulators undertake inspections of our systems and processes to gain their own assurance that the council is handling matters appropriately.

## 7. Risk Management

- 7.1. 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 and effectively managed. The Committee reviewed and agreed the Annual Risk Management Policy covering the financial year in March 2025.
- 7.2. 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 the time of writing this report, the key corporate risks as at 31 March 2025 were: -

Risk Name		Risk Owner	Risk Rating		
			Current	Trend	Target
CR1a	Culm Garden Village – Loss of capacity funding	Adrian Welsh	9	⬇	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

Risk Name		Risk Owner	Risk Rating		
			Current	Trend	Target
CR8	Quality of Planning Committee Decisions	Richard Marsh	6	↓	3
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
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
CR18	Housing Rent Error Correction	Simon Newcombe	8	New	3
CR19	Devolution and Local Government Reorganisation	Stephen Walford	20	New	15



7.3. Strategic Risk Management training is available for officers. This will support officers to manage risk. Additional guidance and training will be developed for officers and Members as required.

## 8. Independent Assurance Reports

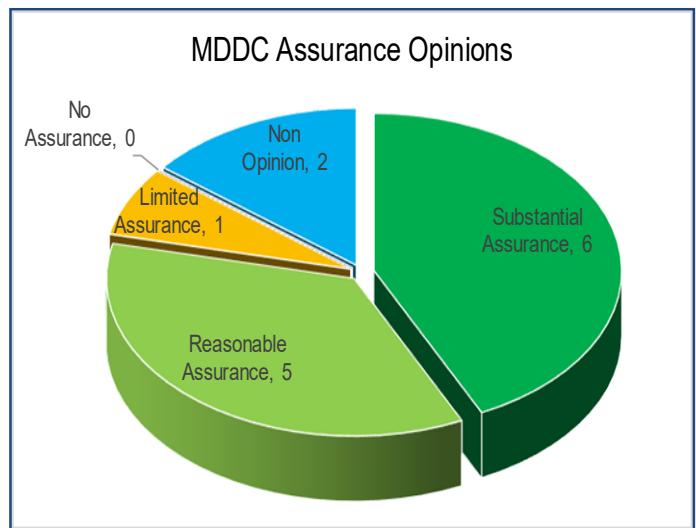
### 8.1. Internal Audit Reports

8.1.1. 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.

### 8.1.2. The conclusion from DAP is an overall opinion as follows:

“Based on work performed to date during 2024-25, our experience from previous years, the outcome of the Annual Follow Up exercise and the information in the ongoing Assurance Mapping exercise, the Head of Internal Audit’s Opinion on the adequacy and effectiveness of the Authority’s internal control framework is one of “Reasonable Assurance”.

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



Substantial assurance	Reasonable assurance	Limited assurance	Opportunity / Non-Opinion	In Progress (at year end)	Deferred (at MDDC Request)
Insurance	Main Accounting System	Building Control – Follow up	CAF – High Level Self Assessment	Procurement	Capital Asset Management
Treasury & Cashflow Management	Climate Change		Cullompton – Heritage Action Zone Grant	Commercial Rents	Vehicle & Fuel (including Inventory & Maintenance)
Sickness & Other Time Off	Gifts & Hospitality / Register of Interests			Corporate Plan	Internal Communications
Letting of Housing Stock	Firewalls			Staff Performance & Appraisals	Economic Regeneration
Risk Management	Private Water Supplies			Care Services (Alarm Income)	Planning Enforcement
Food Safety				Lords Meadow Leisure Centre	Licensing
				Legal Services	
				Patch Management	
				Repairs and Maintenance	
				Service Charges	

This year’s mix of opinions compares to the 6 Substantial, 5 Reasonable and 1 Limited Assurance (from previous year) and 2 non-audit opinion reviews provided for 2024/25 acting as a “trusted advisor” giving support and effective and constructive feedback.

### 8.1.3. Where we can improve

Although there were no “Limited Assurance” opinions given during the year, there are some areas carried forward from 2023/24 that we consider it is appropriate to re-highlight to in this Annual Governance Statement. These areas were: -

- a) Building Control: The main issues related to having sufficient building control officers, which continue from the previous audit. Plans are being acted upon but recruitment into this specialist area remains challenging.
- b) 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.
- c) 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.
- 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.

All the above audits were all concluded April/May 2024, after the audit plan for 2024/25 was agreed, therefore the follow-up audits are included within the 2025/26 plan and will be reported to the next Audit Committee following the review.

At the year end, there were a total of 36 recommendations outstanding; 1 High but not yet overdue, 21 Medium, of which 9 are overdue, 11 Low of which 9 are overdue.

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

### 8.1.4. DAP's Counter Fraud Resilience and Assessment report, which is 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.

## 8.2. External Audit

### 8.2.1. Bishop Fleming, the Council's External Auditors provided their Annual Audit Report for the 2023/24 financial year on 21 January 2025. The report confirmed that they had not identified any significant adjustments to the financial statements.

8.2.2. The 2023/24 Value for Money opinion was considered by the Audit Committee on 3 December 2024. It identified two significant weaknesses in arrangements:

1. Improving Economy, Efficiency and Effectiveness:

This was a reiteration that the Council did not exercise its shareholder role effectively, contributing to the failure of the arm's length company and significant financial loss, as identified by in the previous years audit.

2. Governance:

The second was the identification of a historic error in the rent setting calculation for housing tenants.

No significant weaknesses were noted in relation to financial sustainability.

### **8.2.3. How we have improved**

In respect of the first weakness, this was reiterated due to the timing of the 2022/23 recommendation (April 2024) and the timeframe for the Council to close the company, the auditor concluded that the weakness remained during 2023/24. The company was formally dissolved on 26 November 2024, therefore this weakness no longer exists.

With regard to the second weakness, the error in the social rent calculation, the council has taken a number of proactive steps to address the matter, including:

- Self-referring ourselves to the Social Housing Regulator;
- Keeping tenants aware of the situation and the steps we are taking to resolve the matter, ultimately leading to a potential refund to many tenants;
- Correcting the formulae – and having this externally verified;
- Engaging with the Department for Work & Pensions in respect of the implication for Universal Credit and Housing Benefits;
- Engaging with our auditors (internal and external) and the Valuations Office;
- Sought external legal advice from Kings Counsel;
- Forming an officer working group to progress through the detailed investigations and consider all aspects of how the corrections can be delivered in the most timely and effective manner, whilst considering any additional support our tenants may require during this process.

The Council forecast it will be in a position to issue the first tranche of refunds in the first half of 2025/26.

8.3. There was one piece of external assurance completed by Bridewell (via MHCLG) on Cyber Assessment Framework in January, with further work continuing through to the end of March. The assessment provided an opportunity for early adopters to

obtain independent assurance free of charge. The resulting Improvement Implementation Plan (IIP) provides a comprehensive plan for improving the Council's security management and risk mitigation efforts, with clear priorities, timelines, and responsibilities, covering the following key areas:

- Governance and Security Risk Management;
- Implementation Priorities and Timeline Expectations;
- Key Recommendations and Risks;
- Ownership and Roles Responsible;
- Cost, Effort and Complexity; and
- Status and Priority Levels.

## **9. Forward Look**

9.1. In December 2024, the government announced their plans for further devolution. In Devon, this indicates the merging of upper and lower tier local authorities to large unitary organisations. This is likely to have an impact on our governance as we work in partnership across authority boundaries to identify the best solution for local residents and business communities.

## **10. Conclusion**

10.1. 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.

10.2. 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 2024/25 financial year.

**Appendix A****Action Plan for issues arising from the 2024/25 Annual Governance Statement process**

Ref	Action Arrising	Responsible Officer	Date
1	<p>Ensure the agreed action in Internal Audit reports are fully completed. This includes the following internal audit reviews carried forward from 2023/24 where Limited assurance was provided: -</p> <ul style="list-style-type: none"> <li>a) Building Control</li> <li>b) Exe Valley Leisure Centre</li> <li>c) Voids Management – General Fund</li> <li>d) Information Management – follow up</li> </ul>	<ul style="list-style-type: none"> <li>(a) Director of Place and Economy</li> <li>(b) Head of: Revenues, Benefits, Corporate Recovery, Corporate Fraud, Welfare &amp; Leisure</li> <li>(c) Head of Finance, Property and Climate Resilience and Head of Housing and Health</li> <li>(d) Head of Digital Transformation &amp; Customer Engagement</li> </ul>	As per the individual internal audit reports

**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
<b>Behaving with integrity</b>	
<ul style="list-style-type: none"> <li>• We operate an appraisal scheme for all staff to identify development and skills needs and assess performance.</li> </ul>	This is now being monitored via the Learning Management System online
<ul style="list-style-type: none"> <li>• We have Codes of Conduct for Staff</li> </ul>	<p>Officers code of conduct  The <a href="#">Code of Conduct for Councillors</a> and Co-opted Members was approved by Full Council. Members Code of Conduct training is carried out by the Monitoring Officer.</p>
<ul style="list-style-type: none"> <li>• We provide new Members and staff with induction training on appointment.</li> </ul>	<p>New Councillors Induction Programme  Staff Induction Policy  New staff members are required to complete a comprehensive suite of courses related to H&amp;S and other related areas such as manual handling.</p>
<ul style="list-style-type: none"> <li>• Our constitution sets out how the Council and committee meetings operate.</li> </ul>	<a href="#">Constitution</a>
<ul style="list-style-type: none"> <li>• Declarations of interest made at meetings are published with minutes and on our website.</li> </ul>	For members, this is recorded against each individual members website record.
<ul style="list-style-type: none"> <li>• We have Registers of Interests (ROI) and Gifts &amp; Hospitality for Members and Staff.</li> </ul>	<a href="#">Your Councillors - MIDDEVON.GOV.UK</a> Each Council has their own ROI available via the above link. Gifts & Hospitality and Declarations are audited periodically by Internal Audit.
<ul style="list-style-type: none"> <li>• Our Whistleblowing policy was reviewed in March 2025.</li> </ul>	<a href="#">Whistleblowing policy</a> Monthly updates are given to Scrutiny Committee.

How We Meet these Principles	Where You Can See Governance in action
<ul style="list-style-type: none"> <li>• We have a clear complaints procedure on our website and an up-to-date Customer Care Policy.</li> </ul>	<p><a href="#">Complaints Procedure</a>  <a href="#">Customer Care Policy</a></p> <p>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. The next staff survey is being planned for Autumn 2025.</p>
<ul style="list-style-type: none"> <li>• We take the Health and Safety of our Staff extremely seriously.</li> </ul>	<p>We have a dedicated member of staff who's sole focus is the health and safety of our staff and customers. They attend sites and team meeting to critically review and add value to operational processes.</p> <p>H&amp;S awareness and mitigation is embedded within all service areas</p> <p>We hold regular internal Health and Safety Committee meetings</p>
<ul style="list-style-type: none"> <li>• We evaluate the training needs of Members and run briefings on key topics to ensure they have the knowledge and information to make effective decisions.</li> </ul>	<p><a href="#">Member Development Policy</a></p>
<ul style="list-style-type: none"> <li>• We operate a protocol to govern the relationship between Members and officers that ensures access to appropriate information.</li> </ul>	<p><a href="#">Protocol on Member/Officer Relations</a></p> <p>In the Constitution – Part 5 – Codes and Protocols See the Constitution</p>

<b>Demonstrating strong commitment to ethical values</b>	
<p>The Council has the following documents which are relevant:</p> <ul style="list-style-type: none"> <li>• Officers' Code of Conduct</li> <li>• Members' Code of Conduct</li> <li>• Protocol on Member/Officer Relations</li> <li>• Guidance for Members and staff on hospitality and gifts</li> <li>• Protocol of good practice for councillors dealing in planning matters</li> <li>• Staff Charter to communicate expected values and behaviours.</li> <li>• Financial regulations</li> </ul>	<p>All of these are considered within our Constitution</p> <ul style="list-style-type: none"> <li>• <a href="#">Cllrs code of conduct</a></li> <li>• <a href="#">Staff Charter</a></li> <li>• Our <a href="#">Financial Regulations</a> were updated in March 2025.</li> </ul>
<b>Respecting the rule of law</b>	
<ul style="list-style-type: none"> <li>• The Constitution is under continuous review any significant changes are taken through the Standards Committee.</li> <li>• We ensure we comply with Statutory Provisions.</li> </ul>	<a href="#">Constitution</a>
<ul style="list-style-type: none"> <li>• Compliance with CIPFA's <i>Statement on the Role of the Chief Financial Officer in Local Government</i> (CIPFA, 2015)</li> </ul>	<a href="#">The role of the Chief Financial Officer in local government</a>
<ul style="list-style-type: none"> <li>• We have effective and up-to-date anti-fraud and corruption policies and procedures</li> </ul>	See our <a href="#">Fraud and Corruption</a> pages
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	The Council has its own internal legal function, but also commissions legal advice externally where it does not have the expertise or capacity internally.

<ul style="list-style-type: none"> <li>• We recognised the importance of having effective arrangements in place for the Monitoring Officer function by updating and strengthening the role of the Monitoring Officer in the Council and recruiting a suitably qualified person for the post.</li> </ul>	The Director of Legal, HR & Governance (Monitoring Officer) is a qualified solicitor.
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### Principle B: Ensuring openness and comprehensive stakeholder engagement

How We Meet these Principles	Where You Can See Governance in action
<b>Openness</b>	
<ul style="list-style-type: none"> <li>• We publish agendas and minutes for all our meetings on our website.</li> </ul>	<a href="#">Browse Meetings, MIDDEVON.GOV.UK</a> 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"> <li>• We publish key decisions on the website</li> </ul>	<a href="#">Forthcoming Decisions</a>
<ul style="list-style-type: none"> <li>• We have a FOI publication scheme</li> </ul>	<a href="#">Publication Scheme - MIDDEVON.GOV.UK</a>
<ul style="list-style-type: none"> <li>• We have a calendar of dates for public meetings, and internally for submitting, publishing and distributing timely reports.</li> </ul>	<a href="#">2024/25 Schedule of meetings</a>
<ul style="list-style-type: none"> <li>• Procurements are competed through Pro Contract, and details of all our contracts are held on that system.</li> </ul>	The DAP Internal Audit report on procurement provided a 'Reasonable Assurance' opinion.
<b>Engaging comprehensively with institutional stakeholders</b>	
<ul style="list-style-type: none"> <li>• We meet with our local colleges of FE and key local employers to discuss how the Council can support their work</li> </ul>	<a href="#">Communication and Engagement Strategy</a> and <a href="#">Media and Social Media Policy</a> 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.

<b>Engaging with individual citizens and service users effectively</b>	
• We publish details of consultations and petitions on our website	<a href="#">Consultation &amp; Involvement</a>
• We have a strategy and policies for communication and Social Media	<a href="#">Communication and Engagement Strategy</a>
• We have an active Tenant involvement group – Tenants Together which produces regular newsletters	Tenants Survey 206 Tenant engagement events during 2024/25
• We have a Customer Engagement Officer to assist us in our work.	Customer Engagement Officer – HS25
• 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
<b>Defining outcomes</b>	
• We have an agreed Corporate Plan for 2024-2028	The <a href="#">Corporate Plan for 2024-2028</a> was considered by all Policy Development Groups and recommended to Council for adoption by Cabinet and was duly adopted on 17 July 2024.
<b>Sustainable economic, social, and environmental benefits</b>	
• We have a capital asset management group which aims to maximise the return on our capital assets	<a href="#">Asset Management &amp; Capital Strategy Plan</a> – currently being refreshed
• Optimising sustainability and taking a long-term view	<a href="#">10 Year Management Plan for Open Spaces</a> <a href="#">Medium Term Financial Plan</a>
• We treat everyone fairly and equally.	<a href="#">Equality and Diversity</a>

	<p>The Equality Forum is chaired by the Corporate Performance and Improvement Manager and meets quarterly</p>
<ul style="list-style-type: none"> <li>Climate Change Declaration made at Full Council on 26 June 2019</li> </ul>	<p><a href="#">Climate Change Strategy and Climate Action Plan</a>  <a href="#">Climate And Sustainability Update</a>  <a href="#">Mid Devon Air Quality Supplementary Planning Document (SPD)</a>  <a href="#">Biodiversity Duty Action Plan</a>  <a href="#">Non-Statutory Interim Planning Policy Statement: Climate Emergency</a>  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
<b>Determining interventions</b>	
<ul style="list-style-type: none"> <li>Our governance structure is based on Leader and Cabinet, with Policy Development Groups (PDGs) and Scrutiny Committee providing robust challenge.</li> <li>There is a 'call in' process for Scrutiny Committee, and reviews of performance are undertaken by the PDGs.</li> </ul>	<p>The Councils governance system has been the subject of debate at a number of meetings over the last couple of years.</p> <p>Committee Report Procedure</p>
<b>Planning interventions</b>	
<ul style="list-style-type: none"> <li>We have a calendar of dates for aid our development; supporting plans and reports are prepared for members, with reporting dates strictly adhered to.</li> <li>We publish details of consultations and petitions on our website.</li> </ul>	<p><a href="#">2024/25 Schedule of meetings</a></p> <p><a href="#">Consultation &amp; Involvement</a></p>

<ul style="list-style-type: none"> <li>Key Performance Indicators have been established and approved for each service element; these are included in our service plan and are reported upon regularly to Committees</li> </ul>	Regular reports on progress against the Corporate Plan including a set of agreed standard measures to Councillors and staff are reported to every Policy Development Group.
<b>Optimising achievement of intended outcomes</b>	
<ul style="list-style-type: none"> <li>We have a financial strategy in place. Finances are controlled via an annual budget and medium-term financial plans</li> </ul>	<a href="#">Medium Term Financial Plan</a>
<ul style="list-style-type: none"> <li>Our budget setting and review process is all-inclusive, taking into account the full cost of operations over the medium and longer term</li> </ul>	<p>The budget and any options are taken through Cabinet, Scrutiny and the five Policy Development Groups.</p> <p>The Resident's survey includes a section on the upcoming Budget.</p>
<ul style="list-style-type: none"> <li>Risk management and performance monitoring are key measures to support interventions.</li> </ul>	Financial information is now regularly included in performance and risk reports
<ul style="list-style-type: none"> <li>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.</li> </ul>	<p><a href="#">Audit Committee</a> 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
<b>Developing the entity's capacity</b>	
<ul style="list-style-type: none"> <li>• We are committed to improving staff welfare; this in turn can have a positive effect on reducing our sickness absence, which is a direct cost to the Council.</li> <li>• All Managers have attended our Management Training Programme</li> </ul>	<p><a href="#">Staff Charter</a></p> <p>A programme of training and briefing sessions for elected Members has been agreed to ensure Members remain up to date with current issues, are clear about their roles, and have sufficient information to make informed decisions. 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> <p>In October, three teams from Mid Devon District Council showcased their leadership and problem-solving skills at the South West Challenge for aspiring senior managers. One of our teams earned the Leadership Award and was also named runner-up in the 'Best Team' category for Performance. In addition, the team was a finalist in the remaining two categories: Best Skills and Communication.</p>

<b>Developing the capability of the entity's leadership and other individuals</b>	
<ul style="list-style-type: none"> <li>• We provide all staff with job descriptions; these clearly set out their duties and document the personal qualities and attributes required for each post.</li> </ul>	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.
<ul style="list-style-type: none"> <li>• We operate an appraisal scheme for all staff. This identifies development and skills needs and helps us assess performance.</li> </ul>	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"> <li>• We operate a protocol to govern the relationship between Members and officers which ensures good access to appropriate information.</li> </ul>	<a href="#">Constitution</a>
<ul style="list-style-type: none"> <li>• We treat everyone fairly and equally.</li> <li>• We take the Health and Safety of our Staff extremely seriously.</li> </ul>	<a href="#">Equality, Diversity and Inclusion</a> We have a dedicated member of staff who's sole focus is the health and safety of our staff and customers. They attend sites and team meeting to critically review and add value to operational processes. H&S awareness and mitigation is embedded within all service areas We hold regular internal Health and Safety Committee meetings
<ul style="list-style-type: none"> <li>• We provide new Members with induction training on appointment.</li> </ul>	New Councillors Induction Programme
<ul style="list-style-type: none"> <li>• We evaluate the training needs of Members and run briefings on key topics to ensure they have the knowledge and information to make effective decisions.</li> </ul>	Member Development Policy
<ul style="list-style-type: none"> <li>• The Chief Executive has an annual appraisal and is set performance targets by the Cabinet.</li> </ul>	The Chief Executive has an annual appraisal by a Senior Member Panel, 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
<b>Managing risk</b>	
<ul style="list-style-type: none"> <li>• All reports to our Committees include a risk assessment; this is as part of the required components of our report template.</li> </ul>	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"> <li>• Our Risk Management Policy was reviewed and approved by our Audit Committee.</li> </ul>	<a href="#">Risk Management Policy</a> (March 2024)
<ul style="list-style-type: none"> <li>• Risks are identified and recorded on our risk register; these are allocated to appropriate named managers.</li> </ul>	<a href="#">Risk Report example</a> (March 2024)
<ul style="list-style-type: none"> <li>• The Audit Committee actively monitors risks and controls at their meetings in accordance with guidance (i.e. Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013)).</li> </ul>	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"> <li>• Our internal auditors (DAP) deliver a risk based internal audit service, providing assurance on control effectiveness against risks to delivery of business objectives.</li> </ul>	<a href="#">Devon Audit Partnership - Annual Report</a> The internal annual audit report and opinion supports this (see annual report presented to June 2024 Audit Committee).
<b>Managing performance</b>	
<ul style="list-style-type: none"> <li>• Our Performance has been mapped to the Corporate Plan; all our Aims have performance measures.</li> </ul>	Performance is monitored through Cabinet, PDG and Scrutiny processes. (See <a href="#">April 2025 Cabinet Report</a> and <a href="#">Dashboards</a> as an example).

<ul style="list-style-type: none"> <li>Benchmarking information is included where available; a Council –wide subscription to ‘LG Inform Plus’ is improving the use of benchmarking and is regularly promoted at Corporate Manager Team meetings.</li> </ul>	Performance is monitored through Cabinet, PDG and Scrutiny and Audit processes. (See <a href="#">April 2025 Cabinet Report</a> and <a href="#">Dashboards</a> as an example).
<ul style="list-style-type: none"> <li>We have a calendar of dates for public meetings, and internally for submitting, publishing and distributing timely reports</li> </ul>	<a href="#">2024/25 Schedule of meetings</a>
<ul style="list-style-type: none"> <li>All agenda and minutes of Scrutiny Committee are published on our websites, including recordings of the meetings.</li> </ul>	<a href="#">Meetings, agendas, and minutes - MIDDEVON.GOV.UK</a>
<ul style="list-style-type: none"> <li>Performance and Risk Reports are provided to PDGs, Cabinet, Audit and Scrutiny Committees.</li> </ul>	Performance is monitored through Cabinet, PDG and Scrutiny and Audit processes. (See <a href="#">April 2025 Cabinet Report</a> and <a href="#">Dashboards</a> as an example).
<ul style="list-style-type: none"> <li>Our Leadership Team is committed to the performance framework.</li> </ul>	Performance is monitored through Cabinet, PDG and Scrutiny and Audit processes. (See <a href="#">April 2025 Cabinet Report</a> and <a href="#">Dashboards</a> as an example).
<b>Robust internal control</b>	
<ul style="list-style-type: none"> <li>Our Risk Management Policy is regularly reviewed and approved by Audit Committee.</li> </ul>	<a href="#">Risk Management Policy (March 2024)</a>
<ul style="list-style-type: none"> <li>We have effective and up-to-date anti-fraud and corruption policies and procedures</li> </ul>	<a href="#">Anti Fraud, Bribery and Corruption and Whistleblowing policies</a>
<ul style="list-style-type: none"> <li>We have entered a partnership to provide our Internal Audit Service via Devon Audit Partnership.</li> </ul>	<a href="#">Devon Audit Partnership - Annual Report</a> The internal annual audit report and opinion supports this (see annual report presented to June 2024 Audit Committee).

<ul style="list-style-type: none"> <li>Our Audit Committee attend training offered internally and externally</li> </ul>	Update training provided in Summer 2023
<b>Managing data</b>	
<ul style="list-style-type: none"> <li>We have Data Protection and Information Security Policies in place.</li> </ul>	Please see our <a href="#">website</a> .
<ul style="list-style-type: none"> <li>We have mandatory Data Protection and Information Security training for all staff, Members and contractors (with access to our computer network)</li> </ul>	Learning Management System – The Learning Hub
<ul style="list-style-type: none"> <li>We check performance information as part of every audit we do.</li> </ul>	DAP review and report relevant performance within their audit reports.
<b>Strong public financial management</b>	
<ul style="list-style-type: none"> <li>We publish a Medium-Term Financial Strategy covering 5 years each year.</li> </ul>	<a href="#">Medium Term Financial Plan</a>
<ul style="list-style-type: none"> <li>We publish Budget Monitoring Reports from July to February each year</li> </ul>	Item 147 - <a href="#">Agenda for Cabinet on Tuesday, 4th March, 2025, 5.15 pm - MIDDEVON.GOV.UK</a>
<ul style="list-style-type: none"> <li>The budget book is published on the website</li> </ul>	<a href="#">Budgets - MIDDEVON.GOV.UK</a>

## 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
<b>Implementing good practice in transparency</b>	
<ul style="list-style-type: none"> <li>• We publish our Statement of Accounts on our website.</li> </ul>	<p><a href="#">Statement of Accounts</a> Our 2023/24 statement of accounts was presented to, and agreed by, our Audit Committee on 21 January 2025 by our <a href="#">External Auditors</a>.</p>
<b>Implementing good practices in reporting</b>	
<ul style="list-style-type: none"> <li>• We report regularly on our performance to PDGs, Cabinet, Audit and Scrutiny Committees</li> </ul>	<p>Performance is monitored through Cabinet, PDG and Scrutiny and Audit processes. (See <a href="#">April 2025 Cabinet Report</a> and <a href="#">Dashboards</a> as an example).</p>
<ul style="list-style-type: none"> <li>• We publish our Annual Governance Statement and Action Plan on our website and take Progress reports on the Action Plan to every audit Committee meeting.</li> </ul>	<p><a href="#">Annual Governance Statement</a></p>
<b>Assurance and effective accountability</b>	
<ul style="list-style-type: none"> <li>• Our Internal Audit provider (Devon Audit Partnership (DAP)) comply with the CIPFA Statement on the Role of the Head of Internal audit.</li> </ul>	<p><a href="#">The Role of the Head of Internal Audit CIPFA</a></p>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<p><a href="#">Devon Audit Partnership</a> <a href="#">External Validation of DAP</a></p>

## 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 2024/25 Cabinet has:

- a) Received regular reports throughout the year on the Council's financial position, including the Medium Term Financial Strategy for 2025/26 to 2029/30, the budget for 2025/26 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 2024/25 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 2025/26 and medium-term financial strategy 2025/26 – 2029/30.
- 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) 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.

# Auditor's Annual Report Mid Devon District Council

For the year ended 31 March 2025



Date: 27 November 2025

Members of the Audit Committee  
Mid Devon District Council  
Phoenix House  
Phoenix Lane  
Tiverton  
EX16 6PP

Dear Sirs and Madams

**Mid Devon District Council – Auditor’s Annual Report 2024/25**

We are pleased to attach our draft Auditor’s Annual Report for the financial year 2024/25. 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 and should not be shared with anyone beyond the Council without our prior approval.

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.

Yours faithfully

**Bishop Fleming Audit Limited**

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# 1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Mid Devon District Council (the Council) for the year ended 31 March 2025.

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 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; and
- 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 its policies, aims and objectives whilst safeguarding and securing value for money from the public funds at its disposal.

The scope of our work is set in accordance with the National Audit Office's (NAO) 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 2024/25; 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 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 Audit Plan which we issued to the Council in March 2025.

## 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 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 2025.

Our conclusions are summarised in the table below, which shows that good progress has been made in remediating the significant weaknesses from last year. We have raised some recommendations for improvement, which are outlined further in sections 4-8 for more details.

	2023/24	2024/25	
<b>Financial sustainability</b>			We did not identify any significant weaknesses in the Council's arrangements for financial sustainability. Recommendations for improvement have been made.
<b>Governance</b>			We did not identify any significant weaknesses in the Council's governance arrangements. Recommendations for improvement have been made.
<b>Improving economy, efficiency and effectiveness</b>			We did not identify any significant weaknesses in the Council's arrangements for improving efficiency, economy and effectiveness. Recommendations for improvement have been made.

#### Key:

	Green - No significant weaknesses in arrangements identified and no recommendations made
	Amber - No significant weaknesses in arrangements identified but recommendations made
	Red - 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 Code and the International Standards on Auditing (ISAs) (UK). As stated in section 1 of this report, 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 2024/25; 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**

Our audit identified the following issues that have resulted in amendments to the draft financial statements:

- Understatement of HRA property valuations of £287k arising from variances between the independent valuation reports and the straight-line valuation approach adopted.
- Reclassification of Tiverton Work hub capital expenditure of £291k incorrectly accounted for as Revenue Expenditure Funded from Capital Under Statute (REFCUS) to fixed asset additions

#### **Other matters**

As stated in section 1 of this report, 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.

We concluded that there were no matters to bring to the Council's attention in respect of these matters.

#### **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 cannot formally conclude the audit and issue an audit certificate for Mid Devon District Council for the year ended 31 March 2025 in accordance with the requirements of Local Audit and Accountability Act 2014 and the Code until we have 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.

More detailed findings can be found in our Audit Completion Report which was reported to the Audit Committee on 9 December 2025.

## 4. Value for Money

Under 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 2025.

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 criterion for the auditor to assess those arrangements.

Our initial risk assessment identified the following risk of significant weakness:

Risk	Update
Our 2023/24 Auditor's Annual Report identified a significant weakness in the Council's governance arrangements due to the rent setting procedures not identifying that rents were not being set in accordance with the required formula rent.	We are satisfied that the Council has taken appropriate action during the year to resolve the issues identified. See section 6 for more details.

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 were any significant weaknesses in the 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 this 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 2024/25 outturn

The Council reported a surplus to the Cabinet on 17 June 2025 of £1,547k on the general fund in its 2024/25 outturn report. This surplus was transferred to earmarked reserves.

The reported position on the Housing Revenue Account was a deficit of £1,727k. This overspend was driven by year-end adjustments of £1,115k to clear the capital financing balance relating to the Post Hill development and £455k of sunk costs on unviable development projects going from capital to revenue expenditure. The overspend was offset by a transfer from the Housing Revenue Accounts Housing Maintenance Earmarked Reserve.

### 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 17 September 2024 and identified deficits of £1,196k for 2025/26, £1,633k for 2026/27, £655k in 2027/28 and £511k in 2028/29. The cumulative budget gap over the four years is £4.0m. 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 2025/26 budget was set in February 2025, a balanced 2025/26 position was approved with the updated MTFP budget gaps being £813k in 2026/27, £944k in 2027/28, £756k in 2028/29, £505k in 2029/30 and £312k in 2030/31, a cumulative budget gap of £3.3m.

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 2024/25 and 2025/26 Budget reports do not set out a specific plan for savings schemes to be achieved by the Council. Individual savings are identified as part of the budget setting and MTFP process, but they are then included in the service budgets with savings plans not specifically monitored by the Council in the year. As in 2023/24, 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.

We recommended in 2023/24 that 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 to identify whether the savings it identified are being delivered or whether budgets are being achieved by other unplanned efficiencies and savings.

## 2025/26 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 2025/26 budget was presented to the Cabinet on 4 February 2025 and approved by the Council on 19 February 2025.

The financial planning assumptions feeding into the 2025/26 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. Unresolved prior years' recommendations for areas of improvement are shown at section 8.***

## 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 it 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.

The Audit Committee receives corporate risk update reports 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 raised a recommendation in 2023/24 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. This point was also raised in the 2024/25 internal audit report on risk management.

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 Head of Internal Audit opinion for 2024/25 was one of reasonable assurance on the adequacy and effectiveness of the Council's internal control framework.

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.

### **Social rent issue**

Our audit procedures in 2023/24 identified that the Council had not been setting the rents for its housing tenants in line with the formula rent requirements set out by the Government. This was 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 made a provision of £1.545m in the 2023/24 financial statements, which was rolled forward and increased to £1.777m at 31 March 2025.

The Council self-referred themselves to the Regulator for Social Housing (RSH), which resulted in a judgement setting out the Council's significant failure to deliver the required outcomes of the rent standard. The Council have had ongoing meetings with the RSH, Department for Work and Pensions (DWP), internal and external audit and the Valuation Office Agency. In addition the Council obtained a King's Counsel (KC) opinion on this matter. Internal reporting on this issue has been through the Housing Policy Development Group.

The formula rent has been corrected in the 2024/25 financial year, with the Council having engaged external consultants to provide third-party assurance that the recalculated formula rents are accurate and compliant with the Rent Standard 2020 and policy guidance on rents for social housing.

The Council's work to rectify the issue is progressing in 2025/26, with the value of refunds due to tenants that are not in receipt of housing benefit having been quantified with refunds being processed for these tenants. The Council remains in discussions with the DWP over the rectification of this issue for tenants in receipt of housing benefit and Universal Credit.

### **Budget setting and budgetary control**

The Council's budget is prepared at service level with the finance team working with service managers. The output from this process is then considered by the Leadership Team meetings, in consultation with budget holders and the wider finance team.

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 that 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 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.

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 monitoring reports are considered quarterly by the Cabinet. Financial reporting is clear and includes sufficient qualitative detail to support decision making.

### **Decision making**

All reports to Council, Cabinet and committees are subject to sign off checks by the Section 151 officer, Monitoring Officer, Chief Executive and Performance and Risk. 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.

Attendance at the Audit Committee meetings, as well as reviews of meeting minutes, have confirmed that the Committee actively holds officers and the Cabinet to account. The Committee provides robust and effective challenge, thereby reinforcing governance and strengthening accountability within the Council.

#### *Modular social housing*

The Council's Housing Strategy includes a priority for the supply of new homes and sustainability, including piloting MMC (Modern Methods of Construction), design quality and climate change. The piloting of MMC was one element of the Council's Strategy alongside other traditional methods. The Council initially looked to procure the MMC contracts through the South-West Procurement Alliance MMC New Homes NH2 framework, with two firms having been identified as the two suppliers of the "adaptive pod" section of the NH2 framework. Ultimately, Zed Pods Ltd were directly appointed after the other firm went into liquidation.

The Council's MMC net-zero schemes have attracted grant funding under the Affordable Housing Programme (AHP), which has supported the viability of the schemes. Each grant funded scheme is subject to viability and value for money assessments and any schemes that fall outside of the parameters are ineligible for funding. The Council attracting the maximum available funding for these schemes demonstrates that the criteria is being met.

Our work has not identified any evidence to suggest that the decision to build MMC housing using Zed Pods Ltd was not an informed decision with all of the relevant information available to councillors.

The Council have reviewed and confirmed its continuing commitment to its MMC approach. In July 2025 the Cabinet considered and approved a report on Value for Money and best practice in Mid Devon housing modular social housing delivery, previously considered by the Housing Policy Development Group. The report set out the strategic and policy context supporting the delivery of modular (MMC) social housing in the district, as well as providing information on value for money, benchmarking and the wider context and benefits of the programme. The resolution was that the Council continues to adopt an HRA development programme with a focus on delivering MMC, modular net-zero social housing where possible.

#### **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 was raised in 2023/24 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.

***Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's governance arrangements. Unresolved prior years' recommendations for areas of improvement are shown at section 8.***

## 7. Improving economy, efficiency 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 raised an improvement recommendation in 2023/24 for the Council to develop reporting mechanisms which provide members with a clear overview of all performance indicators.

The Council utilises Local Government Association (LGA) tools such as LG Inform to undertake benchmarking across similar authorities. It is also a member of the LGA 'Peer Challenge' scheme whereby a range of independent experienced Members and officers from the accredited pool of peers review the Council's corporate performance, with the most recent review being in 2022. Additionally, the Council use CIPFA to provide key benchmarking information alongside their own information such as the Resident's Survey 2024 – 'Let's Talk Mid Devon'.

There is evidence that the Council reviews its existing services to consider cost effectiveness, with a recent example being the review of the Waste and Recycling scheme 'Bin It 123' that was introduced in 2022. This considered the effectiveness and progress of the scheme, along with proposed next steps to improve effectiveness further.

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.

### **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. There is clear guidance set out on the Council's website on the changes resulting from the Procurement Act 2023, which came into effect from 24 February 2025.

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, with recent examples being housing revenue account drainage works and internal painting contracts being reported to the March 2025 meeting.

***Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness. Unresolved prior years' recommendations for areas of improvement are shown at section 8.***

## 8. Recommendations

### KEY:



Red - Recommendations that refer to issues that have resulted in a significant weakness in the Council's arrangements.



Amber - 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

Member training policy	
<u>Governance</u>	<u>Recommendation</u>
The Member Learning and Development Policy on the Council's website is dated 2017/18.	<p>The Council should ensure that the Member Learning and Development Policy is reviewed and updated as necessary. Policies should be subject to regular review to ensure they remain up to date.</p> <p><u>Management comment</u></p> <p>The Council agrees the recommendation that the Member Learning and Development Policy should be reviewed and updated regularly. Keeping policies current ensures they remain relevant, reflect best practice, and meet the evolving needs of members and the Council.</p>

## Prior Year Issues – Ongoing

Savings plans	
 <p><b>Financial sustainability</b></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><b><u>2023/24 recommendation</u></b></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><b><u>2023/24 Management comment</u></b></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> <p><b><u>2024/25 update</u></b></p> <p>The Council set out savings plans as part of the 2025/26 MTFP update and budget setting process. However, when the budget was set the savings have been incorporated into base budgets. Monitoring is then carried out against these budgets with explanations for variances reported. The savings agreed are not separately tracked or reported, so it is not clear whether the planned savings are being achieved or whether budgets have been met by other unplanned efficiencies or savings.</p> <p><b><u>2024/25 Management comment</u></b></p> <p>The quarterly recording of why there is any variance from budget would capture and identify whether the specific saving is not being achieved.</p>

Mapping Risks to Corporate Objectives	
 <p><b>Governance</b></p> <p>The strategic risk register does not map the individual risks to specific corporate objectives or KPIs of the Council.</p>	<p><b><u>2023/24 recommendation</u></b></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><b><u>2023/24 Management comment</u></b></p> <p>This recommendation will be considered.</p> <p><b><u>2024/25 update</u></b></p> <p>The 2024/25 internal audit report on risk management also raised this issue. Risks are not mapped to corporate objectives.</p> <p><b><u>2024/25 Management comment</u></b></p> <p>The Council agrees the recommendation and will map risks to the corporate objectives.</p>

<b>Gifts and Hospitality Register</b>	
	
<b>Governance</b>  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><b><u>2023/24 recommendation</u></b></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><b><u>2023/24 Management comment</u></b></p> <p>This recommendation will be considered.</p> <p><b><u>2024/25 update</u></b></p> <p>Recommendation remains unchanged.</p> <p><b><u>2024/25 Management comment</u></b></p> <p>From January 2026, the Council will begin publishing a list of Gifts and Hospitality received by members. This information will be made available on our website in the Library section, ensuring transparency and accessibility for the public where required.</p>

<b>Performance Reporting Overview</b>	
	<p><b><u>Improving economy, efficiency and effectiveness</u></b></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><b><u>2023/24 recommendation</u></b></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><b><u>2023/24 Management comment</u></b></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> <p><b><u>2024/25 update</u></b></p> <p>Recommendation remains unchanged.</p> <p><b><u>2024/25 Management comment</u></b></p> <p>Cabinet receives a quarterly performance report. This includes all performance indicators that form part of the Corporate Plan and additional operational performance and financial metrics, with risks aligned to policy areas. The performance of Corporate Plan indicators are further discussed in the body of the report. 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> <p>In respect of the dashboard, Corporate Plan indicators are highlighted in yellow on the dashboard, and a full set of the dashboards is included within the quarterly report.</p>

Medium term financial planning	
 <p><b>Financial sustainability</b></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><b>2022/23 recommendation</b> To support medium term financial planning the Council should:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul> <p><b>2022/23 Management comment</b> 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><b>2023/24 Follow up</b> 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 2024/25.</p> <p><b>2024/25 update</b> The sensitivity analysis carried out by the Council is still limited to a 1% change and does not include wider scenario planning. Issue is unresolved.</p> <p><b>2024/25 Management comment</b> Budget options covering a three-year timeframe are collected during the data collection process, but the focus is firmly on the upcoming year. These proposals are captured and rolled forward into the relevant year's budget process.</p> <p>The need for wider scenario planning has been limited given the limited relatively stable funding arising from the recent roll-forward funding settlements. For 2026/27 wider overall scenario planning was included given the significant uncertainty over the future of local government funding.</p>

Compliance with policies	
	
<p><b>Governance</b></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><b>2022/23 recommendation</b> 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><b>Management comment</b> 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><b>2023/24 Follow up</b> 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 2024/25.</p> <p><b>2024/25 update</b> There has been no update to the Council's arrangements. Issue is unresolved.</p> <p><b>2024/25 Management comment</b> The Council agrees that having a mechanism to provide positive assurance on compliance with the Council's policies regarding gifts and hospitality is important for transparency and accountability. Introducing a periodic declaration would be a practical approach to achieve this. Including confirmation that members and officers have read and complied with other key elements of the Code of Conduct would further strengthen governance and ethical standards. Members and Officer should declare a gift and hospitality within 28 days notify the Monitoring officer.</p>

## Prior Year Issues – Resolved

3 Rivers – Shareholder role	
<p></p> <p><b><u>Improving economy, efficiency and effectiveness</u></b></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><b><u>2022/23 recommendation</u></b> The Council needs to ensure it follows an action plan with a clear timeline and allocation of responsibilities due to 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><b><u>2022/23 Management comment</u></b> 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"><li>Cost of Living Crisis</li><li>Covid-19 (material and contract availability and prices)</li><li>A challenging political environment</li><li>Planning Committee decisions</li><li>Major contractor failure</li><li>Government geographical restrictions</li></ul> <p><b><u>2023/24 Follow up</u></b> 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> <p><b><u>2024/25 update</u></b> This issue has been resolved for 2024/25 due to the actions taken during 2023/24.</p>

<b>Social rents</b>	
	
<p><b><u>Governance</u></b></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><b><u>2023/24 recommendation</u></b></p> <p>The Council must complete its work to identify the scope of the issue and take the necessary rectification actions.</p> <p><b><u>2023/24 Management comment</u></b></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> <p><b><u>2024/25 update</u></b></p> <p>The Council has taken appropriate action in respect of this issue, including self-referral to the Regulator for Social Housing and ongoing consultant with the RSH, Department for Work and Pensions and other stakeholders. The formula rent has been corrected and the Council are working through the process of quantifying refund amounts and making starting making refunds to tenants, initially those not in receipt of benefits.</p>



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December 2025

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## Mid Devon District Council Audit Committee

Internal Audit

### Internal Audit – Progress Report 2025-26



Darren Roberts  
Assurance Manager  
  
Jo McCormick  
Deputy Head of Devon Assurance  
Partnership  
  
Tony Rose  
Head of Devon Assurance Partnership

# Introduction

This report provides a summary of the performance against the Internal Audit plan for the 2025/26 financial year to date, highlighting the key areas of work undertaken and summarising our main findings and recommendations aimed at improving controls. The Internal Audit plan for 2025-26 was presented and approved by the Audit and Governance Committee in March 2025

The level of risk associated with each of the areas in Appendix 1 has been determined either from the Local Authority's Risk Register (LARR), or the Audit Needs Assessment (ANA) carried out at the planning phase. Where the audit was undertaken at the request of the client it has not been risk assessed. Assurance and recommendations should be considered in light of these risk levels and the impact this has on the achievement of corporate / service goals.

The Global Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This progress report provides a summary of work completed to date that will help inform the annual assurance opinion.

These documents combine to set out the framework for Internal Audit that must be followed as per Section 500 of the Accounts and Audit Regulations 2015. During 2025/26 DAP will be undertaking a GAP Analysis of existing processes in relation to the above for each DAP Partner. The outcomes will result in action plans that will be worked through with the Partners to ensure compliance, this is likely to require actions from both DAP and Partners to ensure compliance with the revised governance arrangements and other applicable activities. Further information will be provided in due course.

## Expectations of the Audit Committee from this report are 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.
- Audit coverage and findings provided, including amendments to the audit plan.
- The overall performance and customer satisfaction on audit delivery.

In review of these the Audit Committee are required to consider the assurance provided alongside that of Corporate Risk Management and satisfy themselves from this assurance that the internal control framework continues to be maintained at an adequate level to mitigate risks and inform the Executive for governance requirements.

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## Overall Opinion Statement

**Overall, based on work performed during 2025/26 to date and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.**

Our audit planning process is both risk based and agile, as such our resources, and consequently our interim and annual reports will inevitably focus upon higher risk areas

The Authority's internal audit plan for the year includes specific assurance, risk, governance, and value-added reviews which, with prior years audit work, provide a framework and background within which we assess the Authority's control environment.

In carrying out reviews, Internal Audit assesses whether key and other controls are operating satisfactorily and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans rests with management, and these are reviewed during subsequent audits or as part of a specific follow-up.

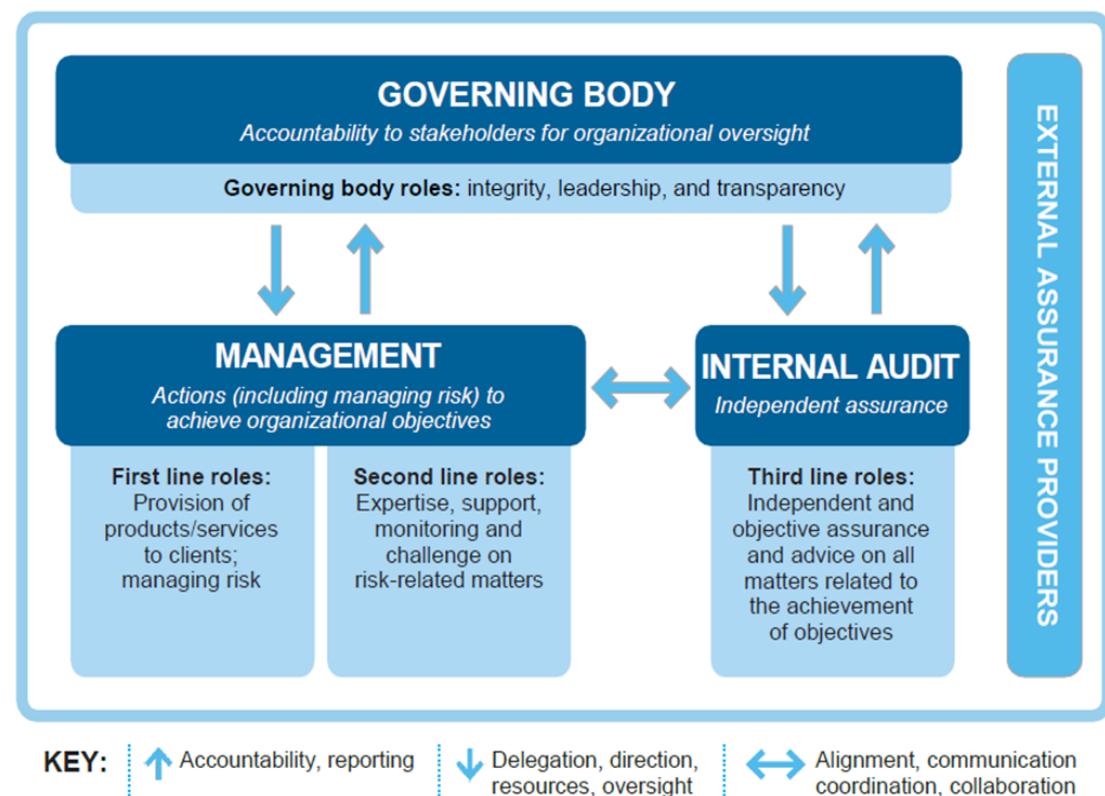
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

## Assurance Mapping

Assurance Maps can be a valuable tool for organisations, aiding in monitoring and decision making and providing a source of reference for management at all levels on the overall health of the organisations control environment and in support of the Annual Governance Statement. The Institute of Internal Auditors provides a summary of the benefits of Assurance Mapping:

- An assurance map brings an organisations risk appetite to life. At the same time as highlighting assurance gaps, it also shows where there is duplication or too much assurance. It is a simple way of aligning assurance resource, risk and internal control.
- It improves awareness of the control environment by looking across the organisation rather than at individual reports which can lead to siloed thinking.
- It drives positive behaviours by enabling robust discussions about risk, educating on the value of assurance and aiding collaboration between functions.
- Collectively, the assurance community of an organisation often has a more powerful voice when it works together; an assurance map is a practical platform benefiting all parties.

The Three Lines Model helps organisations identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management.



## Summary Assurance Opinions

Service Area							
Key Financial Systems	Property, Climate, Leisure	Legal, HR & Governance	Performance, Operations	ICT, Communication, Customer Engagement	Place, Economy, Planning	Housing & Environmental Health	
Procurement - <i>Reasonable</i>	Housing Rents - <i>Reasonable</i>	Corporate Plan - <i>Substantial</i>	Waste & Recycling	Patch Management - <i>Limited</i>	Listed Buildings & Conservation Areas	Repairs & Maintenance - <i>Reasonable</i>	
Council Tax/NNDR <i>Fieldwork</i>	Commercial Rents - <i>Fieldwork</i>	Legal Services - <i>Reasonable</i>	Grounds Maintenance (Parks & Open Spaces)	Secure Configuration - <i>Fieldwork</i>	Planning Projects - e.g. Culm Garden Village	Service Charges - <i>Fieldwork</i>	
Income Collection	Leisure Centres	Staff Performance & Appraisals - <i>Reasonable</i>		IT Risk Management		Care Service (Alarm Income) - <i>Draft Report</i>	
Creditors		Corporate Information Management - Information Assets ,Data Protection, FOI <i>Reasonable</i>		Internal Communications		Stores	
Payroll		Governance - inc Ethics & Culture <i>Fieldwork</i>				Health & Safety Management Arrangements - Council Assets incl Estate Inspections	
Main Accounting		Skills & Training				Health & Safety Management Arrangements - incl Stock	
Housing Benefits		Electoral Registration & Elections					
Debtors		Safeguarding					
VAT							
Contract Management							

## Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can. We believe internal audit activity can add 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.
- Integrating Audit, Risk Management and Counter Fraud knowledge and experience in our work.

Senior Management has found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

Our work has identified specific added value benefits in key areas and in mitigating key risks.

## Annual Follow Up Activity

As part of adding value, we undertake a follow up review to provide updated assurance to Officers and Members. This follow up activity is an opportunity to facilitate, review and expedite progress for individual audits, to inform Management of the current position and to integrate the outcomes into the organisation's strategic management arrangements.

We carried out one Limited Assurance review noted from 2023/24 on Building Control, this still remains at Limited Assurance. For those audits where Limited Assurance has been provided in the table on page 4, we will be undertaking follow up work in 2025-26 to confirm that these have been addressed.

## Audit Performance

As at 17<sup>th</sup> November 2025 we have issued 8 reports. In addition, we have 5 pieces of work at Fieldwork stage and 1 at draft report (see High Level Summary on page 5 for further details).

There has been a growing trend in the sector towards more flexible audit plans to enable internal audit to be more responsive to changing risks, in turn maximising resource focus to clients' needs as and when needed – Agile Auditing. The audit plan will be reviewed during the year to ensure it remains responsive to changing risks.

The chart to the right shows the breakdown of Substantial, Reasonable, Limited and No Assurance opinions provided to date this financial year (as reflected in the table on page 4), as well as any non-opinion-based work.

This report provides a summary of some of the key issues reported that are being addressed by management and we are pleased that management are appropriately addressing these issues.

It should also be noted that some audits required a richer mix of staff resource due to the complexity / sensitivity of the area under review.

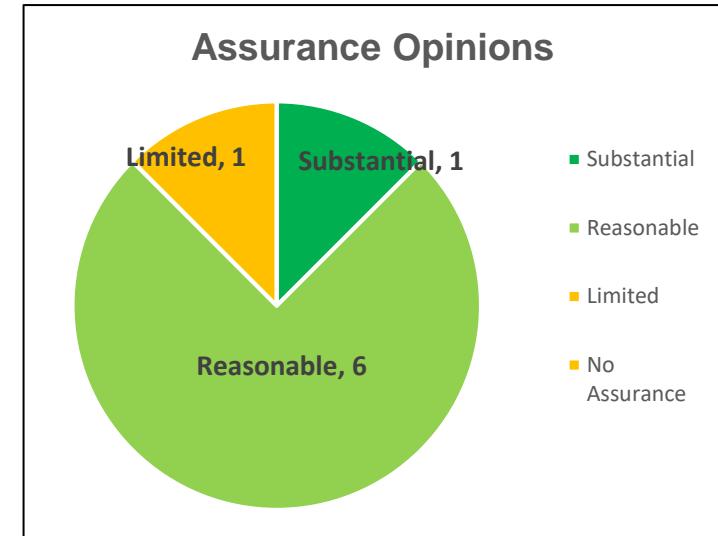
## Irregularities Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice [Code of practice on managing the risk of fraud and corruption | CIPFA](#) states that "Leaders of public sector organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management". Assessments state that there is an epidemic of fraud cases. Fraud now accounts for over 40% of all crimes; it is anticipated that this will further increase in the coming years ([see Fraud and the Justice System](#)).

The Government responded with formation of the Public Sector Fraud Authority. It is important that councils have effective measures to reduce the risk and impact of fraud. Management can refer any suspected issues to the DAP Counter Fraud Team or Internal Audit.

The Cabinet Office now run the national data matching exercise (National Fraud Initiative – NFI) every two years and the latest exercise is ongoing during 2025. Further detail will be provided as appropriate on any investigation or irregularity work that DAP undertakes, however no such work is in progress at this time.

The Home Office have now produced the guidance on the new Criminal Offence of [Failure to Prevent Fraud](#). It is important that councils have effective measures to reduce the risk and impact of fraud.



## Appendix 1 – Summary of audit reports and findings for 2025/26 (Completed since our last report in September 2025)

Legal, HR & Governance	
Risk Area / Audit Entity	Audit Report Residual Risk / Audit Comment
<b>Corporate Information Management - Information Assets ,Data Protection, FOI</b>  Reasonable Assurance  Status: FINAL  Page 302	<p>A Reasonable Assurance opinion has been provided on MDDC's operational Freedom of Information (FOI) processes. We identified that the Council has established adequate controls for the processing of FOI requests. Key processes are generally well managed and compliant with statutory requirements, there are opportunities to strengthen consistency, oversight, and potential robustness in specific areas.</p> <p>Testing identified:</p> <ul style="list-style-type: none"> <li>• There is a detailed FOI policy to govern the end-to-end FOI process,</li> <li>• There is an FOI log is maintained, supporting visibility and accountability across the Information Management team,</li> <li>• The Council demonstrates a high level of compliance with the statutory 20-working day response deadline. Between the period of 01 April 2025 till 30 September 2025, 478 FOI requests were received, with 98% responded to within the statutory deadline,</li> <li>• Key Performance Indicators (KPIs) on the FOI process, including timeliness and completeness of the response (i.e., responded to in full), are regularly reported to Leadership and relevant Committee.</li> </ul> <p>Areas for consideration:</p> <ul style="list-style-type: none"> <li>• limited documented evidence was available to support FOI response review (e.g., quality assurance) and exemption approval,</li> <li>• Training pathways for staff involved in FOI handling are not formally defined. This includes the Information Management team and operational staff who contribute to FOI responses,</li> <li>• The FOI Internal Review process may be perceived as lacking independence,</li> <li>• Minor data inaccuracies were identified in the FOI log (5 entries out of 478), which may impact reporting accuracy.</li> </ul> <p>The Council has implemented a generally sound framework for managing FOI requests, with evidence of timely responses and appropriate governance. However, enhancements in documentation practices, staff training, and data accuracy would support greater consistency and resilience. Addressing these areas will help ensure continued compliance with the Freedom of Information Act 2000 (FOIA) and alignment with best practice as outlined by the Information Commissioner's Office (ICO).</p>

<b>ICT, Communication, Customer Engagement</b>	
<b>Risk Area / Audit Entity</b>	<b>Audit Report</b> <b>Residual Risk / Audit Comment</b>
<b>Patch Management</b>  Limited Assurance  Status: <b>FINAL</b>	See Part 2.

## Confidentiality under the National Protective Marking Scheme

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 organisation, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies. This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

### Marketing

Official

### Definitions

The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.

Official: Sensitive

A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL-SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

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Assurance	Definition	Definitions of Audit Assurance Opinion Levels		Definition of Observation Priority
		Definition	Observation Priority	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.		High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met. Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important observations made to improve internal control arrangements and manage identified risks.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.		Medium	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit. An observation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.		Low	These observations do not feed into the assurance control environment.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.		Opportunity	

## Appendix 2 - Professional Standards and Customer Service Conformance with Public Sector Internal Audit Standards (GIAS)

**GIAS Conformance** - Devon Assurance Partnership conforms to the requirements of the GIAS for its internal audit activity for the period related to this report and assurance opinion. 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 2024. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

**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 are supported by a development programme.

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

An external assessment must be conducted at least once every five years by a suitably qualified, independent assessor. For DAP this was last conducted at the end of 2024 by an ex-assistant Director of SWAP, a public sector limited company providing internal audit services.

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

**\*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 GIAS and quality assurance were included in this development plan. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated, and a status report reported to the DAP Management Board.

The new **Global Internal Audit Standards (GIAS)** take effect for the UK public Sector as of 1<sup>st</sup> April 2025. There are three key aspects:

- [The GIAS](#);
- [The CIPFA Code on the Governance of Internal Audit](#); and
- [The CIPFA Application Note for the GIAS in the Public Sector](#).

These documents combine to set out the framework for Internal Audit that must be followed as per Section 5 of the Accounts and Audit Regulations 2015. During 2025/26 we are undertaking a GAP Analysis of existing processes in relation to the above for each DAP Partner. The outcomes will result in action plans that will be worked through with the Partners to ensure compliance, this is likely to require actions from both DAP and Partners to ensure compliance with the revised governance arrangements and other applicable activities. . Further information will be provided in due course. To date, we have undertaken a review of the Council’s conformance against Domain III - Governing the Internal Audit Function, against the Global IIA Standards. In addition, we have met with Officers from Democratic Services to give an update on changes that will be required to conform to the new standards.

## Customer Service Excellence

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

## Appendix 3 – Audit Authority

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## Appendix 4 - Annual Governance Framework Assurance

***The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.***

The Annual Governance Statement (AGS) provides assurance that

- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit (Governance) Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
  - The Authority;
  - Audit Committee;
  - Risk Management;
  - Internal Audit;
  - Other reviews / assurance.

Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Framework, Executive and Internal Audit that the statement meets statutory requirements, and that the management team endorse the content.



The LGA has introduced an improvement and assurance framework, accompanied by [a self-assessment](#) tool. This framework is intended to assist local authorities in evaluating the adequacy of their measures to ensure both service performance and corporate governance.

It is specifically designed for use by corporate statutory officers, in collaboration with members and other key officers. The tool should be utilised to inform the council's annual review of the effectiveness of its internal control system, aid in preparation for external evaluations such as Corporate Peer Challenges or inspections and support corporate statutory officers in their roles to promote good governance within the authority. The [framework](#) and a dedicated guide for [Councillors](#) are available on the LGA's website.

## Appendix 5 - Basis for Opinion

The Chief Internal Auditor is required to provide the organisation with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council.

In giving our opinion, it should be noted that this assurance can never be absolute. The most that the Internal Audit service can do is to provide assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria.

The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

• a statement on the effectiveness of the system of internal control in meeting the Council's objectives:

- a comparison of Internal Audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

The extent to which our work has been affected by changes to the audit plan are shown in this document.

The overall audit assurance will have to be considered in light of this position.

In assessing the level of assurance to be given the following have been taken into account:

all audits completed during 2024-25, including those audits carried forward from 2023-24;

any follow up action taken in respect of audits from previous periods;

any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the organisation's audit need that has been covered to date;

the extent to which resource constraints may limit this ability to meet the full audit needs of the Authority;

any limitations that may have been placed on the scope of internal audit.

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## Devon Assurance Partnership

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 (for 2024/25) along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [tony.d.rose@devon.gov.uk](mailto:tony.d.rose@devon.gov.uk)

## Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

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.

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# Agenda Item 13.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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